

## **Highbury Group Paper**

### **The Politics of Housing Development in an Age of Austerity**

#### **Introduction**

The housing market recession in the UK in 2008-2010 has generated a need to review policy on housing and planning. Even before the recession, the Government was concerned at what it considered to be insufficient house-building in relation to estimated demand. The Government saw this lack of supply as responsible for the high level of house-price inflation. The Government commissioned the monetary economist Kate Barker to conduct successive reviews of housing supply and planning to seek to identify the source of undersupply and to recommend changes in government policy and practice.<sup>i</sup> While the recession demonstrated that the supply house-price relationship was perhaps more complex than understood by Kate Barker and her advisers, there was only a gradual process of recognition that perhaps the focus had been on the wrong issues.<sup>ii</sup> The recession presented a new challenge – if housing output has not been satisfactory during the boom period, how could the programme be reinvigorated during a recession – a period of austerity arising from a shortage of both public sector and private sector funds.

In recent years there has been considerable interest, perhaps long overdue, in what is specifically problematic about the British approach to housing supply relative to the practice in other countries. We have seen a number of studies comparing governance and funding regimes elsewhere, with considerable focus on Northern and Western Europe. There has also been increasing interest in the experience of Australia and New Zealand, given the similarity of their housing and planning regimes to those in the UK.<sup>iii</sup> These studies have produced valuable information on alternative approaches and their relative success. The purpose of this paper is to take a different approach and to look at the UK's own history of policymaking and delivery in previous ages of austerity. This is not to devalue the experience of other countries but to examine the extent to which lessons can be learnt from our own past. British government policy making is to a large extent a historical – the past is a different and distant country. The paper also serves to examine the extent to which we have changed the structures of governance and delivery in the UK over the last few decades has weakened our ability to respond to the challenges of the new economic context and to take advantage of the positive opportunities offered by the failure of the old model. Innovation is born out of crisis. The extent of the housing shortage in the UK presents the need for a third reconstruction programme. New challenges require new responses. The purpose of this paper is to demonstrate that in the UK we do have experience from previous periods of recession, which is relevant to the new era of austerity. To a certain extent our future does lie in our own past.

To set a framework for this analysis, it is first necessary to set out what is considered to be the appropriate output from a programme of housing development and then to set out the key components of the housing development process. The objects of a

housing programme need to include;

- a) Numerical output which meets housing requirements incorporating household population growth and any backlog in housing need, reflected for example in overcrowding of occupation of unfit premises which are beyond economic repair;
- b) Housing which is of a type appropriate to meeting requirements in terms of built form, bedroom size mix and standards;
- c) Housing which is located in areas within which people wish to live and which is supported by employment opportunities, transport and social infrastructure and access to open space;
- d) Housing which is affordable in both capital cost and revenue cost terms by the households for whom it is intended; and
- e) Housing which is in effective use, in terms of not being under-occupied and not involving an ineffective use of resources in terms of both public subsidy and space.

It follows that there are a number of components for the delivery of such a set of objectives:

- a) Sufficient land coming forward for residential development in appropriate locations; the labour, skills and materials to deliver the numerical output;
- b) A planning and building control regime/ code, which ensures housing is appropriate to meet requirements and complies with a set of standards;
- c) A planning regime which ensures that housing is only built in locations where employment opportunities, transport and social infrastructure and open space is provided and that a funding mechanism is in place to ensure delivery of these components of sustainable communities;
- d) A funding regime, either in terms of funding bricks and mortar or household costs which ensures housing is affordable by the households for whom it is intended; and
- e) A mechanism for ensuring resources are used effectively. This can include for example, density controls, licensing of development and/or occupation and financial controls including taxation measures, which disincentivise underuse of land or residential property.

This paper will now consider how the UK government has dealt with these five factors at four different periods of historical development;

- 1) The development of planning and housing policy in the period before the first world war.
- 2) The planning and implementation of post-war reconstruction in the 1916-1924 period;
- 3) The planning and implementation of reconstruction during and after the second world war.
- 4) The current recession - that is mid 2008 to early 2010.

**The development of the British housing and planning regime.**

Both planning and housing policy in late Victorian and Edwardian Britain developed out of the public health movement. It was the cholera epidemics of the 1848-9 and 1854, which generated the early public health legislation – the Nuisances Act Prevention of Diseases Act of 1855. The Artisans Dwellings Acts of 1868 (the Torrens Act) and 1875 (the Cross Act) focused on replacing unfit homes, while the first two parts of the 1890 Housing Act focused on the clearance of unhealthy areas and the closure and demolition of individual unfit homes. It was only with part 3 of the 1890 Act that councils – the London County Council and urban councils, were given the power to build workers dwellings wherever considered necessary, unrelated to clearance schemes.<sup>iv</sup>

In the context of the five criteria set out above, the powers given to councils were quite extensive:

- a) Land could be acquired compulsorily at market value both within and outside a council's area;
- b) Councils could either build through direct labour or through private contractors
- c) Councils could purchase existing private dwellings
- d) The London County Council had the power to raise funds through issuing 'stock' subject to the approval of the central government Treasury. Other councils could borrow from the government's public works department or issue their own stock.
- e) Each council already had its own bye-laws to control the standards of housing development – thus the term bye-law housing. In 1894, the London Building Act set common building regulations for the whole LCC area.

What was however missing was any overall planning policy, which set criteria for location of new homes or for regulating the density of development. The campaign for garden cities initiated by Ebenezer Howard in 1899, derived largely from American and Australian models, supported by the National Housing Reform Council led by Henry Alridge and William Thompson, which in 1909 became the National Housing and Town Planning Council, led in that same year to the first town planning legislation in the UK in the Housing and Planning Act. While the housing clauses in the Act were primarily a consolidation of previous legislation, though they did increase the level of subsidy to new homes from half to two-thirds of the building cost, the planning clauses gave local authorities – the LCC and boroughs and districts, the power to draw up plans for the development of undeveloped areas.<sup>v</sup>

1909 was also significant for the inclusion in the Liberal Government budget that year of a tax on the increased value of urban land on sale – at a rate of 20% of the increase. Undeveloped land was also taxed for the first time. The 1909 Housing and Planning Act also introduced an incremental tax on improvements resulting from town planning schemes, at a rate of 50% of the increase in value.

