



# HOUSING

*the  
Essential  
Foundations*

edited by  
**Paul Balchin and  
Maureen Rhoden**



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# HOUSING

## The Essential Foundations

*Housing: The Essential Foundations* provides a comprehensive, multi-disciplinary introduction to housing studies. Introducing the many diverse aspects of housing within a single volume, this topical book is essential reading for students embarking on degree and diploma courses in housing, surveying, town planning and other related subjects. Professionals within these fields will also find the book valuable as a source of up-to-date information and data.

Uniquely multi-disciplinary and including a wealth of illustrations and examples, *Housing: The Essential Foundations* focuses on key topics which include:

- housing policy and finance prior to and after Thatcherism
- equal opportunities and housing organisations
- town planning and housing development
- housing design and development
- environmental health and housing
- property and housing law
- management, policy-making and politics
- future policy issues under the new Labour government after 1997

Housing, often the largest item of personal expenditure, is humankind's most essential need after nourishment. Examining ways to satisfy this need, whether through an adequate injection of public or private investment or through mixed funding schemes, the authors stress the importance of housing market activity that accords with good planning practice, legislation, democratic decision-making, economy and efficiency.

**Paul Balchin** is Reader in Urban Economics and **Maureen Rhoden** is Course Director and Senior Lecturer in Housing Studies, both at the University of Greenwich.



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*Edited by Paul Balchin and Maureen Rhoden*



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# INTRODUCTION

In the United Kingdom, as in most developed economies, housing is a major and often the largest item in personal expenditure. It is also an important determinant of people's life chances and, next to agriculture, housing normally constitutes the largest single land use. Clearly, apart from nourishment, shelter is human-kind's most essential material need. Housing, however, was selected to be the principal victim of public expenditure cuts during the long period of the Thatcher and Major administrations. Whereas (at 1994–5 prices) public spending on housing amounted to £11.8 billion in 1980–81, by 1995–6 it had plummeted to only £4.7 billion, a decrease of 65 per cent. Housing's share of public expenditure had fallen from 5.1 to a derisory 1.5 per cent over the same period (Treasury, 1995).

As consequences of these cuts, the annual number of housing completions in the social rented sector in the United Kingdom fell from 110,000 in the 1980s to only 37,400 in 1994 (Department of the Environment, 1996); nearly 1.5 million houses were declared unfit in England in 1991 (Department of the Environment, 1993), with equivalent numbers in Scotland, Wales and Northern Ireland; and the number of homeless households in Great Britain accepted by local authorities soared from about 70,000 in 1979 to 179,000 in 1992 (Wilcox, 1996). By international standards, it was evident that far too little was being spent on housing construction. Whereas in Canada in 1980–93 an annual average of 6.1 per cent of the gross domestic product was attributable to gross fixed investment in residential buildings, and 5.8 per cent was invested in France, Germany and Italy over the same period, in the United Kingdom the equivalent proportion was only 3.6 per cent (OECD, 1994, 1995).

Although public policy is clearly instrumental in shaping the quantitative and qualitative attributes of the housing stock, a number of professions are important actors in the functioning of housing markets, reflecting the multi-disciplinary nature of housing education, training and practice. Within the parameters set by government, economists, valuers, sociologists, town planners, builders, building surveyors, environmental health officers, lawyers and housing managers all play an important role against difficult odds in attempting (with varying degrees of success) to ensure that the supply of housing matches the demand or need for accommodation.

A number of professional institutions thus require elements of housing to be included within the syllabuses of accredited degree courses or their equivalent. This book is intended to introduce students to material central to the concerns of the Chartered Institute of Building, the Chartered Institute of Housing, the Chartered Institute of Environmental Health, the Royal Institution of Chartered Surveyors and the Royal Town Planning Institute. The book should also be useful, in part, to prospective law practitioners, to undergraduates and postgraduates on non-vocational courses where housing is subject to, for example, economic, political or sociological consideration, and to practising professionals as a source of reference.

Although there are many books in print on different aspects of housing, reflecting discrete professional and academic interests, there is an absence of a wide-ranging text covering the essential foundations of housing studies. As a collaborative venture, this book is intended, in large part, to fill this vacuum but, since each relevant profession or academic school is concerned with housing from a different perspective, there is no generally acceptable order in which the appropriate subject-matter should be studied. Inevitably any selected sequence will not suit all professionals or academics. There is nevertheless an attempt to cover the necessary material in a logical order, as far as possible. The book begins with a chapter by Paul Balchin which, in order to set the scene for an interdisciplinary examination of housing in the United Kingdom during the last two decades of the twentieth century, provides a brief history of housing policy from the nineteenth century to the onset of Thatcherism in 1979. In Chapter 2, Gregory Bull seeks to explain the micro- and macro-economics of housing—to shed light on the rationale and some of the shortcomings of housing policy. The relationship between housing policy and finance during the Conservative government's period of office, 1979–97, is critically assessed by Paul Balchin, David Isaac and Maureen Rhoden in Chapter 3. Then, in Chapter 4, Maureen Rhoden considers equal opportunities in relation to housing—looking specifically at issues of concern to the elderly, to women, to black and ethnic minority households, and to sufferers of ill-health. John O'Leary explores the interface of housing and town planning in Chapter 5. Jane Weldon, in Chapter 6, focuses on housing development and housing design, and in Chapter 7, Pauline Forrester assesses housing renewal within an environmental health context. In Chapter 8, Mark Pawlowski undertakes a detailed examination of legal studies, property and housing law. In Chapter 9, Shean McConnell discusses management and organisation within the housing arena, and in Chapter 10, Maureen Rhoden analyses policy-making and politics at central and local levels of government and within housing associations. In Chapter 11, Paul Balchin, Maureen Rhoden and John O'Leary conclude by predicting some future developments and causes of concern across the spectrum of housing studies. Although each chapter focuses on a different aspect of housing studies, 'pointers' to where associated subject-matter can be found elsewhere in the book are provided at the end of each chapter, ensuring an element of cohesion. Where appropriate, case studies are presented to relate some of the material examined within the text to more detailed and 'real life' situations. Questions for discussion are also included, together with recommended reading.

