

**COUNCIL HOUSING SALES IN GREAT BRITAIN:  
MARGINALIZATION OR COOPTATION**

by

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submitted to the Department of Urban Studies and Planning

in partial fulfillment of the requirements for the

degree of

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at the

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June 1985

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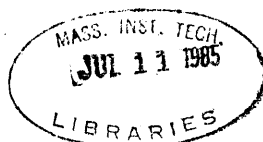
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The most serious urban housing problems involve many factors other than physical dwelling units, including income poverty that prevents millions of households from being able to pay for decent housing: high-quality local housing standards that exclude the poor from living in more prosperous areas; destructive personal behavior patterns exhibited by a small percentage of the residents in concentrated poverty areas that make their neighborhoods undesirable places in which to live; and middle-class withdrawal that takes place in and near concentrated poverty areas. Experience proves that attempts to combat the most serious urban housing problems are certain to fail unless they respond effectively to these factors, as well as to needs for physical dwelling units.

Source: Wohlman:1975

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ABSTRACT

The current social policies in Great Britain have the effect of coopting and marginalizing the poor. Marginalization results from lack of access to or the inability to exercise influence over outside forces and make choices. Cooptation results from the ability of the political process to engage people to follow policies or circumstances that they might not otherwise do because such events are in their perceived interests. The implications of the sale of council housing must ultimately be considered within the context of the Thatcher government's overall policy of privatization.

Marginalization of the poor occurs as the Government centralizes spending levels, directs public funds to support homeownership schemes and charges market rents for council housing. As the public sector is contracted, those remaining as tenants will become increasingly isolated from the mainstream. The condition of the housing stock will continue to deteriorate and these tenants will be subjected to unnecessary physical and psychological abuse. The increases in rents will demand a larger portion of the household income and leave very little money for other household needs. As family income is reduced by higher housing costs, the Government will have to provide greater income support to these families. Government income support creates an unhealthy dependency. Recipients can be manipulated and coerced by political parties, employers, landlords and public officials.

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## **Introduction**

In 1919, the British government enacted the Addison Act (1919 Housing and Town Planning Act). This act legislated government involvement in the provision of housing. The government anticipated that the private sector would reassert itself and satisfy the majority of housing needs. By 1927, it was clear that economic conditions, employment opportunities, wages and income levels prevented sufficient incomes to pay the rents needed to encourage landlords to meet the housing demand. In 1980, the government's commitment to housing was reduced and subsequently may lead to the decline of council housing in Great Britain.

## **Council Housing**

Council estates, publically-funded housing projects in Great Britain, are composed of tower block flats (high-rise buildings), maisonettes (two-floor apartments) and houses. These estates are located throughout the country and have been among the finest rental housing in Great Britain. Reductions in central government grants, the influence of political ideology at the local government level and recent discoveries of structural design and defects in several series of buildings have led to the deterioration and inhabitability of much of the housing stock.

The current social policies in Great Britain have the effect of marginalizing the poor. This thesis explores the process of marginalization and cooptation of the poor as a result of the sale of council housing in Great Britain. This paper argues that the sale of council housing and increased support of owner-occupation does not lead to, as the Government contended, minimal government intervention

in the housing market; that British housing policy and certain fiscal policies, will have tremendous social impacts as a large portion of housing consumers is adversely affected; that the Thatcher government's policy of forcing local authorities to sell assets (developable land and housing stock) to raise revenue and channeling available resources to support homeownership through loans, grants subsidies, and tax policies does not indicate a sound strategy for an economic policy and that homeownership does not necessarily lead to party realignment.

The Conservative party has consistently supported the idea that property ownership is the most desirable form of housing tenure. It has expected the private rental sector to satisfy most housing needs. Government intervention in the housing market should be limited to support individual unable to provide for their basic necessities.

The Labour party supported an extensive government role in the provision of housing until 1964. Since 1964, the Labour party has reinterpreted the party platform in terms of overall social policy, but most pointedly housing. It encourages homeownership and desires a reduced role for government in the provision of housing.

The current government embarked on an aggressive housing sales policy in 1980. This policy decision to sell council housing was not unique or specific to a Conservative ideology. What is unique to this Government, is the vigorousness with which the Government supports homeownership through the sale of council housing and provides resources for construction of housing to be sold for private ownership.

The 1980 Housing Act and Housing and Building and Control Bill 1984, are the two main pieces of legislation which the Thatcher government created to allow the sale of publically-funded housing (this

includes council housing, new town and housing association housing).

