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CABINET

HOUSING

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

Introduction

We need a new impetus in housing. The 4 million post-war houses—3 million of them under Conservative administration—have been largely absorbed by the rise in the number of households, caused by changing habits and prosperity. And for various reasons building in and for the great cities has not kept pace with the need. So that, in spite of all we have done, housing is still desperately short in many places; hundreds of thousands of families are living in slums; many more in houses grossly ill-equipped. For young people wanting to set up home, and for people who want or need to move, the problem of getting a house is still often insoluble. Accommodation suitable for the ever-increasing numbers of old people is still hopelessly inadequate. Most people it is true are better housed to-day than ever before; but this only sharpens the contrast with the rest. Housing, high-lighted now by the ugly phenomenon of homelessness in London, is a source of bitter and constant criticism of the Government—from all directions.

2. The purpose of this Paper is to explain the general lines on which I think that we should move; and to ask if the Cabinet approve them. If the general lines are approved I will work out detailed proposals in consultation with the Chancellor of the Exchequer and other Ministers concerned.

3. The objectives fall under three main headings:

- (i) Bigger output in house-building.
- (ii) Meeting a wider range of demand and finding an alternative to local authority ownership.
- (iii) A fresh drive on the improvement of old houses.

Bigger Output

Need

4. I have outlined the main needs in the opening paragraph. It would take over a million houses to meet them (England and Wales) and they are needed now. We still have 600,000 families living in slums; and as many again over-crowded or lacking a separate house.

5. This is the back-log. But all the time further needs are accumulating. Even if we had no back-log we should have to keep on building at better than our present rate if we were to keep up with need. The population is growing (another 5 million expected over the next 20 years); separate households still faster. We have a vast problem of obsolescence. Industrial movement and expansion make continuous demands.

6. The total housing programme in Great Britain is at present running at just under 300,000 a year. It has already been agreed that public authorities should step up their share (at present 118,500) by a further 25,000-30,000 over the next two to three years. If private enterprise holds its ground the total annual programme by 1965-66 will be about 325,000.

7. At this rate it is going to be a long time before we overtake the shortages. That is inevitable whatever we do. But against such a background we ought not to be content with anything less than the maximum practicable effort. And politically we must be seen to be making greater efforts. Both the Minister of Public Building and Works and I are convinced that greater efforts are possible, in time, without over-taxing the building industry—always assuming that other demands on the industry are not allowed to increase out of proportion.

8. I want to aim at getting housing output up to 350,000 a year (Great Britain). This figure is one which the Minister of Public Building and Works and I believe to be feasible, in time. When it can be achieved must depend partly on increased productivity, partly on getting housing on to a sounder financial basis. I do not envisage increasing the municipal programme beyond what has been agreed; I want to encourage private demand.

9. I deal below with the conditions for increased output. At this point I am only asking for general agreement that increased output must be the goal.

Increased Productivity

10. We must make more use of industrial techniques. Various methods are being developed, here and in Europe, which speed erection and reduce demands on building labour. These relate mainly to the building of high blocks, though experiments are also being made in the simplification of house building. In collaboration with the Minister of Public Building and Works I shall foster these experiments, and secure the large scale adoption of the most successful systems.

11. I can tackle this, at present, only in the public sector. I must get local authorities to work together in the placing of contracts, giving them an assurance of long forward programmes; also getting them to accept a high degree of standardisation. A start has been made with the authorities in the north, where slums are most concentrated.

12. The Minister of Public Building and Works meanwhile is tackling efficiency in the building industry as a whole. We are both sure that increased productivity is possible in the housebuilding field; and that it will come, given our help.

Finance

13. A healthy housing position must depend on the willingness of people to pay what it costs, subsidy being provided only to those who cannot. People are willing to pay a substantial proportion of their income for a house they are buying; though building for owner-occupation is showing some signs of decline (see paragraph 25 below). But the true cost of housing is still largely obscured by the subsidised rents of about 3½ million council houses and the artificially low rents of about 2½ million houses still under rent control. Many people have completely lost sight of the proportion of income (which used to be put as high as a fifth) which they must be prepared to devote to housing their families.