We must acknowledge a very great debt we owe to other present and past colleagues and to a wide range of people in the various professions concerned with the built environment who have stimulated and advised us in the preparation of the book. We would like particularly to thank Sayeed Rahman and Gary Holt for technical advice, plans and drawings, and Andy Bradley and Simon Clark for photographic material presented in Chapter 6. In addition, we are very grateful to Pauline Newell, Gwen Oldfield and Cherie Apps who painstakingly typed and retyped most of the manuscript and to Sue Lee and Pete Stevens who produced most of the artwork within the text. Last but not least, we would like to thank our respective families for their continual encouragement and patience.

Paul Balchin  
Maureen Rhoden  
London, summer 1997

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# AN OVERVIEW OF PRE-THATCHERITE HOUSING POLICY

Paul Balchin

The purpose of this introductory chapter is to provide a review of the evolution of housing policy from the nineteenth century to 1979. It was during this period that present-day housing markets evolved and present-day causes for concern emerged. During the latter years of this period, owner-occupation succeeded private renting as the dominant form of housing tenure, and the number and proportion of local authority dwellings reached its peak, but housing needs were far from satisfied in each of the housing sectors. This chapter specifically examines:

- The Victorian origins of housing policy.
- The development of housing policy, 1914–39, emphasising rent control and decontrol in the private rented sector, the introduction of housing subsidies in the local authority sector, and the gradual expansion of owner-occupation.
- Post-war housing policy, 1945–51, focusing on the extension of rent control and the increase in subsidies to local authority housing.
- The ‘consensus years’, 1952–79, reviewing rent decontrol and the introduction of rent regulation, house-building in the local authority sector, private sector rehabilitation, housing associations, and the substantial growth of owner-occupation.
- Housing finance reform.
- The changing pattern of tenure, 1913–79, and its regional distribution.

## INTRODUCTION

Housing issues are frequently examined within the context of recent economic, social and technological change, and housing problems are often attributed to the policies of the current or previous government. But in any of the older industrial countries, the present state of housing is in large part a legacy of policies reaching back to the period of rapid industrialisation and urbanisation in the nineteenth and early twentieth centuries.

Since its inception, housing policy in the United Kingdom has been conditioned by the dominant political philosophy of the time. The virtual absence of housing legislation in the first half of the nineteenth century was a reflection of a liberal or *laissez-faire* approach to most matters—economic and social—and of an adherence to the free market. By the late nineteenth century, however, it was increasingly recognised that legislation was necessary to enhance environmental health in our towns and cities and that intervention into housing markets was essential if living conditions were to be improved and the productivity of urban workforces raised.

After the First World War, but more particularly after the Second, a mixed economy developed whereby state intervention and the market coexisted. For a few years in the inter-war period, and for much longer interludes after 1945, corporatism replaced a *laissez-faire* adherence to the free market.

The Beveridge Report (1942), heralding the expansion of the welfare state, highlighted the need to protect 'from the cradle to the grave' all individuals and the family from, among other afflictions, the squalor of poor housing. There was also a broad consensus that policies, fairly even-handedly, should further the interests of all households, whether they were private or social sector tenants or owner-occupiers. Although, of course, there were periods in the decades following the Second World War when Conservative governments, to a limited extent, reverted to market criteria in formulating policy, it was not until after 1979 that Conservative administrations adopted a vigorous neo-liberal approach to housing—characterised most notably by reduced public investment in house-building, the marketisation of rents in both the private and social sectors, and the privatisation of social housing (see Chapter 3).

## THE VICTORIAN ORIGINS OF HOUSING POLICY

The introduction of housing policy in the nineteenth century was a direct response to the economic and social legacy of the industrial revolution. The population of Great Britain increased from 11.9 million in 1811 to 40.8 million in 1911 and it had become largely urban. Poverty and squalor were manifested in the condition of housing in our towns and cities. The increase in the supply of labour enabled employers to keep wages to the minimum—often to subsistence level—but urban landlords, in their desire to maximise profit on their property, developed housing at a very high density and of appalling quality. Overcrowding and disease were the inevitable results throughout the industrial areas of Britain.

