CABINET

HOUSING POLICY

MEMORANDUM BY THE LORD CHANCELLOR

The proposals of the Secretary of State for Scotland and the Minister of Housing and Local Government for a new policy on home ownership, which are set out in detail in Annex A to this memorandum, have been discussed by a Committee of Ministers under my chairmanship.

2. The principle of the scheme is to make more money available to the building societies in order to enable the societies to grant more, and more favourable, mortgages to prospective owner-occupiers. The Government would lend money to societies participating in the scheme, up to an aggregate total of, say, £100 millions, and the societies would undertake to grant 95 per cent mortgages—

(a) to any credit-worthy borrower wishing to buy a house valued at not more than £2,500 and built before 1919. The total amount of these loans would, in the case of each society, form the limit of the Government's loan to the society;

(b) to the extent that their own funds were adequate to meet the demand, for the purchase of houses valued at not more than £2,500 and built between 1919 and 1940.

In either case the mortgage would be repayable over not less than 20 years and the rate of interest would not exceed that payable on the societies' ordinary mortgages.

3. It is here that we run into difficulty. Building societies currently lend money on mortgages at 6 per cent. and borrow at about 5 per cent., the difference representing provision to meet expenses, losses, &c., and the accumulation of necessary reserves. But if the Government were to lend money to the building societies at a rate in the region of 5 per cent., they would be lending at a rate not only lower than that at which they themselves have to borrow (5½-5½ per cent.), but lower also than that at which they lend to the nationalised industries and New Towns Corporations (5½ per cent.) and to the local authorities (6 per cent.).

4. We should then be vulnerable to criticism—

(i) for, in effect, subsidising the building societies and those who buy houses through them;

(ii) for binding ourselves to lend money to the societies at rates fixed, not by us, but by themselves; and

(iii) for giving home-ownership unjustifiably high priority as against development of the nationalised industries and the New Towns and the whole range of social investment by local authorities, including, in particular, slum clearance.

In addition, we should subject ourselves to strong pressure from the local authorities to reduce the rate at which they can borrow from the Public Works Loans Board, and so imperil the whole of our interest rate policy.
5. These objections are formidable. Nevertheless, the Ministers who have examined the scheme are satisfied that it is a good one; that, in the light of possible alternatives, it represents the most efficient means of giving effect to our policy; and that we should therefore go forward with it, provided that the inherent difficulty of the interest-rates can be minimised, if not wholly resolved.

6. How will this best be done? The building societies will probably welcome the scheme and wish to participate in it. Provided, therefore, that we do not commit ourselves publicly to using them for our scheme and leave them in some doubt whether we might not, after all, prefer to work through the agency of the local authorities, we may be able to persuade them in negotiation to pay interest at 5\% per cent. or, less probably, even 5\%\% per cent. on money borrowed from the Government. The subsidy element in the scheme would then be only a small one and would be the more defensible when it is remembered that a statutory subsidy equivalent to at least 1 per cent. is given to both housing in the New Towns and slum clearance. Moreover, while it would remain true that the rate of interest paid to the Exchequer by the building societies would vary in accordance with changes in the rate which they charge their own borrowers, those changes are themselves determined largely by the modifications which the Government make from time to time in their own interest rate policy.

7. But to the criticism that we were giving too high a priority to house purchase as compared with other forms of social investment there would still be no complete answer. We could only say that this was our policy; and it would be essential that we should make no concession to the inevitable pressure to give similarly favourable treatment to the local authorities and the nationalised industries.