From today's perspective, these appear to be a very wide range of powers, arguably meeting nearly all the criteria set out above. However the housing powers were only permissive and, according to a report of the Local Government Board in 1914, many councils were reluctant to take them up, There were however exceptions including Birmingham and London. The LCC actually built homes for 25,000 people between 1890 and 1913, though the programme peaked in the period 1898 to 1907, when the progressives were in control. The LCC however failed to make substantive use of its planning powers in the period before the war.<sup>vi</sup>

It is important to recognise that for many campaigners for reform, housing, planning and land taxation were part of an integrated reform package. Ebenezer Howard in his original book – *Tomorrow- A Peaceful Path to Real Reform*, focused as much on land ownership and funding of his new city as on the design components and density rules, the mantra of 12 homes an acre, which are the main focus of historians.<sup>vii</sup> It is not insignificant that the funding of Howard's city was dependent on increases in land value as the development proceeded. It is also important to understand how far Britain was behind other countries in developing housing, planning and land taxation policy. The prewar period saw an outpouring of detailed studies of other countries, often derived from study tours by organisations such as the Housing and Town Planning Council, the Garden Cities Association and the Town Planning Institute. Among the most influential studies can be found James Pollard of Edinburgh's 1893 study in municipal government of the Corporation of Berlin, the 1905 study by T C Horsfall of Manchester council on *The Improvement and Surroundings of the People: The Example of Germany*, Seebohm Rowntree's 1911 *Land and Labour: Lessons from Belgium*, W H Dawson's 1914 *Municipal Life and Government in Germany* A R Sennett's *Garden Cities in Theory and Practice* (1905) , Raymond Unwin's *Town Planning in Practice* (1909) and Henry Alridge's *The Case for Town Planning* (1915) all drew on numerous continental examples. In addition, Albert Shaw's comparative studies of municipal government in Great Britain and Europe and the American Frederic Howe's comparative studies of city government in the United States, Britain and Europe were in circulation. In addition there were a number of studies comparing local government in different British towns, some of which negatively contrasted the position in London with the achievements of cities such as Birmingham, Manchester and Glasgow - challenging those early leaders of the London County Council. The degree of effort, belief and survey work that went into these numerous tomes is staggering when compared with hesitancy and poverty of so much of contemporary writing on these issues. Reading the reports for example of the 1914 *Liberal Land Enquiry*<sup>viii</sup> is a revelation – the recommendations are not only acutely relevant to today's challenges, but raise the question of whether if only the war had not broken out in August 1914, which incidently found the Garden Cities Association in the middle of an extended study tour of Australasia, many of our contemporary problems might have been avoided.

### **Reconstruction after the First World War**

It might have been expected that the outbreak of the war would have shifted the attention of Britain's architects and nascent housing and planning reformers to more military matters. Not so. With the outbreak of war, the Government initiated a programme of housebuilding for munitions workers. The Ministry of Munitions, with Lloyd George as Minister, and Raymond Unwin as chief architect built homes in Gretna, while the Local Government Board build an estate near the Woolwich Arsenal. A second Housing Act actually enabled the building of homes to stimulate employment following the collapse of exports, this being before the introduction of conscription. Though this was never implemented the Act represented a pre-Keynesian recognition of the role of construction in stimulating the economy. The rents strikes in Glasgow in 1915 and the advocacy or organisations such as the Labour Party led War Emergency Workers National Committee of Arthur Henderson and Sidney Webb, were to generate a more substantive government response in the Rent

Restrictions Acts – the first recognition by Government of a responsibility for ensuring housing was affordable, arguably the missing component of the 1909 legislation. Reconstruction committees were established first by Asquith in December 1916 as a cross-party committee of cabinet ministers extended to include the historian J L Hammond, the academic Alfred Zimmern, with Vaughan Nash, formerly of Toynbee Hall and author of a pamphlet on the 1889 dock strike as secretary and Arthur Greenwood, later to be deputy leader of the Labour Party, as assistant secretary.<sup>ix</sup>

The committee's initial housing inquiry concluded that normal methods would not work. The committee recognised i) the need for public sector intervention – state aid was inevitable ‘ The insufficiency of private capital and the proved disinclination of private enterprisers in housing was common ground’, ii) the premises of prewar economics would be irrelevant for the transition period; iii) that the retention of controls was presumed iv) that labour should be involved in industrial decisions; v) that re-employment would be slow so demobilisation should be gradual, vi) that preparations should be completed in war-time, vii) that new instruments for implementation should be considered and viii) that the preconditions and implications needed to be considered – for example to deliver more housing would require changes in land law. This was fairly radical stuff.

Asquith's successor Lloyd George in February 1917, appointed a new reconstruction committee, led by Edwin Montague as chancellor of the duchy of Lancaster, but this time comprising more outside experts, with the housing panel led by the housing reformer and garden city advocate, Seebohm Rowntree. The Fabian reformer, Beatrice Webb was also a member. Vaughan Nash continued as secretary. In April 1917, Rowntree produced his first memorandum on housing:

- i) As soon as war over, councils should build houses;
- ii) Councils would be reimbursed for cost in three years time (though if councils build directly rather than through contractors, grant up front might be necessary)
- iii) Homes could be build by either central government (the office of public works) or by councils.