During the first half of the nineteenth century, *laissez-faire* attitudes in government largely prevailed. Within a free market, almost all working class housing was privately rented. Landlords needed to raise about two-thirds of the value of their property on mortgage, and if interest rates increased, landlords passed on the cost as much as possible in

higher rents in order to maintain profitability. Gauldie (1974) has shown that rents rose steadily in the period 1780–1918 (even when the general price trend was downwards), and that in the nineteenth century the average working class family paid 16 per cent of their income in rents in contrast to 8–9 per cent paid by middle class families. The majority of private landlords were relatively small capitalists content with a secure return on their capital—housing comparing very favourably with other forms of investment. Until the extension of limited liability in the late nineteenth century, investment in joint stock companies was unattractive to those with modest means. But with the development of the stock exchange and building societies, the expansion of government and municipal stock, and increased investment opportunities overseas, private rented property became much less attractive as an investment.

On a very limited scale there was, however, an improvement in the condition of working class housing. 'Not-for-profit' housing associations originate from 1830 when the Labourer's Friendly Society was formed. The society built very few houses but these were of a higher standard than most low-income dwellings at the time. However, throughout the rest of the century, poor households failed to attract financial backing. Charitable trusts therefore attempted to show that private enterprise could provide decent housing for the working classes. Bodies such as the Guinness Trust, the Peabody Donation Fund, the Joseph Rowntree Trust and the Sutton Dwellings Trust, formed in the nineteenth century, are still active today in supplying general family housing. Higher-paid workers, however, often showed an interest in owner-occupation and set up building societies—'self-help' organisations established initially to divert the savings of members into house-building.

In the second half of the nineteenth century, a *laissez-faire* approach to environmental and social problems gradually became discredited. Not only was an improvement in housing deemed necessary for health reasons, but it was thought that it would indirectly raise productivity at work and alleviate

political agitation at a time when the majority of the population was disenfranchised. Trailing the introduction of public health legislation (the Public Health Act of 1848), housing legislation was added step by step to the statute book.

The Labouring Classes Lodging Houses Act and the Common Lodging Houses Act (both of 1851) were targeted at mobile labour, and in turn permitted local authorities to provide temporary housing and controlled and monitored private common lodging houses. The success of these Acts was, however, thwarted by the unwillingness of ratepayers to provide the necessary revenue. Subsequently, the Artizans and Labourers Dwellings Act of 1868 (the Torrens Act) and the Artizans and Labourers Dwellings Improvement Act of 1875 (the Cross Act) were

intended to promote slum clearance, but because ratepayers were reluctant to finance clearance, and as most slum housing was sited on high-value land in the inner urban areas, the Acts were ineffectual. Authorities also had the problem of having little or no accommodation to offer displaced households.

The Public Health Acts of 1875 and 1890 were nevertheless having a favourable effect on the quality of new private and later public sector housing and on residential environments in the emerging inner suburbs. It was unfortunate, however, that increased public intervention from the 1848 Act onwards further reduced the attraction of housing investment. Controls often resulted in either higher rents (to compensate landlords for improvement costs incurred) or a decrease in the supply of accommodation if



**Plate 1.1 By-law housing developed under the Public Health Acts of 1875 and 1890**  
*Two-storey terraced housing developed at the end of the nineteenth century, London Borough of Merton*



investment became less profitable. Public sector house-building thus became essential if affordable housing for lower-income households was to be provided. In 1869, a local authority in Liverpool was the first to build municipal housing for rent and, following the Housing of the Working Classes Acts of 1885 and 1900, local authorities and particularly the newly constituted London County Council and London's boroughs developed a number of large housing estates often with their own work-forces—the direct labour organisations. Under these Acts, local authorities (without any financial assistance from central government) thus became the suppliers of housing for general needs and partly usurped the role of self-help organisations and charities.

## THE DEVELOPMENT OF HOUSING POLICY, 1914–39

### Rent control and decontrol

Despite the introduction of local authority housing at the end of the nineteenth century, private rented accommodation still constituted 90 per cent of the

nation's housing stock at the outbreak of the First World War (with owner-occupation accounting for most of the rest). There was, moreover, still a tendency for private landlords to raise rents to their highest possible level—a practice particularly prevalent during the first year of the war, when housing shortages were exacerbated by a dramatic reduction in the rate of house-building. Following rent strikes across the country (but most notably in Glasgow), the government introduced rent control in 1915 by the Increase in Rent and Mortgage Interest (War Restrictions) Act. Rents were controlled at 1914 levels on property where rateable values were less than £35 in London, £30 in Scotland and £26 elsewhere in the United Kingdom (Table 1.1). In the years that followed, the Act inevitably discouraged investment in rented property. The Increase in Rent and Mortgage Interest (Restrictions) Act of 1920 substantiated these fears. Rent control was continued into peacetime and applied to properties with rateable values of less than £105 in London, £90 in Scotland and £78 elsewhere, but the increase was more a reflection of increased property values and re-rating than any significant extension of control. The Onslow Report (1923) confirmed that rent control deterred