8. Improvement and Conversion Grants.—Side by side with the house-purchase scheme is a revised system of improvement and conversion grants worked out by the Minister of Housing. Details are at Annex B. Broadly, the proposal is that in future local authorities should have no discretion to refuse applications for grant, provided that the applicant can satisfy the appropriate conditions. A "standard improvement" would be instituted, which would automatically attract grant (up to a maximum of, say, £150) on half the cost of the work. The owner's share would, where he took advantage of the new house-purchase scheme, be advanced by the building society. Non-standard improvements and conversions would continue to be subject to approval by the local authority and, when approved, would attract grant, as of right, up to a maximum of £400 on a pound-for-pound basis. And in order to encourage the improvement of rented accommodation, local authorities in England and Wales (or possibly the County Courts: this point is still under consideration) would be empowered to fix rents for improved houses and conversions, subject to a minimum equal to the permitted rent under the Rent Act.

9. The Committee were satisfied that this revivification of the present system of improvement grants would be of real value, both on merits and politically. The necessary legislation could be combined with that for the house-purchase scheme.

10. Conclusion.—We therefore recommend the Cabinet—

(a) to approve the proposals for a scheme to assist house purchase through the building societies, on the lines set out in Annex A, provided that the societies agree to pay interest on money borrowed from the Government at a rate not more than \(\frac{1}{2}\) per cent. lower than the rate charged to their own borrowers;

(b) to authorise the Minister of Housing to make a statement of the Government's intentions in general terms, without committing us to the building societies;

(c) to approve the proposals for a revised system of improvement and conversion grants, as at Annex B.

K.

House of Lords, S.W. 1,
20th September, 1958.
ANNEX A

HOME OWNERSHIP

MEMORANDUM BY SECRETARY OF STATE FOR SCOTLAND AND MINISTER OF HOUSING AND LOCAL GOVERNMENT AND MINISTER FOR WELSH AFFAIRS

There is a big unsatisfied demand for home ownership in many parts of the country. As a party we believe firmly in a property-owning democracy. Undoubtedly, progress towards this can be most readily encouraged by a spread of home ownership. Some of our back-benchers have lately made proposals to facilitate the purchase of houses for owner-occupation, and the indications that have been given in the Press that the Government has a plan to assist home ownership have shown that there would be wide popular support for the right kind of scheme.

2. We have been going carefully into the possibilities of further help for people who want to buy a home of their own, and are now in a position to lay our proposals before our colleagues.

3. The main obstacle to-day to an extension of home ownership is not the rate of interest, nor the need to put down a deposit, but the difficulty of getting a loan on mortgage because the demand on the building societies exceeds their available resources. The simple and effective remedy is for the Government to make money available for mortgage loans. If the Government do so, they must of course see that the loans to borrowers are made on reasonable terms.

4. To make additional money available for the finance of house purchase would not require any new lending machinery. In the building societies the organisation already exists. By far the greater part of the money lent for house purchase is advanced through these societies, which exist solely for this kind of business. Because of their long experience, and also because their organisation now covers every town and village in the country, the building societies are in our view the most effective and satisfactory channel for making Government money available to increase the flow of mortgages for house purchase.

5. As a result of informal discussions with the heads of the Building Societies' Association, we are satisfied that a workable scheme could be devised which would be quickly effective and likely to give a substantial impetus to a spread of home ownership. The Treasury see serious difficulty about one (cardinal) feature of the scheme. This is explained in paragraph 11 below. This apart, they concur in the essential features of the scheme, which would be as follows:

(i) Government loans would be made to approved building societies subject to conditions approved by the Treasury.

(ii) Approved building societies would be those whose deposits can qualify for Trustee status under rules to be prescribed by the Chief Registrar of Friendly Societies.

(iii) The maximum amount of money to be advanced to any approved building society would, at any rate at the outset, be limited to the total amount of the loans made after a certain date by the society to owner-occupiers for the purchase of private houses valued at £2,500 or less and built before 1st January, 1919 (see below about newer houses). The total advances for this purpose would not, however, exceed an agreed percentage of the deposit and share capital of the society (excluding for this purpose the special Government deposit).

(iv) The total maximum amount of money to be advanced to all approved building societies would be fixed by the empowering legislation. To start with, a figure of £100 million is in mind.