14. We have got, when we can, to bring about more realistic rents, both private (those of houses still in control) and municipal. Controlled rents are limited to twice gross value, that is twice the 1939 rental value; this limit we are pledged not to touch during the life of this Parliament. Municipal rents vary a great deal. Some, particularly in rural areas, are already pretty well as high as the tenants can afford. But in the larger towns, although rents have been rising slowly under the pressure of mounting costs not matched by subsidy increases, the rent of a new 3 bedroom house is still often less than 30s. a week, sometimes much less. We can push up municipal rents faster only in the context of a revision of the subsidy structure (see paragraph 47 below). At this point I am only asking for general agreement that our aim must be more realistic rents, entailing for many tenants substantial increases, as soon as we can manage it.

15. This may seem politically difficult. But we are bound to be challenged soon to say what we intend on rents. We shall have to say that we intend to increase them: we cannot dodge it. The Opposition will of course make great play with it; but I believe that in the context of a forward housing policy an intention to increase rents would be generally accepted. It would not be accepted unless coupled with a forward policy.

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Land

16. Everything turns on an adequate supply of land in places where people can live—that is from which they can work. Unless we can solve this we shall not only fail to get a bigger housing output, we shall fail to maintain the present level.
17. Planning policies, in particular the decision to limit the outward growth of the great conurbations by green belts, have restricted the availability of land in the places of keenest demand. In these places are both the worst shortages and the heaviest concentrations of slums. London, Birmingham, Manchester, Liverpool all run out of land within three to five years even at their present rate of building which is derisory in relation to need. I am reviewing these policies. My Department, in collaboration with others, are at present preparing outline regional plans for the south-east, the midlands and the north-west, so as to suggest extensive areas for new building. It would be wrong to abandon the green belt idea; but I am certainly prepared to reconsider the boundaries, unpopular though that is likely to be. It will only be tolerated if seen as part of a complete plan for making enough land available.
18. All this however is dependent on decisions about the future of the distribution of industry policy and on the assumptions about the location of employment. This is being considered by an inter-departmental group which will in due course report to the Committee on Population and Employment. Early decisions—and ones which will make it practicable to sustain and, as it becomes possible, increase the output of housing—are vital to the housing programme.
19. Another critical issue is the growth of employment in London, particularly in offices. If we continue to allow so large a share of the additional employment being created each year to settle in London, we shall miss the chance to bring work to many towns where there is room for more housing and no transport problems. Besides, if we cannot check the rate of growth of employment in London, then the pressure on houses in London must continue to increase, and we can expect to see more and more of the poorer families driven out of their homes. The London County Council should be able to cope with the present homeless; but neither they nor I can feel any confidence that under the pressure of increasing competition for houses, increasing as jobs increase, the present thousand homeless families may not swell to several thousands. Meanwhile we are doing nothing to reduce the pressure.
20. This is already under consideration by the Committee on Population and Employment, and an early decision enabling us to reduce the pressure is of the utmost importance.
21. *New Towns.*—Part of the solution of the land problem must lie in opening up new areas, clear of the great conurbations, including in this the substantial expansion of some small existing towns. My predecessors have made tremendous efforts to get local authorities to expand towns capable of relieving the conurbations and I shall continue this. But it will always be slow. Only central Government have the resources and the will to carry through major expansions or to open up new sites; and this entails use of the new town machinery. Once areas are opened up and employment assured, private enterprise will gladly co-operate and in future new towns we could depend less on public investment.
22. During our 11 years we have (in England and Wales) started only one new town to relieve Liverpool, though we hope shortly to start another, for Birmingham. The authorities of these two towns, also of Manchester, totally unable to make effective housing progress within their own boundaries, feel very strongly that the Government should have given them more help if we really cared about their housing difficulties. The main thing we have done is to clamp the green belts tight round them. These authorities are, however, now accepting that they must do more to help themselves outside their boundaries, by expanding some small towns themselves; but they are willing to do so only if we for our part will use the new town procedure for the bigger and more distant operations.
23. We have got to be prepared to start some more new towns; though the number, location and timing must depend on decisions about the distribution of industry and population. I hope that soon now I can be authorised to announce the Government's willingness in principle to make further use of the new town machinery where that is the only practicable way of opening up new areas needed

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for development. It is already urgent to find new areas; and I would much prefer to find them in open consultation with all the interests concerned than, as has previously been the practice, by inter-departmental discussion behind closed doors. I can only have such consultations however if I know that the Government would be willing to take action given the right site.