In July 1917, Christopher Addison took over as Minister of Reconstruction and immediately sent a circular to councils encouraging them to develop housing themselves with government subsidy. An annual grant was to be made for not less than seven years sufficient to relieve the local authority of three quarters of the estimated annual loss on the housing scheme. However where the local authority's contribution would mean that the council would need to levy a rate of more than a penny in the pound, the Local Government Board would cover any cost not met by the penny rate.<sup>x</sup>

The circular was followed by revised guidance on housebuilding including standards in January 1918 and the Tudor Walters report, which comprised detailed guidance on housing design, which Raymond Unwin helped draw up. This was published just as the war ended. In Bernard Ineichen's summary, the report advocated

*“high standards of construction, building to last , low density, a social mix of residents and different house types, a replacement of long terraces by the design of new estates of short streets, cul de sacs and small clusters of houses grouped*

*together. Great stress was laid on the value of providing light airy rooms” The report was “ wide-ranging, dealing not just with plans for homes and estates, but also with matters such as labour costs and the provision of public transport”<sup>xi</sup>*

In parallel, Addison had set up another committee under the builder Sir James Carmichael to recommend how the construction industry was to respond to the need for a postwar building programme. A separate committee under John Wormald undertook a review of the supply of materials. Another committee under Lord Salisbury considered the issue of postwar use of the government’s accumulated stores, while the Ministry of Munitions considered how to convert their factories for peacetime use. In April 1919, five months after the end of the war, the Local Government Board published a *Manual on the preparation of state aided housing schemes*.

In October 1917, Addison had accepted Rowntree’s target to build 300,000 homes. By summer 1919, this had become a Government pledge to build 500,000 homes in three years. Rowntree recognised this was a challenging target. He commented that the Local Government Board had

*“ no staff at all adequate to deal with it. It is to erect in a year when conditions are particularly difficult, both as regards labour and materials, four times as many houses as are ordinarily erected, superior both in design and layout to those... erected in the past, and through agencies which have never built houses on any large scale in the past ”<sup>xii</sup>*

The debate in the housing panel centred on who should build the homes – councils or private builders. Beatrice Webb argued that

*“ any proposal to make a Government Grant to speculative builders to enable them to build cottages for their own profit would arouse such a storm of public indignation and disapproval as to be quite impracticable... It would be denounced in every one of the 20,000 Trade Union Branches.... The larger and more progressive local authorities would be against it, as undermining their position... I think the economists would be aghast.”<sup>xiii</sup>*

She suggested that every council should be set a target – its share of the 300,000 target, and if it did not build the homes within the necessary time, then central government should build them directly.

The housing panel agreed that councils should lead on the programme and that grants should not be given to private builders. It proposed a system of regional housing commissioners, which was adopted by Addison, but not endorse compulsion. What would now appear as surprising is that this position on the public sector taking the lead on construction was largely non contentious. Addison was to comment that his advisory group, all of whom other than the trade unionists Ernest Bevin and Jimmy Thomas were

*“ eminent in finance, commerce and industry as champions of the results of individual effort (with one exception) were more or less infected with the prevailing socialistic*

*virus of national management, or of a substantial measure of it, so far as common services are concerned”.*<sup>xiv</sup>

Addison also fought his ground on the issue of the need for capital finance for the reconstruction programme, which he argued should be tackled immediately upon the conclusion of the peace agreement. Housing was top of his seven priorities. He opposed the view that ‘everything should be subordinated to the paying off of debt’. He believed that

*“capital expenditure on every one of the subjects I have cited is as vital to efficient production as if it were invested in machinery or factory buildings. To say that the workman must be healthy and must have a house is simply to state two of the primary factors in the scheme of production, which we all desire. ... The restoration of prosperity and public credit can only be secured if we ... incur expenditure essential for establishing ... the fullest means of national productivity... A discontented population and an ill-repaired machine offer... an improvident means of debt-extinction.... The restoration and development of our productive capacity to its fullest extent with the assistance of state credit and public services, wherever... private means and enterprising are unavailing, should be accepted for what it is.. the condition precedent to extinguishing debt and restoring credit..”*<sup>xv</sup>

The Ministry of Reconstruction also had a promotional role. It published a series of twenty-six pamphlets on reconstruction problems in 1918 and 1919, based on Addison’s speeches. The first pamphlet set out *The Aims of Reconstruction*. The second pamphlet was on *Housing*. Among the later pamphlets were Number 20 on *Land Settlement* and Number 25 on *Town Planning*. The final pamphlet was entitled *Officers Guide in Civil careers*. No similar guide for the ‘poor bloody infantryman’ !

The first pamphlet listed the reconstruction issues as shipping, raw materials, allocation of materials, transport, demobilisation, industrial organisation, joint industrial councils, interim reconstruction committees, working conditions, rural development, health, housing and education, and problems of finance. The pamphlet on housing summarised the housing problems before the war and the history of housing legislation, before considering the effects of the war, summarised as

- “1) to increase considerably the shortage of houses;*
- 2) to suspend practically all work in connection with the closing and repairing of unfit houses and the clearing of slums;*
- 3) to increase the cost of building and the rate of interest on capital; and*
- 4) to produce acute shortages of building materials”*<sup>xvi</sup>

The pamphlet then acknowledged the link between inadequate housing and public health and the link with industrial unrest before summarising the action already taken by the Government, including the arrangements for financial support to local authorities to build housing, the arrangements for local authority borrowing, guidance on housing design and the government’s consideration of more cost-effective methods of housing construction.

The pamphlet on town planning gave a brief history of town planning, starting with Ancient Egypt, through mediaeval times and the 19<sup>th</sup> century, the public health acts

and the garden city movement before setting out the planning provisions of the 1909 Act. The pamphlet on land settlement was concerned with the provision of smallholdings, allotments and cottage homes in rural areas for ex-servicemen.

The Labour Party had their own vision of homes for heroes. In June 1918, the party published *Labour and the New Social Order: A Report on Reconstruction*, drafted by Sidney Webb.<sup>xvii</sup>

The four pillars of their policy were:

- a) The universal application of the National Minimum (wages, working conditions, health education, housing).
- b) The democratic control of industry
- c) The Revolution in National Finance
- d) The Surplus Wealth for the Common Good

The manifesto also supported the common ownership of land; nationalisation of railways, mines and electricity supply. The Labour Party advocated a national campaign of cottage building by local authorities over three years when the war ends. For their million cottages campaign, councils should buy sites, prepare schemes and get required development consents before the end of the war. The government should supply capital to councils free of interest with a grant sufficient to avoid any cost falling on council rates.

Schemes “ *should be worthy to serve as models to other builders - designed with some regard to appearance, not identical throughout the land, but adapted to local circumstances, and soundly constructed, spacious and healthy, including four or five rooms, larder, scullery, cupboards and fitted bath; .. suitably grouped not more than ten or twelve to the acre, and provided with sufficient garden ground*”<sup>xviii</sup>.