(v) Building societies would pay interest on the money lent by the Government at a rate something in excess of the rate they pay (including tax) on their share capital. The initial rate would be negotiated with the building societies, and this would then automatically vary with changes in the share capital rate.
(vi) Building societies coming into the scheme would undertake to grant 95 per cent. mortgages to any credit-worthy borrower wanting to buy a house built before 1919. The basic advance on the mortgage would be at least 80 per cent., the balance being secured by an insurance policy. The whole of the small lump-sum premium for this policy would be lent to the borrower in addition to the 95 per cent. advance.

(vii) The mortgage would be repayable over a period of not less than 20 years unless the mortgagor wanted a shorter period. The rate of interest payable by the mortgagor would not exceed the rate recommended by the Building Societies' Association for the time being for individual mortgages for private houses for owner-occupation.

(viii) Building societies would also undertake to advance 95 per cent. mortgages on identical terms for houses built between 1919 and 1940 and valued at £2,500 or less, in so far as their funds are adequate to meet the demand for such mortgages (see paragraph 7 below).

(ix) The scheme would be given effect through agreements to be made by the responsible Housing Minister with each approved building society willing to participate.

6. The categories and value of the houses to be covered by the scheme as defined at (iii) and (viii) in the preceding paragraph, are not intended to be fixed once and for all. They would be incorporated in the scheme on introduction and would be given a fair run. But with experience some modifications may be found desirable. The empowering legislation would provide for either of these matters to be varied by Order.

7. The proposal in paragraph 5 (iii) above would not mean that the benefit of Government participation in the scheme would be restricted to houses built before 1st January, 1919. It is merely a convenient way of defining the scope of the Government's liability. At present building societies are lending some £40-50 millions a year on the purchase of pre-1919 houses, and so one effect of the new scheme would be to free this additional amount of money for lending on newer houses. It is believed also that Trustee status for deposits would lead to an additional inflow of funds. Societies participating in the scheme should therefore be able to give many borrowers, whose needs are not now being met, a 95 per cent. mortgage on small inter-war houses.

8. More money should also be available for advances on the normal basis, i.e., up to 90 per cent., on post-1945 and currently-built houses—though borrowers have far less difficulty in getting mortgages on these houses than on the older ones. It is indeed likely that the scheme will lead to a gradual increase in new private house-building, and this is a point that will have to be watched carefully from the investment standpoint.

9. It is thought that there will be about 150 approved building societies eligible to participate in the scheme. Between them, they would probably represent more than nine-tenths of the business done by all building societies. Would-be borrowers will therefore have a wide choice of society from which to borrow, and this should lead to effective competition between the societies to attract new customers under the scheme.

10. As examples of the possibilities of the scheme, a man buying a house valued at £1,000 (many older houses in the Provinces can be bought at this price) would have to find only about £84 for deposit, legal costs, &c., and then would pay a fraction over £7 a month on his mortgage. He could get a mortgage on these terms if his income was about £7 10s. a week. For a house costing £2,000, the man would need for deposit and expenses about £160, and then would have to pay about £14 a month, requiring an income of about £15 a week. At current wage levels the possibility of home ownership would thus be opened to a very large number of working-class families.

11. The point of difficulty referred to in paragraph 5 above arises in connection with the terms on which funds are made available from the Exchequer to the building societies. To enable building societies to grant mortgages under the scheme at the rate they charge on their normal business, the rate of interest charged to them by the Treasury—though something above the rate (including tax) paid by the societies on their share capital—will be somewhat less than the current cost to the Treasury. This flows from the fact that building societies finance their normal business from short-term borrowing, whereas the Government funds would have
to be raised by long-term borrowing. Thus, at the present time with the building societies’ normal lending rate to mortgagors standing at 6 per cent., the building societies (after taking into account the administrative costs, income tax and profit tax, and allocation to reserves for depreciation) could not afford to pay more than say 5£ per cent. to the Treasury. The current cost to the Exchequer of long-term borrowing by the issue of marketable securities, however, is slightly over 5£ per cent., and the current rate for Exchequer advances to the nationalised industries and the New Town Corporations is 5£ per cent. In other words, the scheme would involve an element of subsidy from the Exchequer to the building societies and their borrowers.