The 1980 Housing Act provided a statutory right-to-buy for public sector tenants of at least three years. These tenants could obtain a discount on the assessed market value of their rented units of at least 33 percent. Allowable discounts increased 1% for each additional year up to a maximum 50% for tenancies of 20 years or more. The purchase price could not be less than the costs to the local authority from 1974. The Act also provided security of tenure to tenants in council, new town and housing association housing.

The Housing and Building Control Bill 1984 extended the sales policy to tenants whose landlords own a leasehold (lease), some county council tenants, many homes adapted for the disabled. This legislation increased the maximum discount from 50% for 20 years' tenancy to 60% after 30 years and reduced the qualifying period to two years. The Bill also introduced the Shared Ownership plan (a joint renting and owning scheme) for those tenants who were unable to purchase outright.

## **Chapter 1 WHO ARE THE LANDLORDS?**

### **1.0 Private and Public Role in Housing**

The housing market in Great Britain are divided between owner-occupied, council and new town rentals, private landlord rentals, housing association and tied housing (accommodation supplied through employment or business). The 1981 census survey indicated that out of estimated 19,492,428 households, in Great Britain, 55.7% are in owner-occupied housing, 31.2% are council or new town rentals, 13.2% are private rentals, housing association rentals and tied housing. In England, out of an estimated 16,720,68 households, 57% are in owner-occupied housing, 28.8% are council or new town rentals and 13.6% are in the other categories.

#### **1.1 Private Rental Sector**

The private sector was the predominant housing tenure prior to 1919. It represented approximately 90% [Aughton:1981] of the housing market and provided housing to consumers regardless of income. It has decreased to 13.4% (1981 estimate), and is no longer a major provider of housing. The housing stock is in much disrepair and lacks many amenities. However, the Government believes that it will be able to absorb the increasing demand created by the contraction of the public sector as a result of reduced rental housing and funds for construction, maintenance and improvement costs. It is becoming proportionately more middle class because the rental property has been decontrolled. The rents that are charged in the private rental units are too high for low income individuals and families. As it declines, the private sector serves those in the early stages of household formation such as singles and families without children. This group generally proceeds into the owner-occupied sector as household needs

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change.

The Government assumes that the greatest influence leading to the decline of the private rental sector has been the landlords' loss of control over property both in terms of setting rent levels and removing tenants. The Government has argued that by increasing the rents to fair rents, the private landlord will be able to realize a profit on the investment and will in turn reinvest in housing (both in terms of maintenance and new investment). There is no substantiation of the Government's claim that private rentals will be improved.

The impact that the Government believes rents have had on the private rental sector avoids the larger issue of the economic conditions and investment considerations for investors. The combination of grants, loans, and tax relief make rental property more costly than buying property to sell. [Aughton:1981] To argue that rent control policies and security of tenure policies have caused the decline of the private sector overlooks some fundamental realities. It is more likely that the policies of rent control were less influential, than slum clearance and the opportunity costs associated with alternative uses of resources.

The governments have attempted to encourage maintenance and construction in the private rental sector through various improvements grants and loan programs. Most landlords in the private rental sector are elderly couples and pensioners. The houses are owned outright and most of these landlords have been unwilling to incur debts to improve their properties. Debt-free properties are very old and in need of tremendous repairs. These elderly couples see no advantage to risking the loss of their properties or becoming homeless to obtain loans to

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renovate.

### 1.2 Public Rental Sector

"...The Government's housing policy priorities are threefold; to increase homeownership, to encourage the repair and improvement of the existing stock and to concentrate public resources within the housing programme on capital provision for those in greatest need.." [AMA:1984]

The Department of the Environment identifies public sector housing as any housing provided by institutions which received public funds. For this discussion, public sector housing is housing provided by the local authorities and housing associations.

As the private sector declined, owner-occupied and council housing emerged as the predominant housing tenures in Britain's housing market. Local authority housing was intended to provide accommodation for the working class. The combination local authority policies and rents made council housing cater to more affluent and skilled workers. Local authority selection processes and support of owner-occupation have changed the target population to those least capable of providing the necessities of life for themselves and their families.

Local authority housing has become housing for specific groups within the working class such as single parent families, elderly, unemployed, unskilled workers and the homeless. In the past, those who were well-off lived in council housing while lower income individuals rented in the private sector. The trend in the past twenty five years has been the movement of the lower paid workers into the public sector. [Malpass, Murie:1982]

Researchers have argued that the post-war years in England mark a period of actual housing policy formulation and implementation. [Short:1982, Murie:1982, Esping-Anderson] Prior to this period, was considered to be an

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issue which should be addressed at the local levels. Also, it was considered an issue of public health and government legislation was to address the problems of sanitation and overcrowding. The private rental sector satisfied most housing needs and philanthropic societies provided housing for the low-income poor. After World War I, central government provided housing as to replace the housing stock which had been damaged or destroyed. Local authorities could build and provide rental housing but it was to be a short-term endeavor. limited period.