Table 1.1 Rent control and decontrol, 1915–38

Year of Rent Act	Major provisions		Rateable value (£)		
			London	Scotland	Elsewhere
1915	Rents controlled at 1914 levels	Not exceeding	35	30	26
1920	Rents controls continued	Not exceeding	105	90	78
1923	Decontrol by possession; letting freed from control when tenant left				
1933	(a) Decontrol of houses	Not below	45	45	45
	(b) Decontrol of possession	Not below	45	35	35
	(c) Decontrol on registration of possession	Not below	35	20	20
	(d) No decontrol by possession unless decontrolled 1912 to 1933, and registered				
1938	(a) Decontrol of houses	Not below	35	20	20
	(b) No decontrol by possession or self-contained dwellings	Not exceeding	35	20	20

investment in new housing. It stated that the 1915 and 1920 Acts had made private enterprise reluctant to perform its traditional function of supplying working class housing, but warned that instant decontrol would cause hardship.

The Rent and Mortgage Interest (Restrictions) Act of 1923 generally continued the policy of rent control, but there was immediate decontrol if the landlord gained possession, or if sitting tenants accepted a lease of two years or more, or if a lease was granted fulfilling certain conditions. The Act remained in force for ten years. The Marley Report (1931) investigated the working of the Act, and showed that of the 1.5 million houses built from 1918 to 1931, 600,000 local authority dwellings constituted virtually all the new accommodation for the working classes. Rent control was clearly deterring investment in low-income housing, although the 1923 Act had worked well for middle-income housing where a large measure of decontrol had not caused hardship to tenants, while it encouraged private developers/landlords to increase supply. The Report proposed that rents should be immediately decontrolled where supply exceeded demand (usually in the case of large houses); rents should be decontrolled when landlords obtained vacant possession (in the case of medium-size houses where supply equalled demand); and rents should continue to be controlled where demand exceeded supply (usually in the case of small houses). Following these proposals, the Rent and Mortgage Restrictions (Amendments) Act of 1933 divided houses into three classes. Class A houses (the most expensive properties) were decontrolled immediately; Class B houses (those intermediate in price) were decontrolled on vacant possession; and Class C houses (those with rateable values less than £20 in London and £13 elsewhere) remained controlled, regardless of whether there was a change of tenant. The Act was to remain in force until 24 June 1938 and no longer.

The Ridley Report (1938) examined the working of the 1933 Act and was critical of the effects of the control of Class B houses. The Increase of Rent and Mortgage Interest (Restrictions) Act of 1938

consequently decontrolled the higher-rent houses in Class B (those with rateable values above £35 in London and £20 elsewhere), but abolished decontrol by vacant possession of the lower-rent self-contained dwellings in that class.

In the period 1923–38, approximately 4.5 million dwellings had been decontrolled, and investment in the development of medium- and high-rent housing had become attractive. There were still, however, 4 million controlled dwellings, and at the lower end of the market properties were mainly pre-1914 in origin, usually terraced, in poor condition and lacking basic amenities.

## **The introduction of housing subsidies**

It was not until after the First World War that local authority housing really 'took off'. In 1919, 610,000 new houses were needed in Britain as house-building had virtually ceased throughout the duration of the war, and at the 1919 general election, Lloyd George promised to supply homes 'fit for heroes' to attract the ex-serviceman's vote (Swenarton, 1981). After his election win, his coalition government introduced a housing programme in which local authorities and public utility societies (akin to housing associations) were to build 500,000 houses within three years. This was incorporated in the Housing and Town Planning Act of 1919 (the Addison Act), a watershed in British social history. Under the Act, local authorities initially had the duty of surveying housing needs in their area (an innovation) and then, having quantified the shortage, generous 'bricks and mortar' subsidies were introduced to help meet the needs of working class families. Local authority losses in housebuilding were limited to the product of a penny rate with the Exchequer automatically meeting all additional losses—losses which inevitably would be high as rents were to be pegged to the level of prevailing 'working class' rents in the area, adjusted to the means of the tenant. Many rents were therefore equal to controlled rents. The Act also fixed standards for new housing well above the normal conditions of working class

houses. Addison 'more than any other man thereby established the principle that housing was a social service, and later governments had to take up his task' (Taylor, 1965:148).

But the 1919 Act gave little incentive for local authorities to economise, and the capacity of the construction industry was strained, pushing up costs and exacerbating post-war inflation. Subsidies simultaneously increased as houses costing, for example, £400 to build in 1918 were costing over £900 by 1920. Exchequer grants were therefore sharply restricted in 1921 and stopped in 1922. The Addison Act nevertheless resulted in 213,000 houses being built.

A new subsidy system was devised and included in the Conservatives' Housing Act of 1923 (the Chamberlain Act). Chamberlain believed that the

rising cost of housing was the result of Addison's open-ended subsidies rather than a cause, and introduced a subsidy which in form was to continue through to the Housing Finance Act of 1972. It consisted of a fixed annual Exchequer payment of £6 per dwelling for twenty years—available to both the public and the private sectors. The government showed a preference for the latter sector as it built houses for sale, and local authorities would only qualify for the subsidy if they built small and sub-standard houses in areas where private enterprise could not meet demand.