12. There is no practical escape from this difficulty if the scheme is to be worked through building societies (which appears to us far better than to set up a special Government agency, which is what the back-benchers’ memorandum proposed). Nor would it be possible to disguise the fact that in making this arrangement the Government are making a breach in their general financial policy. If this is done, the justification must be that the Government attach such high social importance to the encouragement of home ownership throughout the country, particularly on the part of the small man, that they think it right to make a special exception for this one limited purpose. They are doing this in a way that will fit in with the normal working of building societies, without however making Government money available to the societies at any less cost than the societies are ordinarily accustomed to pay for their own borrowings. The rate of interest to be paid by the societies will, in fact, be slightly more than the rate they normally pay. But it would have to be made clear that there could be no question of making any similar Exchequer concession to other borrowers for any purpose, such as the nationalised industries, local authorities and the New Town Corporations.

13. It may be suggested that the scheme might be operated through the agency of local authorities rather than of the building societies. This point is likely to be taken by the Opposition, who will no doubt argue that local authorities could do the job not only as effectively but more cheaply. Most of the local authorities have at some time or other lent for house purchase, and their general practice is to charge the borrower about £ per cent. more than they themselves have to pay for the money. Therefore, if local authorities were allowed to borrow on the same terms as the building societies, they would be able to lend at about £ per cent. less than the building societies. Alternatively, if they were allowed like the nationalised industries to borrow at 5£ per cent. (the present Public Works Loans Board (P.W.L.B.) long-term rate is 6 per cent.) they would be able to advance house loans at 6 per cent., i.e., on the same terms as the building societies.

14. But either arrangement would be open to very serious objections. It would not only mean enabling local authorities to borrow at a specially low rate of interest: it would also involve assuring them of free access to the P.W.L.B. for this purpose. This would, in two respects, be contrary to the Government’s policy, which is to allow local authorities to borrow from the Exchequer through the P.W.L.B. only when they cannot raise the money they require in the market, and to charge them a rate of interest reflecting the credit of a local authority of good standing in the market. (This rate is inevitably somewhat higher than that paid by the Government itself.) Such a breach of the policy would risk bringing the local authorities back to the Exchequer for the whole of their borrowings; they would immediately argue that a number of their other services, and indeed other parts of their housing service (such as slum clearance), are more important than the encouragement of home ownership, and accordingly that borrowing for those services should be given similar treatment. To give the local authorities free access to money at 5£ per cent. would also, of course, lead to difficulties with other borrowers in the public sector, such as the nationalised industries.

15. To operate the scheme through the local authorities would also involve enabling them to borrow freely at a reduced rate for all their lending for house purchase, since it would be quite impossible to charge them one rate of interest for loans for pre-1919 houses and another (higher) rate of interest for loans for post-1919 houses. But such a proposal would provoke a storm with the building societies, who would bitterly resent Government action to enable local authorities to lend over the whole field of house purchase on what would be, for the local authorities, specially favourable terms. Under the first alternative in paragraph 13, indeed, the whole pattern of borrowing would be disrupted; the local authorities would be able to undercut the building societies.
16. For all these reasons it would be in our view undesirable to bring local authorities into the scheme, either in place of the building societies or alongside them. Fundamentally, participation in the scheme by local authorities is unnecessary. The building society organisation covers the whole country and is able to offer an efficient service to borrowers wherever they may be, while its resources for lending will now be substantially enlarged. The making of advances for house purchase is an ancillary function of local authorities and the amount of business done by them is small in comparison: in recent years the total amount advanced by them has been between £50 and £70 millions a year as compared with £350 to £400 millions by building societies. To bring in the local authorities—there are about 1,750 of them in Great Britain—would complicate the working of the scheme without giving (apart from this point about interest rates) any commensurate practical advantage. If the scheme were to be operated through them instead of through the building societies, it would also be necessary to legislate to put compulsion on those local authorities who do not at present operate their powers for making advances.