When the war ended, with Lloyd George re-elected as prime minister with a coalition government, Addison became Minister of Health and took over housing responsibilities from the Local Government Board. Sir James Carmichael became director of housing with eleven regional housing commissioners. Unwin was appointed chief architect. The Government housing department set out the programme requirements, but it was the local councils who bought sites and managed the building contracts. The target was to build 100,000 homes in the first year and 200,000 in each of the following years to deliver the three-year target of 500,000 homes. However tenders for only 10,000 homes were achieved by November 1919, a year after the war ended.

A new Housing and Planning Act was passed. Local authorities were required to undertake surveys of housing need and were given a duty to carry out housing schemes to meet these needs. Each local authority had to submit to the Local Government Board the number and nature of the houses to be provided, the extent and location of any land to be acquired, the average number of homes per acre and the timescale of the proposed scheme. The planning provisions made the preparation of planning schemes within a three-year time limit compulsory for councils with a population of more than 20,000 people. Councils could also adopt plans without requiring the agreement of the Local Government Board. In December 1919, councils were given additional powers to prevent luxury building.

The generous level of grant was however to be short-lived. In July 1919, the chancellor, the Conservative Austen Chamberlain, said that councils should raise funding themselves rather than rely on central government grant. Government had only £15m to fund a programme costing £60m. The grant of £150 a house was made conditional on the house being completed within a year. So with councils able to raise local housing bonds, £20m was raised over the next two years. However in many areas the programme was delayed for lack of finance. Overall banks provided £67 finance between the end of the war and March 1921. By the second half of 1920, completions were running at 5,900 a month, but the 1000,000 a year target was not achieved until March 1922 – two years late.

The programme was however innovative. Some councils like Camberwell in South London used direct labour. New materials such as concrete were used to overcome the brick shortage. Steel frames began to be used. A few projects were contracted to building guilds despite the protests of the National Federation of Building Trades Employers.

In March 1921, Lloyd George faced with a need for reductions in Government spending abandoned the subsidised building programme. Addison was replaced by the industrialist, Alfred Mond, who had been First Commissioner of Works. In 1922, Addison published *The Betrayal of the Slums*, criticising Lloyd George's cuts and joins the Labour Party. The 1909 betterment provisions were also dropped in 1920, though later reintroduced in the 1932 Town and Country Planning Act.

In January 1924, Labour came to power and John Wheatley, veteran of the 1915 Glasgow rent strikes, became Minister of Health and took a new Housing Act through parliament, re-establishing a system of subsidy.

The reconstruction period can be compared against the five criteria for delivery of a housing programme set out in the introduction.

- a) Councils were empowered to undertake direct development and to acquire land. The Government also took action to ensure supply of labour and materials and to support innovative cost effective methods of construction.
- b) A code of standards was established by the Tudor Walters report.
- c) The 1919 Act strengthened the planning powers of local authorities and required urban authorities to prepare plans.
- d) A generous subsidy was available from central government, at least until the cuts of 1921. Councils were also empowered to raise private finance, without this being subject to central government limits.
- e) There was a considerable degree of direction of central government resources through the operation of the system of regional housing commissioners. Guidance was given on density and councils were given powers to stop the misuse of resources to develop luxury housing.

## **Reconstruction after the Second World War**

For most of the interwar period, Government was led by Conservatives, even though for part of the time designated as a National government. From the 1923 Housing Act of Austen Chamberlain (with the brief exceptions of Labour minority rule in 1924 and 1929-1931, Governments relied on private sector provision with the role of the state limited and council housing viewed as residual provision. The Governments response to the 1929-1931 recession was reductions in public sector expenditure rather than investment in public works. The Keynesian arguments coming from both the left – the Independent Labour Party, the Communist Party and the Socialist League, and from Mosley’s New Party on the right, which became the British Union of Fascists were rejected. The mid 1930’s however witnessed a building boom, with private sector completions peaking at 275,000 and total completions reaching nearly 340,000, before collapsing in 1939. Nevertheless in the inter-war period some 1,112,000 council homes were built compared with 2,866,000 by private enterprise, though this owed more to the initiative of local councils, mainly Labour run, than to central government. The owner occupied sector had however become the chosen tenure of the labour aristocracy as well as of the middle classes. As the conservative Viscount Cecil put it

*“the ownership of property cultivates prudence. Clearly it encourages thrift, fosters the sense of security and self dependence, and sensibly deepens citizens consciousness of having a ‘stake in the country’”*<sup>xix</sup>

Unlike in the first world war, neither the Chamberlain government or the Churchill government which succeeded it was to undertake a housing programme during the war. The wartime Governments did however give considerable attention to the need for postwar reconstruction, a programme spurred on by the blitz of 1940-41 which destroyed 200,000 homes and made a further 250,000 uninhabitable.

As early as August 1940, less than a year into the war, the Governments War Aims Committee agreed a statement that included as one of the objectives

*“means of perpetuating the national unity achieved during the war through a social and economic structure designed to secure equality of opportunity and service among all classes of the community”*

Ernest Bevin, the Minister of Labour added *“ the right to live without fear either of injustice or want ”*.<sup>xx</sup>

In December 1940, Arthur Greenwood, deputy leader of the Labour Party, was appointed Minister without portfolio in charge of reconstruction. Greenwood, as a civil servant, had been assistant secretary of the reconstruction committee during the first world war. While Greenwood’s role was a co-ordinating one and less directive than Addison’s role had been, he nevertheless had a strong cabinet committee, whose 12 members included Attlee (deputy PM), Kingsley Wood (chancellor of exchequer), Lord Reith (minister of works), R A Butler. Sir George Chrystal was secretary. The committee was responsible for both domestic reconstruction and re-establishing postwar system of international trade and finance. The domestic remit included ‘a review of the machinery for the control and acquisition of land by public authorities and of the arguments for and against nationalisation.’