Soon after the first Labour government took office, insisting that more and better houses be built, it repealed the Chamberlain Act and replaced it with the Housing Act of 1924 (the Wheatley Act). The subsidy was raised to £9 for forty years, and the Act



**Plate 1.2 Local authority housing developed under the Housing Act of 1924**

*Two-storey terraced housing developed on the St Helier Estate, London Borough of Merton, by the London County Council in the early 1930s*

transferred the main responsibility for housing back to local authorities, which did not now have to demonstrate that private enterprise could not meet local needs before they could proceed with building. Rents were to be equal to 'appropriate normal rents', interpreted as being equal to controlled rents in the private sector. The difference between this rent level and market rents was to be offset by a minimum rate fund contribution of at least half of the Exchequer subsidy.

Although 503,000 dwellings were built under the 1923 and 1924 Acts, it was doubtful whether the needs of the poorest working class families had been met. Council housing was regarded by many as prestigious and it was going mainly to the lower middle classes, such as clerks, teachers and shop-workers. The main working class areas—the inner cities—had an insufficient rate base to take advantage of Exchequer grants. It was also in these areas that slum clearance was necessary, but only 11,000 unfit houses were demolished in England and Wales in 1923–39. Although the 1924 Act provided 50 per cent Exchequer grants for slum clearance and rehousing, the complexity of the way in which this subsidy was calculated was an inhibiting factor, and in 1929 it was withdrawn by the Conservative government (Chamberlain again having responsibility for housing).

The return of a Labour government produced the Housing Act of 1930 (the Greenwood Act). Generous subsidies were granted for slum clearance, based not on the number of homes demolished or provided but on the number of persons displaced. Extra subsidies were available if displaced families were rehoused in blocks of flats (of over three storeys) on expensive sites within the inner urban areas. Rents, although still approximately based on controlled rents, were differentiated according to the means of tenants, and a system of rent rebates was introduced.

The National government's Housing Act of 1933 discontinued the Wheatley subsidies and all government provision for new public housing for general needs—even though the 1931 Census had shown that there was a deficit of 1 million dwellings in

relation to households. The Conservative-dominated government believed that new council housing should be confined to those households displaced by slum clearance, and that the private sector should satisfy the needs of the rest. This was a confirmation of the Conservative Party's long-held belief that council housing was a restricted welfare service and not a facility to meet a general need for rented accommodation.

Under the Housing Act 1935, the emphasis again shifted to the problems of low-income housing. The Act charged local authorities with the duty of relieving overcrowding (defined as an occupancy rate of more than two persons per room), and further legislation—the Housing Act of 1936—pooled the subsidy and rent provisions of previous Acts, giving local authorities greater discretion in fixing rent levels and giving rent rebates. From 1935 until the outbreak of the Second World War, local authorities concentrated on slum clearance that reduced overcrowding, 400,000 houses being constructed for these purposes in Great Britain in this period. Even more replacement houses might have been built, but the Housing Act of 1938 reduced the level of subsidy to local authority housing, though special grants were available for high flats. It may have been thought that the problems of low-income urban housing had eased, and that 1.3 million council dwellings in 1939 (about 11 per cent of the total housing stock) was the maximum which should be developed, taking into account that the sector was not intended by the government to meet general housing needs.

### **The gradual expansion of owner-occupation**

In the first three decades of the twentieth century, owner-occupation was by no means considered by most households to be the 'ideal' or 'natural' form of tenure. During the 1920s, except for the council houses produced under the Housing Act of 1923 (the Chamberlain Act), local authority dwellings were 'in every sense the ideal, being better produced



**Plate 1.3 Local authority housing developed under the Housing Act of 1938**

*Four-storey flats in the London Borough of Richmond, developed by the London County Council immediately before the Second World War*

at high standard for the better-off members of the working class' (Clarke and Ginsburg, 1975:5).

Owner-occupation only began to be popularly attractive when local authority housing became generally restricted to the displaced families of slum clearance schemes in the 1930s. The desire for home ownership was more of a response to a lack of choice, than a reaction against renting. The housing policy of the 1930s was 'directly associated with the drive to make the better-off members of the working class into owner occupiers' (Clarke and Ginsburg, 1975:5).

During the inter-war period, the increase in home-ownership was facilitated by the tenure-conversion of private rented housing into owner-occupation as a consequence of rent control; the

provision of subsidies (under the Chamberlain Act) for private construction; falling building costs and interest rates in 1919–35; local authority guarantee of mortgages; and the lengthening of mortgage repayments from 15 to 20–25 years. Increased car-ownership, moreover, and the lack of effective suburban planning, meant that cheap land could be used for extensive speculative house-building, often in the form of ribbon development.