17. Confidential discussions on the scheme have recently taken place with the local authority associations in England and Wales. (A meeting with the Scottish local authority associations is to take place later this month.) At those discussions the local authorities did not make a point of pressing that they should be allowed to participate in the scheme. As has been said above, giving assistance towards house purchase is a minor interest for the local authorities, in comparison with their major interests in building houses, schools, &c. They concentrated upon the terms on which Government money would be made available to building societies and upon the fact that this would be lower than the P.W.L.B. rate. The local authorities have frequently represented that the P.W.L.B. rate is artificially high, and the line they are likely to take if the scheme goes forward is not to criticise the provision of a special rate of interest for building societies, but to seize upon this arrangement as a fresh argument in support of their claim for a lowering of the P.W.L.B. rates for all their borrowing. Such a claim would of course have to be firmly resisted for the reasons explained in paragraph 14.

18. Though the £50-70 millions a year lent by local authorities for house purchase is a small part of the total advances made for this purpose, their contribution is not negligible. It is desirable that they should continue to lend to the best of their ability. Building societies have power to lend up to 100 per cent. of the cost or valuation of the house. They use these powers sparingly, but there are cases in which 100 per cent. advances are appropriate, e.g., where an advance is being made to the sitting tenant of a controlled house who is able to buy at less than vacant possession value. Local authorities, on the other hand, are limited by statute to the making of advances not exceeding 90 per cent. They have represented from time to time that this limit should be increased. If they were enabled to lend up to 100 per cent. there is no reason to think that they, any more than building societies, would use the power without a proper sense of responsibility. But it would enable them to give a greater measure of assistance to purchasers of smaller houses who cannot put down a deposit of as much as 10 per cent., and this might be especially useful in helping older people. We propose therefore that the law be altered to permit local authorities, if they so wish, to make advances up to 100 per cent. as building societies can.

19. If the Cabinet approve the scheme as a whole, we suggest that a statement outlining it should be made in the Debate on the Address. This will be necessary in order to avoid the risk of a general hold-up on house purchase business; unless, following the Queen's Speech, it is quickly known which classes of borrower will directly benefit under the scheme, all borrowers will tend to hold back, whether or not they are seeking an advance of as much as 95 per cent. Such a statement is also necessary to enable formal negotiations on the details of the scheme to go forward with representatives of the building societies (the discussions so far have been in strict confidence and without commitment on either side). It will then also be possible for the Chief Registrar of Friendly Societies to publish the rules to be made governing conferment of Trustee status on building society deposits.

20. There will be such wide public interest in the proposals that we might incur criticism if there were any undue delay in introducing the necessary legislation. It is therefore desirable that the preparation of a Bill should be put in hand as soon as possible.
21. This paper has been agreed with the Treasury as a basis for discussion.

22. We hope that notwithstanding the difficulties about the rate of interest discussed in paragraphs 11–14 above our colleagues will agree to recommend to the Cabinet:

(a) to give approval to the proposals set out in paragraph 5 above;
(b) to agree to the making of a statement explaining the proposals during the Debate on the Address; and
(c) to authorise the preparation of a Bill to implement the proposals in the coming session.

J. M.
H. B.

17th July, 1958.

ANNEX B

IMPROVEMENT GRANTS

MEMORANDUM BY THE MINISTER OF HOUSING AND LOCAL GOVERNMENT AND MINISTER FOR WELSH AFFAIRS

The Secretary of State for Scotland and I have already circulated our proposals for home ownership (Annex A). If our scheme is adopted, there should be a substantial increase in owner-occupation, particularly of older houses. Many of these older houses need modernising to make them fully satisfactory homes, and the Government may be criticised if it encourages people to buy these houses without at the same time helping them to bring them up to date. Indeed, the Labour Party in their proposals for future housing policy link the making of special advances to intending owner-occupiers with an obligation to improve the house.