Meeting a Wider Range of Demand

24. Post-war building has been virtually all for owner-occupation or for council letting. A whole middle group has been neglected—the younger salaried people and high wage-earners who can make good monthly payments but lack capital, or for some other reason are unready yet to buy. Many of these are now housed by the councils; others have no home to themselves and little hope of one. We must find means of providing for these people. And indeed we must try to find an alternative in the housing field to endless extension of municipal ownership for everything except the owner-occupied.

Owner-occupation

25. We must maintain the growth of owner-occupation. Since 1951 it has climbed (England and Wales) from about 28 per cent. to 41 per cent. of all dwellings; in the United States it is 62 per cent. Unhappily there are signs of decline in building for sale. The first eight months of this year have seen just over 120,000 private starts as compared with over 127,000 in the corresponding period last year, 121,000 in 1960.

26. The Building Societies are not now short of money. Their main worries are land shortage and soaring prices in the growth areas, and (so they say) builders' lack of confidence in demand following the financial measures of last year. The Societies will have to go out and look for business, especially in the areas where so far owner-occupation has taken little hold.

27. This we must encourage. The Chairman and Vice-Chairman of the Association are anxious to see a revival of the House Purchase Scheme, though limited to an annual maximum. I think they feel that if they do hunt for business, and especially if they go out to encourage the purchase of older houses capable of improvement (which would be a real help), they must be sure of support in case of need.

28. I am not now firmly proposing a revival of the House Purchase Scheme. I realise that the Chancellor of the Exchequer does not wish to advance money, even though no burden is involved for the tax-payer, for any but the most necessary purposes. But I want to enter into general discussions with the Building Societies Association both about a drive to maintain the growth of owner-occupation and about getting their help in the development of housing to rent (see below). I hope that a revival of the House Purchase Scheme in some form, and limited to an annual maximum, need not be ruled out if it proves critical to getting the two things I want.

Housing to Let and Co-operatives

29. For the "middle group" we need, I believe, to re-start building to let by agencies other than the local authorities. Private builders are unlikely to serve this market on any scale, especially in view of the Opposition threat to re-impose rent control. In any event ownership and management of houses is not their line.

30. I think we could fill the gap by a development of the housing association movement. We have made a start with the scheme initiated by the Home Secretary when he was Minister of Housing. The Exchequer is lending up to £25 million, at the current rate of interest and repayable over 60 years, to non-profit making associations which will build houses costing not more than £3,500, exclusive of land, and will let them at cost rents.

31. This scheme has evoked a great deal of interest, although it is hampered by the high cost of money. It should mean in total 7,000 to 8,000 houses to let at rents of about £4 to £6 a week.

32. My predecessor had already suggested to the Cabinet that we should develop this idea; and had been invited to put forward proposals (C.C. (62) 38th Conclusions, Minute 2). I am here following that up. What he had in mind, with

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which I agree, is that we should try to get non-profit-making associations—call them housing societies—established all over the country to build and manage houses to let, or houses occupied on a co-operative basis (see below), on terms which will cover the cost. I believe that it can be done subject to a doubt about the very high interest rates (see paragraph 40). I am sure however that, at the outset, it will entail both Government effort and Government support. To my mind it is worth any amount of effort and considerable support.

33. Private ownership of rented houses is becoming increasingly unsatisfactory. Many landlords neglect their properties; house management is a skilled job and many have neither the knowledge nor the reserves to tackle it. Meanwhile some landlords simply exploit their tenants. However it goes owner-occupation is not likely to look after more than 50 per cent. to 60 per cent. of the population. Are we to contemplate, as the Opposition do, that most of the rest will, in time, become Council tenants? We depend too much already on the local authority; compulsory purchase by the local authority, building by the local authority, improvement by the local authority. In short, never-ending municipalisation. We must find our alternative; and I do not see where it can lie except in the development of a housing association movement.