In February 1941, Lord Reith set up a committee on physical reconstruction. Its initial report concluded that:

- i) a central planning authority was required;
- ii) there was a need for a positive policy on agriculture, industrial development and transport;
- iii) a structure of regional planning bodies was necessary

This support for centralised planning partly reflected the war time crisis. However it should be recognised that it was also derived at least in part from the recommendations of the Barlow Commission on the Distribution of the Industrial Population. Established in 1937 in response to the rise of unemployment in the North, Scotland and Wales during the depression, the commission did not actually report until 1940. The Barlow commission concluded that if industry was to be located in the declining areas, and dispersed away from the growth areas in the South east and West Midlands, wholesale state regulation of land development and the creation of a physical planning system was necessary.

In 1941, the Government set up a committee under Lord Uthwatt to consider the issues of compensation and betterment.<sup>xxi</sup> That committee's interim report of April 1941 assumed that a central planning authority would develop a national plan. 'Planning seen as not just land use planning but control of economic development through taxation and regulation'. A parallel committee under Lord Justice Scott on the development of rural areas reached similar conclusions.

The reconstruction committee proposed a Ministry of Town and Country Planning and a National Development Executive to direct development. In response, the Government extended the Minister of Works' responsibility to cover planning but did not pursue Development Executive proposal. In March 1943, the reconstruction portfolio was transferred to Sir William Jowitt, the paymaster general.

Much of the pressure for a reconstruction programme came from the Labour Party. It was generally Labour ministers within the coalition government who took the lead on reconstruction issues. The 1940 Labour Party conference gave the issue considerable attention. Its conference statement argued that

*“There must be a great programme of houses to let at rents which the workers can afford, drastic and rapid slum clearance, and the abolition of overcrowding. There must be ample provision of parks and open spaces, a rigorous planning and control of developing areas, and the constructive preservation of the countryside. The post-war period will, like the last, see a great housing shortage and a demand for new standards. The community must not again be left exposed to the jerrybuilder and the rack-renting profiteer; nor must tenants be left without protection against excessive rents.”<sup>xxii</sup>*

In 1942, the Labour Party published *The Old World and the New Society: A Report on the Problems of War and Peace Reconstruction*. This set out four essentials: Full employment; Rebuild Britain to standards worthy of men and women who have preserved it; Organise social services – health, education, nutrition and care in old age for all citizens; and Educational opportunities for all citizens  
Its specific proposals included the following:

*“ The Labour Party can contemplate no effort of reconstruction in which considerations of equity are not paramount. ... Equity means that there is a reasonable standard of life for all. The basis of democracy is planned production for community consumption.”*

*“ The main wartime controls should be maintained to avoid the scramble for profits which followed the last war”<sup>xxiii</sup>*

The report argued that Ministries should prepare plans for rapid transfer of labour and material to peacetime requirements and that Local authorities should start drawing up plans for rebuilding urban areas.

These proposals were to be firmed up in the 1945 election manifesto *Let us Face the Future*<sup>xxiv</sup>

*“ Labour will proceed with a housing programme with the maximum practical speed until every family in this island has a good standard of accommodation. This may well mean centralised purchasing and pooling of building material and components by the State, together with price control. If that is necessary to get the houses as it was necessary to get the guns and planes, Labour is ready. And housing ought to be dealt with in relation to good town planning – pleasant surroundings, attractive layout, efficient utility services, including the necessary transport facilities.”*

*“Labour believes in land nationalisation and will work towards it, but as a first step the state and local authorities must have wider and speedier powers to acquire land for public purposes wherever the public interest so requires. For the purposes on controlling land use under town and country planning, we will provide for fair compensation but will also provide for a revenue for public funds from betterment.”*

The years 1942 and 1943 saw a range of government initiatives, which contributed to establishing a governance framework for the postwar period. The August 1942 Uthwatt report on compensation and betterment, concluded that a national system of planning control should be introduced with development control decisions should be made by local planning authorities. It would therefore be necessary for landowners to be compensated for loss of development rights. However, the report concluded that should be taxation on betterment of developed land where increase in value due to ‘public action’.

In December 1943, the Government published a Memorandum on *The Process of National Planning*. This proposed that

- a) restrictions against change of use of land without approval be introduced and that licenses would be required for development or redevelopment
- b) that local authorities be required to produce plans for development of their areas and that these plans should be based on surveys; and
- c) a Land Commission should be established to acquire land for development.

A subsequent Statement on Control of Land Use the following year raised the key issue: whether to tax all gain in value or just gain in value attributable to planning consent. By October 1945, the Whiskard committee established to work out the details of a compensation and betterment scheme produced its proposals. Land would be restricted to existing use unless planning consent for change of use. Betterment

would be levied on development gain. Compensation would be paid at 50% of difference between existing use value and market value as at March 1939.

With Labour returned to power in 1945, after the end of the war in Europe, most of the planning measures developed during the wartime period, were brought into effect, though it was not until 1947 that the Planning Act nationalised development rights and brought in the requirement for local councils in publishing development plans to allocate land for specific uses, on the basis of which applications for development would be determined, the system since known as development control- a system which remains in operation. The 1947 Planning Act also established of Central Land Board, originally called Land Commission, to acquire development land and administer compensation and betterment scheme. Though the proposed regional land boards were never established, a £300m budget for compensation to landowners for loss of development rights was established with compensation to be at current market value rather than the prewar 1939 value as had originally been proposed. The development charge on value increments arising from planning consent was 100% as compared with the 50% rate in the 1909 Act. The 1946 Compulsory Purchase of Land Act expedited compulsory purchase of land and overcame past problems of acquiring land in multiple ownership.

As well as developing the detail of mechanism for a new planning regime, the wartime government also prepared its plans for a postwar housing programme. In 1942, the Minister of Health, Ernest Brown, accepted there was a need for a postwar programme of three to four million homes, half of which were required to replace unfit homes. An initial target of 80,000 new homes was set for the first year after the war. The wartime government produced a number of reports on how this would be achieved – the Scott report of August 1942 on building in rural areas, the Dudley report of on housing standards, and Lord Reith's 1944 report on New Towns. The new towns report led to the 1946 New Towns Act, which envisaged 24 new towns with a total population of two million people. Eight of the initial 14 were to be around London, with the remaining six to be in regional development areas in the Midlands, Durham, Wales and Scotland. The Dudley report increased the space standards from the 750 square feet standard in Austen Chamberlain's 1923 Act to 900 square feet. However it also recognised the potential for homes to be provided in both low and higher rise flats, moving away from the Tudor Walters report's presumption in favour of two storey dwellings. This was later incorporated into the Government's 1944 Housing Manual.