## **POST-WAR HOUSING POLICY, 1945–51**

During the Second World War there was virtually no house-building, and 208,000 dwellings were



**Plate 1.4 Owner-occupied suburban housing of the 1930s**

*Speculative ribbon development of inter-war private housing, London Borough of Merton*

completely destroyed, 250,000 made uninhabitable and over 250,000 seriously damaged (equal in total to 5 per cent of the housing stock). As much as 33 per cent of the stock had been damaged and, together with the rest, remained largely unrepaired or unmaintained throughout the six years of the war. In this period, the population had grown by 1 million: the total housing shortage was therefore about 1,460,000, not including unfit and obsolete housing which needed replacing. The construction industry was unable to meet this demand in the immediate post-war years. The workforce had fallen to a third of its size in 1938, and materials (many of which had to be imported) were scarce and costly.

After the war, it was clear that the private rented sector would play little part in satisfying house needs. The Interest Restriction Act of 1939 had

abolished decontrol on vacant possession and extended rent control to over 10 million dwellings with rateable values of less than £100 in London, £90 in Scotland and £75 elsewhere (Table 1.2). Until 1957 the rents of these properties were frozen at their 1939 level but the general price level had increased by 97 per cent by 1951. Although this helped to ensure affordability at a time of war and subsequent uncertainty, supply was severely constrained since there was little or no incentive to invest in new housing in this sector, and landlords considered it advantageous to sell off their properties for owner-occupation whenever they had the opportunity.

Public sector house-building was thus to dominate the period 1945–51 and, together with the National Health Service, National Insurance, education reform, a comprehensive system of town planning

Table 1.2 Legislation controlling and regulating rents, 1939–65

Year of Rent Act	Major provisions		Rateable value (£)		
			London	Scotland	Elsewhere
1939	Rents controlled	Not exceeding	100	90	75
1957	Rents decontrolled	Not below	40	40	30
	Owner-occupied houses partly let				
	New unfurnished dwellings				
	Remaining tenancies had rents fixed at twice their 1939 rateable value				
1965	Rent regulation	Not exceeding	400	200	200
	Rent control continued	Not exceeding	110	80	80

and Keynesian economic policy, council housing became a pillar of the welfare state. As in the years immediately following the First World War, the emphasis at first was on building for general need to meet an acute housing shortage—one which seemed likely to remain, as marriages in 1945–8 increased by 11 per cent over the period 1936–9, and the number of births increased by 33 per cent over the pre-war rate.

The Housing (Financial Provisions) Act of 1946—a personal triumph for Labour's Minister of Health (and minister responsible for housing), Aneurin Bevan—provided a generous basic subsidy for local authority housing of £16 10s (£16.50) per dwelling per annum over sixty years, a sum which varied according to the needs of different authorities. Building licences were introduced in the private sector so that house-building would respond to 'need' rather than exclusively to the ability to pay. It was hoped that this would ensure that materials and labour would be available for local authority house-building—in contrast to the situation in 1919. It was necessary, however, for a system of building quotas to be imposed on public sector building.

From the outset of the post-war housing programme, it was stressed that council housing was a 'general-needs' tenure—it was not intended solely for the poor, the underprivileged or the population of traditional working class areas. Bevan's Housing

Act of 1949 incorporated this view into legislation. It removed the 'ridiculous inhibition' restricting local authorities to the provision of houses for the 'working class'. Instead they could attempt to meet the varied needs of the whole community.

Bevan was also concerned with improving the quality and increasing the floor space of public sector housing. The minimum size of a three-bedroom house had been fixed at 750 ft<sup>2</sup> (75 m<sup>2</sup>) in the 1930s. In 1944, the Ministry of Housing manual prescribed 800–900 ft<sup>2</sup> (80 m<sup>2</sup>–90 m<sup>2</sup>) and in the same year the Dudley Committee recommended 950 ft<sup>2</sup> (95 m<sup>2</sup>). Bevan accepted the latter proposal and encouraged local authorities to adopt even higher standards where this was possible.

Between 1945 and 1951 a total of 1.01 million houses were built in Great Britain—89 per cent being local authority dwellings. Output accelerated from 55,400 completions in 1946 to 184,230 by 1948. Overall this was a great achievement in view of post-war materials shortages and the need to reconstruct industry, curb inflation and correct balance of payments deficits. More importantly, the quality of new housing was improved and it was re-established that the public sector had a role to play in satisfying general housing need.

Housing rehabilitation, however (or 'patching-up' as it was disparagingly called), was discouraged in the immediate post-war period—the White



**Plates 1.5 and 1.6 Low- and medium-rise post-war local authority housing**

*Five- and eight-storey flats developed by the London County Council under the provisions of the Housing (Financial Provisions) Act of 1946, London Borough of Wandsworth*

Paper, *Capital Investment in 1948* (Treasury, 1947), setting out the government's intentions to steer resources to council house-building. The Housing Act of 1949 nevertheless introduced improvement grants for private owners and improvement subsidies for local authorities.