34. *Co-operative Ownership.*—The societies would build houses of various kinds and to suit various purses. One good method, borrowed from the Continent, is co-operative ownership. People take shares in a housing society to build and own a group of dwellings—collectively borrowing, say 95 per cent. of the cost, and collectively responsible for repayment, maintenance and management. The individual householder is thus something between a tenant and an owner-occupier and his repair costs are covered in his monthly payments; his shares confer a right to occupy, transferable with the shares; and if he wants to move he can take out what he has put in.

35. Two things are needed for such a scheme. First, the co-operatives, like owner-occupiers, must be given tax-relief on mortgage payments (Inland Revenue have agreed), and parity in any relief under Schedule A. Second, they must be able to borrow money over at least 40 years (the ordinary period for owner-occupiers is 20 years). Given 40 years, co-operatively owned houses would come within reach of people who cannot buy; they would have to face only a very small deposit, with no anxiety over repairs.

36. *Rented Housing.*—We also want houses built for ordinary straight renting, and societies might be formed for this purpose. Unfortunately the normal tenant is at a tax disadvantage by comparison with the owner-occupier, and this is one reason, though only one, why private builders will not re-enter the field. When Schedule A goes that will make the comparison still more unfavourable. I want to explore ways and means of ironing out these disadvantages.

37. *Finance.*—The first question is how can such societies borrow their money? House-building is no longer the attractive investment it once was. This is partly due to the competition for capital, partly also to the long years of uneconomic rents. As we can get rents generally nearer to the economic level, housing societies, building to let at cost rents, should become increasingly able to attract money in the market. But at the outset they will have to be helped.

38. I believe that the Building Societies could be induced to put some of their money into the venture, given Government participation. Indeed they might be keen; they know that there cannot be an unlimited future for building for owner-occupation, and the recent falling off is a warning sign. They might also be induced to join in founding the societies.

39. At the outset the Exchequer would have to come in. The Building Societies could not be expected to carry the whole cost—and what risk there is—of the venture. We might have to put up part of the money; at the least we should have to provide some guarantee against loss. The societies are at present putting about £220 million a year into the purchase of new houses. It is not unreasonable to think that they might be able to devote £20 to £25 million to the building of these houses. If we could secure an equal amount from other sources—if necessary, at the outset, from the Exchequer—we could look, eventually, for an annual output of around 12,000 to 14,000 houses a year for renting or co-operative ownership by people of moderate means. This is small enough; but following on the £25 million scheme already launched it would make a good start, and it would show the way.

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40. The intention is that these societies could cover their costs, including payment of interest on all the money borrowed at current rates of interest. But in Europe the co-operative movement has flourished on a low rate of interest subsidised by the Government. If we want to ensure success this is the way to do it. With money costing 6½ per cent., lent over 40 years, a co-operative owner/tenant would have to pay over £5 a week, exclusive of rates, for a house costing all-in £3,500. If the money could be got at 5½ per cent., the weekly payment would be a little over £4 10s. Assurance of a steady rate of interest would in itself be immensely helpful, for it would enable the societies to plan forward programmes without fear of the fluctuations in the cost of money which have so bedevilled housing in recent years. If subsidy were provided in this way it could be given by way of a repayable advance. For as incomes rise the monthly repayments could increase, enabling the societies in time to repay what had been lent.

41. I am not now asking for approval to the principle of subsidy for housing societies. I would hope that this will not arise. But it is right to warn my colleagues that it may, and could make all the difference between a scheme certain of success and one which had great difficulty in getting off the ground.

42. We should certainly have to finance the administrative effort involved in getting associations started. We should need a central organisation and some paid local organisers. This cost, perhaps of the order of £100,000 a year at the outset, should be absorbed in the management charges of the houses as the movement developed.