Local authorities had no control over the use of the land in the areas. Much of the land was owned by private individuals who either sold their land to private developers or the the local authorities. Local authorities had no control over construction, design or builders. There was also no local authority control over development of the land in their areas, in terms of stipulating what kinds of structures should be built or building density.

England was experiencing a housing shortage in 1945-1946. The housing stock had been badly reduced during the war and the private rental sector was unable to satisfy the housing demand. With the election of a Labour government in 1946, there was an emphasis placed on the role of government in providing housing. The Labour government's Minister of Health stated the objective of council housing was to make rented housing available to everyone who required it, and the public sector was to be the main provider. This policy was shaped by the growing demand among the British people for social policy in the areas of education and health.

The Conservative government, elected in 1951, advocated owner-occupied housing and the support of the private sector. The government targeted populations for benefits and allocated funds through "means testing" instead of general subsidy. The emphasis at the local housing authority level was

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to reduce subsidies, provide housing to those individuals or families who were incapable of securing accommodations in the private sector, and slum clearance. Local authorities were encouraged to sell council houses and provide mortgage loans for purchases. The private sector was to be the main provider for housing needs. It was expected that a 'free market' approach to housing would be sufficient to handle housing demand.

In 1955, the government restricted the use of public funds for building and required local housing authorities to use private sector funds for building. The proportion of housing built for ownership was 15 percent in 1952, and it rose to 63 percent in 1961. [Donnison and Ungerson:1982] Borrowing from the private sector increased costs for local housing authorities. Those authorities not committed to building, either for sale or rental, justified not building because of decreased subsidies and increased construction costs. The decreased central subsidies and higher construction costs resulted in rent increases and reduced building and maintenance activities in local authority properties. [Short:1982]

The 1964 election marks a turning point for council housing because the Labour government decided that in order to gain support for its platform it had to commit itself to support homeownership. Much of the debate "during the general election of 1964 centered on housing, rents, the rights of tenants, the rising price of land, the building of offices...the needs of the homeless, and the plight of decaying and depressed areas. The outcome of the election was widely attributed to public disquiet about these issues." [Donnison, Ungerson:1982] The government had committed itself to extensive land clearance but changed the policy as a result of the financial and environmental costs. The unionized, unskilled workers lived in higher quality housing or owner-occupied. The tenants of council housing were

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semi-skilled and unskilled workers and immigrants.

The most significant feature of the housing policies of the Conservative government between 1971 to 1974, was implementation of income restrictions for council tenants. The Government produced a series of initiatives intended to encourage private sector growth, reduced government subsidies for council housing and the removal of higher-income council tenants from public sector rental to owner-occupied.

### **Housing Associations**

Housing associations were chosen as part of a discussion on public sector housing because of the nature of central government control over funding, tenant selection practices, rents and control over the housing stock.

Housing associations are voluntary, non-profit organizations which develop and manage rental housing, rehabilitate older properties and build for sale. The forerunners of housing associations were private charitable organizations providing housing for those unable to afford high rents.

Housing associations receive grants for conversion and renovation for sale. The costs to the housing association for renovation which are not met by the purchase price are matched by a government grant. Housing associations are financed through rents, charitable funds and Exchequer subsidies and local authority loans. The main funding sources for housing associations are charitable income and grants from central government. Local authorities provide financial support to housing associations but the amount varies with region. Housing associations can borrow from commercial lenders for short repayment periods and high interest rates.

Charitable funds are provided through trusts, public donations and fundraisers. These funds are not seen as a source of long-term loans. Loans

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are temporary, and repayment is up to 10 years. These funding sources provide the resources at the initial stages of a project.

The main central government funding agency for housing associations is the Housing Corporation. The Housing Corporation, created in 1964, is a quasi-autonomous government body whose primary function is to serve as a bank for housing associations. The Housing Corporation's activities include: lending, advising, auditing, registering, oversight, purchasing land/selling and borrowing money from Exchequer and other sources.

Originally, housing associations were intended to provide housing for working-classes at below market rents. However, as both Labour and Conservative governments began to recognize the potential use of housing associations their involvement in providing housing increased. Housing associations operate in the inner city and focus on the rehabilitation and renovation of existing stock. The Government believes that housing association projects have a "spin-off effect". When they restore in undesirable areas, the anticipated result is the revitalization of those areas.