With the election of a Labour government, Nye Bevan became Minister of health with housing responsibilities. Lewis Silkin, who had been chairman of the London County Council housing committee, became Minister of Town and Country Planning. Bevan in contrast with the position taken by interwar administrations, wanted 75% of the new housing to be built by councils, though in practice this meant that they were built by private contractors under contract rather than by direct labour. Bevan trebled the subsidy for council housing, with three-quarters of the cost being paid by central government and a quarter from the council rates. While Bevan focused on permanent new housing, the wartime prefab programme of emergency housing was continued. In 1946, the first full year after the end of the war in Europe, some 55,400 homes were completed. The programme peaked at 227,000 homes in 1948. In the budget cuts of 1948, the target was cut to 140,000 though completions actually stayed in the

190,000's until the fall of the Labour government in 1951. The output however still fell far short of the prewar peak of 340,000 homes a year. Bevan of course argued that he was interested in quality as much as quantity – “*We shall be judged for a year or two by the number of houses we build. We shall be judged in ten years time by the type of houses we build*”.<sup>xxv</sup>

As in the first world war, the second world war saw the building up of a cross party consensus in favour of national planning, public sector leadership and government investment in reconstruction. The development of a new framework for housing and planning was part of a cross party movement towards an enhanced role for the state, which included the Liberal Lord Beveridge with his report on social insurance and the Conservative Rab Butler's 1944 Education Act. What is significant throughout the wartime period is the extent of involvement in and lobbying for reconstruction by the organised professions, and in fact by a range of citizen groups reflected in both newspaper media and publishing. All parties saw the planning of a better postwar future as one of the fundamental preconditions for winning the war – as reflected in the original Government War Aims of 1940. The war saw a plethora of pamphlets advocating reform. As early as 1941, Kegan Paul published a series of 12 pamphlets on *The Democratic Order*, edited by Francis Williams, who was to be Attlee's press secretary and biographer. The series included Ritchie Calder's *Start Planning Now. A Policy for Reconstruction* and Frank Pick of London Transport's *Britain Must Rebuild: A Policy for Regional Planning*. The Pilot Press published in 1944 and 1945 a series on post-war planning – *Target for Tomorrow*, with Beveridge, Julian Huxley and Sir John Boyd Orr as the editorial board, and which included a volume on *The Rehousing of Britain* by John Madge, and a volume on *A Plan for Town and Country* by Flora Stephenson and Phoebe Pool. Penguin published in 1943 *Country and Town*, a summary of the Scott and Uthwatt reports by the historian G M Young. Faber published for the Town and Country Planning Association a series of twelve pamphlets in its *Rebuilding Britain series*, with an impressive list of authors including F J Osborn, G D H Cole, Clough Williams-Ellis, Lewis Mumford and Seebohm Rowntree. The Fabian Society, long an advocate of centralised planning produced three volumes of essays – *A Plan for Britain in 1943*, *Can Planning be Democratic in 1943*, and *What Labour Can Do* in 1945. The Liberal Ernest Simon produced his own *Plan for Britain* in 1945. RIBA contributed its own pamphlet on *Rebuilding Britain* in 1943. In addition of course there were the two Abercrombie reports of 1943 and 1944 on planning for the County of London and for Greater London. Throughout the wartime period, there was a series of books promoting the virtues of town planning. The TCPA published volumes of conference papers, including *Replanning Britain* in 1941 and *The New Planning: Re-development and Re-location* in 1945. Thomas Sharp published *Town Planning* in 1940; Gilbert and Elizabeth McAllister *Town and Country Planning* in 1941, with a foreword by Greenwood, Abercrombie's *Town and Country Planning* in 1943 and Cole's *Building and Planning* in 1945. The Association for Planning and Regional Reconstruction published in 1945 *Maps for the National Plan*, as a background to the Barlow, Scott and Beveridge reports.

It is perhaps not surprising that with this degree of public concern and interest, that the wartime and postwar governments gave such priority to reforming both housing and planning systems. Added to this intellectual and professional lobby was of course the immediate and politically sensitive issue of the extent of dereliction and homelessness, especially in London and the mass squatting campaign led by the

Communist Party, which won considerable support. There was however a widespread belief that Government had a responsibility for ensuring that the limited resources available in this period of austerity were fairly shared. Rationing was to continue until well into the 1950's.<sup>xxvi</sup>

It is now possible to assess the reconstruction framework in this second reconstruction period against the criteria introduced earlier.

- a) The Central Land Board and the New Towns programme both generated the release of land for development and ensured that major new development was located in appropriate areas. The 1946 Compulsory Purchase of Land Act assisted councils in acquiring land for housing purposes.
- b) An upgraded code of standards was adopted in the Dudley report and promoted through the Government 1944 Housing Manual.
- c) The 1947 Town and Country Planning Act established a new framework for planning, while the New Towns programme linked major new development to programmes of social and transport infrastructure and employment generation. The financial mechanisms for New Town development ensured that the value arising from new residential development supported the construction of community infrastructure in the manner originally envisaged by Ebenezer Howard.
- d) The level of subsidy between 1945 and the reductions in 1948 sustained a significant programme of council housing, while finance was also available for private housing, though housing targets were not achieved in full. The betterment arrangements brought in by the 1947 Act also provided revenue, though with a 100% development charge on the value increment arising from planning consent, it removed the incentive on landowners to bring land forward for housing development.
- e) The betterment arrangements were intended to act as a framework for ensuring public benefit from the development of private land.