43. *Conclusion.*—If the general idea of developing a housing society movement is approved, I will enter into discussion with the Building Societies Association, and with others who might help, in order to see on what terms this might be possible. If a scheme seems practicable—and I am sure it is, the question is one of terms—it will be discussed in detail with the Treasury and the Scottish Office before submission to the Cabinet. Legislation would be necessary and I would aim to have this ready, if the scheme is approved, for the 1963-64 session in the hope that Parliamentary time could be found.

The Local Authorities

44. Whatever we manage to achieve in the private sector we have got to maintain the local authority programme over many years ahead. It has been agreed that their programme should be increased over the next two to three years; in England and Wales from the 1961 level of 98,500 to 120,000 to 125,000. This will be done by stepping up the rate of slum clearance, especially in the midlands and the north. Our aim should be to clear the existing slums within 10 to 15 years. This will entail doubling or trebling the building rate for the bigger cities—and can only be done if the land problem is solved.

45. *Old People.*—The authorities have a big job ahead in providing for the old. They are already building about 25,000 dwellings a year suitable for old people, but it is nothing like enough. While the other needs are so pressing they cannot do a great deal more; but I hope to achieve some increase. The Minister of Health and I are agreed that together we can improve the links between welfare and housing as they affect the elderly—and we propose to do so.

46. *Obsolescence.*—Another very big job ahead is that of tackling the "twilight areas". This can be done by the co-operation of local authorities and private enterprise. Studies are being made by my Department, and I hope soon to put out advice to the authorities on how to set about it and perhaps to initiate some pilot schemes.

47. *Subsidies.*—Soon now we shall have to reconsider the subsidy arrangements. For some years past they have borne no relation to the cost of house-building on the one hand and rent-paying capacity on the other. We have simply held subsidies down while costs rose, leaving local authorities to supplement them by putting up the rents of older houses. This has worked very unevenly as between authorities. In the last review we took some account of rental capacity, cutting the subsidy for authorities with "fat" still in hand, slightly increasing it for others. But the arrangements still bear little relation to the needs of individual authorities; and the test of rental capacity (twice gross value) is too low, though it was the best we could do at the time.

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48. Local authorities with very big slum problems ahead believe, with reason, that unless the arrangements are altered within the next few years they will not have the financial capacity to see the job through. Some authorities are already near the end of what they feel able to finance. A review will be inevitable fairly soon; and as part of that review we should consider whether we cannot insist on economic rents for those who can afford them, devoting subsidy only to those who need it.

49. I intend to start thinking out new arrangements now. I do not at present envisage legislation this side of the Election but I should like to start discussions with the authorities as soon as I have agreed the line with the Chancellor of the Exchequer; partly so that authorities should know in planning forward programmes that new arrangements are being considered, partly because there is a great deal of work to be done before we can produce a scheme which will accurately meet the needs. My intention would be first to get the authorities to accept the principle of paying subsidy only to those who need it; and if that is accepted to try to work out arrangements which would provide for the different authorities whatever subsidy is necessary to ensure that they can clear their slums, start on obsolescence, and provide a house for every family that needs to look to them. This might or might not cost more than the £4 million a year at present being added annually to the subsidy bill. In one way or another we should have to take account of the £66 million per annum already being paid by way of subsidy, but just how best that could be done I do not at this stage know. Ideally we would like to pool the lot; but the authorities would almost certainly not agree. I can make no estimate of what a realistic subsidy review would cost pending a full investigation.

The Improvement of Old Houses

Fit Houses

50. Efforts to encourage private people to improve their houses with the aid of grant have had disappointing results. Owner-occupiers have been willing enough; private landlords have responded hardly at all.

51. I am making fresh efforts to get more use made of the grants, asking local authorities to tackle landlords systematically by whole streets or areas. I hope to get Treasury agreement to a new and bigger publicity campaign next year.

52. I am also working on ideas for technical simplification—a standardised run of minimum improvements which might meet the need of whole streets of more or less identical houses with small demands on building labour.

53. But I do not think that this will be enough. There are still 2 million or more houses which, once improved, would have a further 20 to 30 years' life providing quite tolerable homes, but which otherwise will soon be classed as slums. I want to get all these improved within the next 15 years. That does not mean a dramatic increase in the rate of improvement; I would aim to step it up from the rate to which it has now fallen, 105,000 to 110,000 houses a year, to about 150,000. But to achieve this a measure of compulsion will be necessary; and I intend to work out proposals for this, making the system more flexible at the same time. If my proposals are approved I would hope to include them in the Bill to launch the housing society movement, proposed for the 1963-64 session.