**THE UNEASY CONSENSUS,  
1952–79**

Although housing policies sometimes diverged, for example in respect of the private rented sector—Conservative governments favouring decontrol and Labour administrations implementing regulation—there was for three decades cross-party agreement

that the local authority stock should be expanded (albeit by different forms of subsidisation and rent regimes), that public expenditure on housing rehabilitation should broadly match that on new housebuilding, that housing associations should be encouraged to supplement the local authorities as providers of social housing, and (by means of tax relief, tax exemption and cash subsidies) the growth of owner-occupation should be supported.

**Rent decontrol, 1957–65**

Landlords obviously wanted the 1939 Act to be repealed, and within the Conservative government there was a desire to return to free market rents. The Housing (Repairs and Rent) Act of 1954 permitted



landlords to raise controlled rents if proof of recent repair expenditure could be produced and the dwelling was subsequently in a good state of repair. But the Act was complex and generally not successful. The Rent Act of 1957 consequently set out to decontrol 5 million dwellings in an attempt to increase the supply of private rented accommodation. Its aims were to enable landlords to afford to repair and maintain their properties and to remove the incentive to sell for owner-occupation. The main provisions of the Act were as follows:

- 1 Dwellings with rateable values greater than £40 in Greater London and Scotland and £30 elsewhere were completely decontrolled on vacant possession or by 'agreement' with the tenant. It was forecast that this would free approximately 750,000 dwellings, but the Act actually decontrolled only 400,000.
- 2 Owner-occupied houses (about 4.75 million) and any houses falling vacant were immediately decontrolled.
- 3 New unfurnished dwellings were freed from control.
- 4 The remaining controlled dwellings had rents fixed at twice their 1956 gross rateable value if the landlord was responsible for repairs. Rents therefore only increased to twice the 1949 rateable value (since rateable values were still at pre-war level), but by 1957 the general price level was 156 per cent higher than in 1939 and house prices were 200 per cent higher.

Despite the 1957 Act decontrolling only 2.5 million rented houses by 1965 (half of the intended number), the Milner Holland Report (1965) highlighted the many undesirable effects upon tenants of decontrol and prompted a redirection of rent policy.

### **Rent regulation, 1965–70**

The Rent Act of 1965 (consolidated by the Rent Act of 1968) was one of the most important pieces of legislation introduced by the 1964–70 Labour government. Rent regulation was to apply to unfurnished dwellings

where the rateable value was less than £400 in Greater London and £200 elsewhere (Table 1.2). Those properties which had not been decontrolled by the 1957 Act remained controlled. Regulated rents were 'frozen' at the amount payable in 1965 and for new tenancies rents were to be equal to the amount payable under the previous regulated tenancy. The Act implemented a proposal of the Milner Holland Report that there should be security of tenure for unfurnished tenants.

Machinery was set up to fix and review rents for regulated tenants. Rents were to be assessed and registered by a Rent Officer after an application by a tenant, a landlord or both. The rent officer was to objectively assess a 'fair rent', although there was no fixed formula available to enable him to determine what was 'fair'. Officers were to have regard 'to all circumstances (other than personal circumstances) and in particular to the age, character and locality of the dwelling house and its state of repair'. Scarcity value had to be disregarded, therefore the 'fair rent' was to equal the hypothetical market rent which would result if supply and demand were in equilibrium in the area concerned.

Landlords of controlled tenancies (with rents pegged to 1939 or 1957 levels) were permitted to increase their rent if they rehabilitated their properties up to a twelve-point standard with the aid of improvement grants under the Housing Act of 1969 (Table 1.3). They could either charge an annual rent equal to the new gross rateable value plus 12.5 per cent of their share of the authorised improvement cost or, in consultation with the local authority, fix a rent equivalent to a hypothetical market rent less the inflationary effect of any local shortage of similar accommodation. But the rent could be subsequently assessed by the rent officer (if the tenancy was unfurnished) or the rent tribunal (if it was furnished).

Although the 1965 Act was intended to benefit both landlords and tenants, and to enable the market to function efficiently, within the major cities fair rents were being assessed well below hypothetical market rents. Rent regulation failed to take supply and demand into account. Because of

Table 1.3 *Legislation regulating rents, 1969–74*

Legislation	Major provisions		Rateable value (£)	
			London	Elsewhere
Housing Act of 1969	Controlled dwellings rehabilitated up to a twelve-point standard to be decontrolled and regulated	Not exceeding	400	200
Housing Finance Act of 1972	All controlled tenancies to be decontrolled and regulated	Not exceeding	400	200
Rent Act of 1973	Rent regulation extended to higher rateable value properties	Not exceeding	1,500	750
Rent Act of 1974	Rent regulation extended to furnished tenancies	Not exceeding	1,500	750

the resulting low returns on investment in unfurnished rented housing, landlords were deterred from continuing to supply accommodation in this sector. The 1965 Act, like the 1939 and 1957 Acts, failed to safeguard this sector for the working classes.

### **Rent decontrol and regulation, 1970–79**

With the return of a Conservative government in 1970, legislation was soon drafted to convert the remaining controlled tenancies into regulated tenancies—notwithstanding the weaknesses of the fair rent system. The Housing Act of 1972 acknowledged that more and more private dwellings had fallen into disrepair, to the serious disadvantage of the tenant. Some had become unfit and had been lost to the housing market altogether.