In summary, it can be concluded that while a comprehensive framework was in place, that the framework needed significant resources to operate and that this could not be sustained by central government. Moreover, there was a gradual breakdown in the relationship between state and market, with the Conservative Party elected to power in 1951, while maintaining a programme of council building and the New Towns programme, nevertheless seeing a greater role for the private housebuilder and wishing to reduce some of the burdens on the private market imposed by the 1947 regime. Nevertheless the fundamental principle of the nationalisation of development rights, the leadership role of local authorities and the role of local councils in building and managing homes was maintained – at least until 1979.

### **The Challenge of Reconstruction in the 2010's**

By the time of the recession of mid 2008, the UK had experienced nearly twenty years of neo-liberalist economic policy, a key component of which was the abandonment of the consensus on housing and planning policy and the balance between the roles of state and the market that had operated between 1945 and 1979. The 1947 Act remained in place. In 1961, the Parker Morris report introduced new standards for council housing. The 1964 Labour government reinvigorated the council building programme with more generous subsidy system in 1967, but the Conservatives 1972

Housing Finance Act reduced the subsidies and sought to encourage owner occupation. The Conservatives 1973 Housing White Paper envisaged an increased role for housing associations. Labour in coming to power in 1974 again sought to increase the council building programme and councils were encouraged to acquire privately rented homes, but with the financial retrenchment required by the International Monetary Fund in 1978, the local authority housing investment programme was cut. Labour also introduced the Community Land Act and the development land tax, a regime which was unsuccessful and was abolished in 1979. The 1977 Housing Green Paper had already looked to a greater role for the private sector, but it was the coming to power of Margaret Thatcher in 1979 that brought about the fundamental policy shift.

The 1980 Housing Act both introduced the statutory right to buy for council tenants and deregulated the private rented sector. The Parker Morris standards were scrapped. The Conservative government also further reduced the level of housing investment with councils being allocated less than a half of the investment resources they claimed they needed. By the early 1990's new council building had been reduced to a trickle, with the housing association building programme funded through the Housing Corporation not meeting the deficit.

The 1990's and 2000's, under Conservative and Labour governments also saw the transfer of many local authorities' housing stock as bulk transfers to housing associations. In other cases, the management of council housing was contracted out to private companies, housing associations or Arms Length Management Organisations (ALMOs). Councils no longer acquired land for clearance or development, and with the end of specific regeneration funding streams, council estates requiring regeneration, whether demolition and replacement or improvement, were increasingly transferred to private developers and housing associations. Estate regeneration became dependent on private sector involvement, often packaged under the Private Finance Initiative (PFI) programme.

The Housing Corporation programme for funding new social rented homes shifted from a system of 100% grant (the public funding regime) to a mixed funding regime which relied on housing associations to cover about a third of capital costs from borrowing from the private sector against future rent income. As government subsidy was reduced, the proportion of capital costs met by subsidy was reduced to about 30% on average. In many areas housing associations developed new rented housing without any government subsidy, relying on contributions from private developers negotiated by the local planning authority as planning gain, generally known as section 106 agreements after the clause in the 1990 Town and Country Planning Act. Moreover with the government focusing on increasing access to home ownership, the Housing Corporation used increasing proportions of its programme to support marginal home ownership schemes such as shared ownership and the open market homebuy initiative. By 2009, housing completions had fallen to 117,000 a year, of which only 25,000 were by housing associations. This compared with the Government's own target of 240,000. The Government at one point had a target of completing 70,000 affordable homes each year, though this fell to 55,000. This target however included shared ownership housing as well as social rented housing.

In 2007, the Government, following on from the Barker reports on housing supply

and planning, pointed the blame for the collapse of housing construction and the shortage of affordable housing on the planning system. By mid 2008, it was clear that there were more fundamental problems – with the collapse of the housing market, the lack of profitability led to housebuilders pulling back on their building programmes, while the dramatic reduction in the availability of mortgage finance led to a fall off in house purchase transactions. A number of major house-builders went into serious financial difficulty – Wimpey's share price falling by over 90%. Houseprices fell on average by nearly 20% in a single year. However with mortgage finance falling and lenders requiring much higher deposits, the fall in house prices failed to make the housing market more affordable, and for the first time in decades there was a fall rather than an increase in the proportion of households in England who were owner occupiers.

The neo liberal agenda of successive Conservative and Labour governments had led to an increasing reliance on the private sector both to fund affordable housing and to fund or at least part fund transport and social infrastructure such as schools and health facilities. With the fall in residential values, this was no longer possible. Housing associations had also been encouraged to diversify their activity into both shared ownership housing and market provision. The Housing Corporation's financial regulation was relatively weak, and some associations became overextended, especially when negotiating development finance became more difficult and more expensive. This paralleled the weakening of regulation of the banks and building societies, with the Financial Services Agency not realising the extent to which banks and building societies, mostly now demutualised were indulging in unsecured lending.

The British government's main response to the combination of credit crunch and recession was to rescue the failing banks and building societies, so Northern Rock was acquired outright and other struggling banks were recapitalised – in fact lent money by the taxpayer. In some cases the Government acquired significant equity stakes - for example in the Royal Bank of Scotland. The Government also allowed the Homes and Communities Agency, which in December 2008 had taken over the role of the Housing Corporation, to bring forward £400m from its 2010/11 budget for spending in 2008/10, which together with some resources switch from the Government's growth areas fund for infrastructure and Decent Homes programme for improving council homes, led to a 'kickstart' programme which allowed a number of stalled private sector led schemes to be reactivated. Generally, the HCA increased the level of grant per home to enable schemes to be financially viable – in London this often meant increasing the grant from £100,000 a home, to about £130,000 a home. The problem was that the HCA soon ran out of money, and at the time of writing, there is no knowledge as to the level of investment programme available for the 2011 to 2014 period, though there is a general recognition that it will be significantly below the 2008-2011 programme level.