2. Powers already exist to help house owners to modernise their homes with grants from the Exchequer and the local rates. These powers were originally enacted by the Labour Government in 1949, but they were little used until they were modified by a further enactment in 1954 (when the present Prime Minister was Minister of Housing) and an intensive publicity campaign was launched to ensure their wide use. This gave a big stimulus to the use of these grants, raising the number to about 40,000 a year in Great Britain, but despite continued efforts since then it has not been possible to increase this rate, though it has not fallen. I have therefore been at work on a revision of the scheme which would, I believe, result in more owners, particularly owner-occupiers, taking advantage of it.

3. My new proposals have been agreed with the Treasury and with the Secretary of State for Scotland, who would propose, subject to modification to meet Scottish conditions, that broadly similar arrangements should apply in that country. They have also been discussed in confidence with representatives of the local authority associations in England and Wales and are, I think, generally acceptable to them. There may be some criticism from individual local authorities of the proposal (see details below) to take away from authorities their present discretion to refuse to make a grant, but I do not believe that this will be serious. (The Secretary of State for Scotland will be discussing the proposals with the local authority associations in Scotland next week.)

4. I have also reached agreement in principle with the representatives of the building societies that if the proposals for home ownership are adopted, then an owner who has bought a house under that scheme will, if within two years from the date of purchase he modernises his home with the aid of a “standard improvement grant” (see paragraph 7 below), be lent the money he needs to pay his share of the cost of the works of improvement. The Treasury are sympathetic to this extension of the house-purchase scheme, which will of course involve some increase in the amount of Government loans to building societies in respect of pre-1919 houses.
5. The proposals outlined below will apply in their entirety to England and Wales but only in part to Scotland. Broadly, the difference will be that while the new arrangements for grants to private owners will also apply in Scotland, no change is contemplated there in the present system of grants to local authority improvements. In addition, because of the differences in rent structure in Scotland, it would not be practicable to make any alteration in the permitted level of rents to improved houses or conversions in advance of the 1961 revaluation.

New Scheme

6. The present provisions for making improvement and conversion grants would be repealed and replaced by a new system. This new system would involve two main changes:

(a) Whereas at present there is no obligation on a local authority to operate the grant scheme, in future applicants for grant would be able to claim it as a right provided that they could meet the conditions set out below. If these conditions were satisfied, local authorities would not have discretion to refuse grant.

(b) A “standard improvement” would be instituted, which would automatically attract grant up to a specified maximum amount.

Standard Improvements

7. The applicant would have to show to the satisfaction of the local authority that the house he wished to improve was structurally sound and was or would be in a condition of reasonable repair, and that it lacked certain standard amenities. These would broadly be the provision of a bath in a bathroom, an adequate hot water supply, and an indoor W.C. If the owner then installed these amenities, the local authority, when the work was completed, would pay half the cost of the work as shown by the receipted bills (or other sufficient evidence) up to a maximum grant. At present it is envisaged that this maximum should be £150 if all the works included in the standard improvement were carried out, lesser maxima being fixed for individual items forming part of the standard improvement.

8. There would of course be cases in which some of the items included in the standard improvement were already in the house, but not all. In such a case the applicant for grant would receive grant pound for pound up to the appropriate maxima for the absent items. It would be a condition of grant that if none of the items were in the house, the whole of the standard improvement must be carried out, and that if some were there, all those necessary to complete the standard improvement would have to be installed. This would mean that the present requirement that the cost of the work should be at least £100 would be dropped, since in some cases the cost of the items needed to complete the standard improvement would be less than this sum.

9. There might also be cases where the owner wished to carry out improvements other than the “standard improvements.” In such cases the proposals for improvements would continue, as now, to be subject to approval by the local authority, but provided the owner was prepared to carry out a scheme to the satisfaction of the authority he would be entitled to grant up to the present maximum of £400.