Under the Act therefore, rents were to rise up to fair rent levels, by £1 per week from 1 January 1973, and up to a further £2 per week in each of the succeeding two years. If a tenant and landlord agreed between themselves to a rent increase, the rent would have to be registered with the local authority, but if they failed to agree, the rent officer would have to assess the current level. Alternatively local authorities could refer proposed registered rents to the rent officer if they seemed unreasonably high. The higher rateable value properties were to be the first to be

converted to regulated tenancies, and only those dwellings statutorily unfit and scheduled for clearance were to remain controlled. After three years, the landlord or tenant could apply for the cancellation of the registration, and a new fair rent could either be negotiated or assessed by the rent officer—in either case being subsequently registered.

The second main provision of the Act was that from 1 January 1973 unfurnished private tenants were able to apply to local authorities for rent allowances. A tenant was assessed as having a ‘needs allowance’ for himself and his wife and for each child. When this was the same as his gross income he would pay 40 per cent of the rent on his dwelling. If his income was more than the needs allowance he would pay 40 per cent of his rent plus 17p for every pound his income exceeded his allowance. If his income was less, he paid 40 per cent of his rent minus 25p for every pound it fell below the allowance.

With Labour being returned to office in 1974, rent policy was soon under review. The resulting Housing Rent and Subsidies Act of 1975 replaced the 1972 Act and introduced new measures concerning fair rents. Rents were to be raised in three stages spread over two years, but landlords could apply for a further increase in the third year. In 1973, the upper limit to Rent Act protection was raised to £1,500 in Greater London and £750 elsewhere in England and Wales. This was incorporated into the 1975 Act. Only about 2,000 privately rented dwellings in Greater London and fewer elsewhere were above these limits. Rent

officers and rent assessment committees retained their previous functions.

The incoming Labour government also extended rent regulation to the furnished sector (previously providing accommodation at market rents). The Rent Act of 1974 (consolidated by the Rent Act of 1977) enabled tenants to apply for a fair rent and security of tenure was granted—both provisions applying to properties with rateable values of up to £1,500 in London and £750 elsewhere. The rent tribunal's rent assessment function was taken over by the rent officer. In 1974, these provisions covered nearly 90 per cent of the 764,000 furnished lettings in the United Kingdom. A landlord could only regain possession (through the courts if necessary) if he had been temporarily letting his own home, or eventual retirement home; letting holiday accommodation out of season; letting student accommodation out of term; and temporarily letting accommodation to a number of different categories of occupiers such as agricultural workers. Possession could also be regained if the tenant failed to pay rent, damaged the property or furniture, caused a nuisance to neighbours, or undertook unauthorised sub-letting.

### **The golden ages of local authority housebuilding, 1951–4 and 1964–70**

When the Conservatives returned to office in 1951, Harold Macmillan was appointed Minister of Housing. At the Conservative Party Conference the previous year he had pledged that the party, if elected to power, would have a house-building target of 300,000 houses per annum—a figure cautiously included in the Conservative manifesto at the 1951 election. By 1952 this target had been achieved and the number of houses built continued to increase, albeit at the expense of space standards. In 1951, the number of completions in Great Britain had been 185,000, of which 88 per cent were in the public sector. In 1954, when Harold Macmillan was transferred to the Ministry of Defence, completions numbered 347,000, 74 per cent being council houses.

Subsequently, house-building in the local authority sector diminished, as Conservative governments placed increasing emphasis on owner-occupation.

Many other consequences of the government's housing policy in 1951–4 can be identified. Few of the new local authority dwellings were earmarked for low-income inner city dwellers—the 'upper working classes' and middle classes being the main beneficiaries; more slums were being created by poor maintenance and lack of repairs than were being removed by clearance (extensive compulsory purchase, public sector redevelopment and local authority allocation could have helped with these problems but failed to do so); resources were tied up in house-building and insufficient were available for investment in industry or road construction (the United Kingdom road programme lagging behind that of most other industrial countries); and imports of timber and other building materials put a strain on the balance of payments. In total, these may have been an acceptable price to have paid for an increase in the size of the housing stock—the greatest proportion of the increase being council housing. For the first and last time (to date) a house-building target had been achieved.

There was a minor shift of emphasis in 1953–6 towards the rehabilitation of unfit houses, grants being made available for this purpose, and private landlords were permitted to raise (controlled) rents in relation to their contribution to the cost of renewal (see Chapter 7). The 1930s provided a precedent for this: there had been a switch to slum clearance away from local authority house-building for general needs. Between 1955 and 1961 subsidies to local authorities were reduced to decelerate the average rate of increase in the number of public sector houses, the proportion reaching only 35 per cent of new house-building by 1960.

In the early 1960s, the high rate of inflation meant that rents based on 1956 values were no longer appropriate. Over 4.2 million local authority houses were let at rents which failed to cover the cost of repairs, maintenance and administration, or loan-servicing charges. Authorities with large amounts of low-cost pre-war houses were asking lower rents