It is now necessary to compare the contemporary planning, housing and funding framework with the five criteria used for the previous reconstruction periods.

a) While there is a considerable backlog of consented schemes not yet started on site, there will be a limit on land being brought forward for development by the private sector until profitability returns. There is little evidence of public sector land being made available for housing development on a subsidised basis. There is no central

control over the release of land for development and the Homes and Communities Agency has not used its land acquisition powers. Similarly councils are not acquiring housing land and in some cases are still disposing of it. Although the HCA inherited English Partnership's role on developing a brownfield land strategy, there is no evidence of any government or government agency proactive strategy to bring forward land for development. This is generally viewed as best left to the market.

b) The Parker Morris standards for council housing were scrapped in 1980. While the Homes and Communities Agency operates standards for housing it funds, there is no standard for new private housing. The Government has introduced a Code for Sustainable Homes, though the application to private housing is not mandatory. Building regulations are limited to matters relating to materials, construction processes, energy efficiency and safety.

c) The planning regime introduced by the 2004 Planning and Compulsory Purchase Act has not as yet proved to be fully effective. The majority of local planning authorities do not have local spatial plans in place and the Government is in the process of significantly weakening the structure for regional spatial planning introduced in 2004. There is little linkage between the identification of areas for residential growth such as Thames Gateway and the identification of employment capacity and its delivery. Funding for transport and social infrastructure is generally inadequate and not directly related to the areas of potential residential growth. Some of the Government's proposals for new towns, now branded as 'eco-towns' have been shown to be not fully consistent with the principles of sustainable residential development.

d) The current funding regime is inadequate to support the required provision of affordable housing, especially socially rented housing. For many locations, notably areas of significant demand with high land costs and high existing use costs, available grant is generally at too low a level relative to land and built cost to make a development viable. Any contributions from private residential value to the provision of affordable housing or transport and social infrastructure are for individual planning authorities to negotiate through section 106 agreements. The Government's proposals for a new tax on development, the Community Infrastructure Levy, to fund transport and social infrastructure, are likely to act as a further restraint on development, especially in the current market context. The Government has not put in place a mechanism for the public sector to benefit from the long-term value appreciation of development comparable with for example the mechanism introduced in 1909.

e) There are no adequate mechanisms for ensuring effective use of resources. Current guidance on density is limited to a minimum density of 30 dwellings per hectare. There are no government targets for the range or type of housing provided in terms of affordability, built form or bedroom size mix. Both dwelling type and location are matters left to local authorities to determine. In practice, local planning authorities powers to set parameters for development are weak, and the nature of development is largely market driven. Taxation does not incentives effective use of land or property, with stamp duty acting as a tax on purchase and constraint on affordability, with no taxation on value appreciation. Council tax remains insufficiently progressive and in fact includes discounts for under-occupation rather than penalties.

## Conclusion

From the above analysis it can be concluded that the framework for planning and housing development operating in 2009 is much weaker than both that brought into effect in 1909 and those operating in both previous reconstruction periods, that is after the first world war and after the second world war. In contrast with previous recognition of the role of public sector agencies, both central government and municipal government, in terms of a) direction, b) ownership, c) regulation and d) investment, the contemporary consensus, at least until the recession, has been in favour of a) limited powers of direction over the market, b) reliance on private sector ownership and development to the extent of assets being transferred on a significant scale from public to private sector, c) light touch regulation, if any, and d) reliance on private sector investment to reduce demand on the public sector budget and the taxpayer. It is significant that in both 1909 and in the previous periods of austerity, this fourfold approach was rejected as inadequate. This was generally not seen as a matter of ideology but of pragmatics. There are clear lessons from the past for any Government with responsibility for planning and housing policy in England in the contemporary context.

Duncan Bowie  
May 2010

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<sup>ii</sup> See for example Bowie, D (2008) *Housing and the Credit Crunch. Government and Property Market Failure* London: COMPASS

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<sup>iv</sup> See Wohl, A (1977) *The Eternal Slum. Housing and Social Policy in Victorian London*. London: Edward Arnold

<sup>v</sup> See Cherry, G (1974) *The Evolution of British Planning* Leighton Buzzard. Leonard Hill:

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<sup>vi</sup> Swenarton, M (1981) *Homes Fit for Heroes* London: Heinemann

<sup>vii</sup> Howard, E (1898) *Tomorrow. A Peaceful Path to Real Reform* (London: Routledge 2003 edition for TCPA edited Peter Hall, Dennis Hardy and Colin Ward)

<sup>viii</sup> Acland, A (chair); Buxton, C R, secretary (1914)) *The Land. The Report of the Land Enquiry Committee. Vol 2 Urban* London: Hodder and Stoughton

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- <sup>ix</sup> This section draws heavily on Johnson, P (1968) *Land Fit for Heroes*. Chicago: University of Chicago
- <sup>x</sup> See Ministry of Reconstruction (1918) *Housing in England and Wales* page 17 London: Ministry of Reconstruction
- <sup>xi</sup> Ineichen, B (1993) *Housing and Health* London: Spon, pages 15-16
- <sup>xii</sup> Quoted by Johnson pg 91
- <sup>xiii</sup> Ibid pg 92
- <sup>xiv</sup> Addison diary quoted Johnson page 98
- <sup>xv</sup> Ibid page 109
- <sup>xvi</sup> Ministry of Reconstruction (1918) *Housing in England and Wales* page 17 London: Ministry of Reconstruction
- <sup>xvii</sup> Labour Party (1918) *Labour and the New Social Order* London: Labour Party
- <sup>xviii</sup> Ibid page 16
- <sup>xix</sup> Quoted in Short, J (1982) *Housing. The Post-war Experience* London: Methuen page 40
- <sup>xx</sup> This section draws heavily on Cullingworth, J (1975) *Environmental Planning 1939-1969 vol 1 Reconstruction and Land Use Planning 1939-1947*. London: HMSO. This is the official history of planning during and after the second world war. See also Bullock, N (2002) *Building the Post-war World. Modern Architecture and Reconstruction in Britain* London: Routledge
- <sup>xxi</sup> See Cox, A (1984) *Adversary Politics and Land*. Cambridge: Cambridge University Press , especially chapter 4
- <sup>xxii</sup> The Labour Party (1940) *Conference Statement* London: Labour Party
- <sup>xxiii</sup> The Labour Party (1942) *The Old World and the New Society* London: Labour Party
- <sup>xxiv</sup> The Labour Party (1945) *Let Us Face the Future* London. Labour Party
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