Unfit Houses

54. Whatever our success in accelerating the rate of slum clearance, in the great cities families are doomed to continue living in these dreadful places for many years more. Something must be done to make these long-standing slums more tolerable.

55. Local authorities can at present get a small "patching" grant for slum houses which they buy with the intention of holding for a period before demolition and replacement. This grant, however, is intended for little more than making the houses wind and water tight, with minor improvements; and it assumes local authority acquisition.

56. I think we must try to do more for these houses; to give them at least hot water and a bath or shower, if possible—a w.c. I am working on ideas for a standard unit to provide these minimum facilities. I would want to make grant

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for this purpose available to private landlords; though I cannot pretend that I think many slum landlords will use them. If they will not we shall have to face acquisition by the local authorities (or by housing societies when we have them) with a view to what improvement is possible. These proposals too I would want, if approved when worked out, to cover in the 1963-64 Bill if one is authorised.

Summary

57.—(i) We should go for a bigger housing output. We have already agreed to increase the current annual figure of just under 300,000 to about 325,000 by 1965-66, by increasing the public programme. This assumes that building for owner-occupation holds its own. I want to aim at getting output up to 350,000 a year; and the Minister of Public Building and Works and I believe that this is practicable, without over-taxing the building industry. It depends on increased productivity and this can be achieved by greater use of industrialised building systems, greater standardisation, bigger and long forward contracts.

(ii) A bigger output depends also on a sounder financial basis for housing. This means a more realistic approach to rents, both private and public. When we can do it (after the Election) we shall have to increase the permitted rent limit for houses remaining in control; and, in the context of a general review of subsidies, force local authorities now charging too low rents to push them up.

(iii) Everything turns on an adequate supply of land in places where people can live—i.e., from which they can work. This entails a review of planning policies and that is in hand. It entails too decisions about the distribution of industry and population, and reducing the rate of growth of employment in London, both now under consideration by the Committee on Population and Employment. These decisions are required urgently.

(iv) Further use of the new towns machinery, to open up new areas for development, will be inevitable. The sooner we can announce willingness to make further use of the new town machinery the quicker we can get on with finding suitable sites, where private enterprise can build as well as public.

(v) We must maintain the growth of owner-occupation. The Building Societies should be able to secure this but a revival of the House Purchase Scheme, in a modified form, may be necessary.

(vi) To meet the needs of those unable to buy their houses we should develop a housing society movement to provide houses to let and houses for co-operative ownership. The Building Societies would probably be willing to put money into this, but Government participation in some form would be necessary. If this general idea is approved, discussions should start at once with a view to working out a scheme for legislation in the 1963-64 session, if time can be found.

(vii) The local authority programme, now being increased, will have to be maintained at a high level for many years ahead. The aim should be to clear the slums in 10 to 15 years. Soon now the subsidy structure will have to be reviewed; and this will provide the opportunity to insist on economic rents for those who can afford them, subsidy being devoted only to those who need it. A start should be made now on working out proposals designed to secure that, given a healthy rent structure, local authorities should be able to count on subsidy sufficient to enable them to complete clearance of the slums, make a start on obsolescence, and provide a house for every family that has to look to them.

(viii) Better progress must be made with the improvement of older houses, which, given this, can provide tolerable living conditions for a further 20 to 30 years. The aim is to improve the 2 million or more houses capable of it within 15 years, getting the rate of grants up to £50,000 a year. This will entail a measure of compulsion, as well as greater flexibility in the system. The 1963-64 Bill, if authorised, should cover this.

(ix) Something must at the same time be done to improve living conditions in the slum houses which must continue in occupation for a further 10 to 15 years. This entails grant for such minimum improvements as are feasible, available to private landlords as well as to local authorities. If the landlords will not use them, acquisition and improvement by the local authorities (or by housing societies when we have them) is the only remedy.