Conversions

10. It would not be possible to have a standard conversion attracting a specified amount of grant, since houses suitable for conversion vary so much in structure and arrangement. As in the case of non-standard improvements, proposals to convert a house into more than one unit, or to convert other buildings into a house, would continue to be approved ad hoc by the local authority as at present. The authority would, however, be required to pay grant up to a maximum of £400 on a pound-for-pound basis provided that the conversion was approved.

Local Authority Contributions

11. As at present, local authorities would be required to contribute one-quarter of the total grant from the rates, the other three-quarters coming from the Exchequer.
Local Authority Improvements and Conversions

12. Grants for houses owned by local authorities in England and Wales would be assimilated as closely as possible to the system of grants for private owners. The present deficiency grant would be scrapped and instead local authorities would be paid three-eighths of the cost, i.e., the Exchequer share of the grant to a private owner. Where a local authority was carrying out the standard improvements, payment could probably be made on a certificate by a responsible officer that certain costs had been incurred. For other improvement work or for conversions, costs would have to be approved by the Department before the Exchequer share was paid.

Conditions of Grant

13. Before grant could be paid on any house, the local authority would have to be satisfied that it would, after improvement, have a life of not less than 15 years. The period during which restrictions attach to the rent and sale of the house as a consequence of receiving grant would be reduced from the present 20 years to 10 years.

Rents of Improved Houses and Conversions

14. Most of the improvement grants made so far have been given to owner-occupiers, and that may continue to be the case. It is however important to encourage the improvement of rented accommodation also, and to increase the amount of accommodation available by the conversion of larger houses. The difficulty here is the limited rent which under the Rent Act landlords are allowed to charge if they undertake improvements or conversions with the aid of grant. In the case of an improvement, the rent limit is normally twice the gross value of the property before improvement, plus 8 per cent. on the owner’s share of the expenditure on the improvement. In the case of conversions, the rent limit is twice the gross value of the new unit of accommodation. In both cases, because present-day building costs are high, there is a general consensus of opinion that often the permitted rents are too low to make improvement grants attractive to landlords.

15. To single out these cases to the extent of specifying higher rent levels for them, while leaving the Rent Act limits to continue to apply to other rented houses and flats, would in my view be too difficult to contemplate, especially so soon after the passing of the Rent Act. There would however be no such difficulty if provision were made for higher rents to be fixed by local authorities at their discretion. This would in fact be to revert (in part) to the position as it was before the Rent Act. I have in mind therefore to restore to local authorities in England and Wales the power to fix rents for improved houses and conversions, subject however to a minimum equal to the permitted rent under the Rent Act.

16. I am confident that Government supporters and the public generally will welcome it if we eliminate what experience has shown to be the principal obstacles to a wider use of the present scheme. That is what my proposals are designed to do. These obstacles are:

(a) Refusal of some local authorities to give grants at all, either for reasons of prejudice or economy.
(b) Capricious refusal of grants to some individuals because the local authority believe that the owner has sufficient money to carry out the work himself.
(c) Arbitrary reduction of the grant to a small proportion of the actual cost of the improvement.
(d) Long delay in getting agreement to actual proposals for improvement.
(e) Discouraging effect of the present rent conditions on the improvement of rented property.

17. Legislation is necessary to implement these proposals. I do not, however, believe that it would give rise to much controversy. The Opposition are committed by their own legislation and by their current proposals on housing policy to the principle of improvement grants, and local authorities in general will welcome
the revised arrangements, because they clearly see the advantage to them of ensuring that houses are kept up to date and in good repair, and guarding against their slipping down into slums.

18. For the reasons given in paragraphs 1 and 4, I also consider that these proposals are essentially joined with the scheme for encouraging house purchase.

19. I therefore ask my colleagues’ approval to the scheme outlined in paragraphs 6 to 15 above, and to the inclusion of the necessary legislation in the house purchase Bill.

H. B.

Ministry of Housing and Local Government, S.W. 1,
18th September, 1958.