"...They have performed...some imaginative and humane rehabilitation of decayed housing, particularly in inner-city areas; building for groups with special needs and life styles not easily accommodated in the self-contained boxes which other tenures provide; developing new methods of management, more democratically accountable to tenants; and bringing some very talented people into the profession of housing management, training them and giving them opportunities for trying out new ideas. They have also housed people whom the local authorities may find it politically difficult to provide for..."

[Donnison, Ungerson:1982]

According to John Henry, of the Department of the Environment, (DOE), housing associations provide an element of choice for tenants

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and housing consumers. There are approximately 2,500 associations registered with the Housing Corporation. Of the total number of housing associations, half of them have less than 100 houses they manage. Many of these associations have no paid employees and are organized and staffed by volunteers. Compared to local authorities, they are smaller, and more personal landlords and possibly more effective managers and builders. Volunteers act as sensitive management, and do not model their management techniques after the highly political and bureaucratic local authority. Some associations allow tenants to manage the properties themselves. [Baker:1981; DOE:1971]

Housing associations were in effect incorporated into the institutional structure of the government in 1964. The Housing Corporation was established to oversee and provide grants to housing associations. The grants provided by central government through the Housing Corporation in some ways subordinate housing authorities to the central government. The central government engages in close oversight, and can dictate specific housing focuses for housing associations.

Labour and Conservative party governments have supported housing associations for different reasons. The Labour party supported them after it realized that housing associations could be an adjunct to local housing authorities. The Conservative party supported housing associations because it considered them part of the private sector and any support for housing associations was essentially support for the private sector. Housing associations were not supported on a bipartisan basis until the enactment of the Housing Act 1974. [Donnison, Ungerson:1982]

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The first piece of legislation addressing housing associations was the 1919 Housing and Town Planning Act. This legislation entitled housing associations (then called housing trusts or public utility societies) to local authority grants and loans. In addition to providing grants and loans, local authorities were authorized to invest in, guarantee interest payments on, housing association loans secured from other lenders.

The 1961 Housing Act, established an Exchequer fund of twenty-five million pounds for cost-rent associations to be administered by the National Federation of Housing Associations. The increased involvement of the central government in housing association financing caused concern among the local authorities. The local authorities felt that the housing associations were losing their independence as a result of the central government subsidies.

The 1964 Housing Act combined public and private monies to lend to housing associations. Exchequer loans of up to 100M pounds were made available to housing associations through the Housing Corporation. The loans provided by the Exchequer were expected to be supplemented by loans from building societies. Under the plan, building societies were expected to loan two-thirds (2/3) of a project's costs to an association; the Housing Corporation would lend the remainder on a second mortgage. As a result of the building societies' unwillingness to commit their resources, the plan was amended. Under the revised plan, the Housing Corporation extended two-thirds of project costs.

The Labour government in 1974 increased the level of state support as it began to see housing associations as an extension of the public sector and broadened the role of the the Housing Corporation. The

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government extended capital grants, Housing Association Grants (HAGs) to housing associations. HAGs were intended to cover the difference between projected rental income and building and operating costs. The HAGS could cover from 75% to 90% or more of the project's costs. In 1979, public funding of housing associations was greater than £ 600M (six hundred million pounds). [Baker:1981]

A court case in 1983, created a precedent for elderly housing provided by the housing associations. In Joseph Rowntree Memorial Trust Housing Association v Attorney General [1983] 1WLR 225, the judge held that elderly housing provided by a non-profit housing association is not a charity. The housing schemes provided by this Trust do not have to be subsidized, and are not "sheltered" (not restricted from purchase because underrepresented in overall housing stock); therefore tenants do not have to be in financial need and leases can be transferred to non-elderly at will or when tenant is deceased. [Nobles:1983]

The significance of this finding is that "special-need" housing which housing associations supply is subject to become part of the overall housing supply and no longer targeted for specific groups. If this is to become a trend, those who were looking to housing associations for housing will be forced to compete with private sector families and individuals. Until this point, it would seem that housing associations were an alternative to private sector and council housing. The units were subject to many of the same restrictions as the private sector, but 50% of the applicants and accepted tenants were taken from council housing lists. The ability for these units to go onto the private market limits still further the number of housing options for

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those on the waiting lists.

Indirectly, this is another subsidy for the private sector because the funds for the construction costs and project expenses come from the Government. Currently, the Government will only fund projects for elderly housing or for sale. In this situation, the Government is channelling even more resources into the private sector without acknowledging that is what it is doing and has intended.

### **1.3 Future Roles**

Local authorities are charged with the statutory responsibility of providing housing. Groups which have been identified by the central government as "special needs" (e.g. handicapped and elderly) will become increasingly disenfranchised from the system because they will be dependent upon the local and central governments for income support. Government institutions are not interested in these groups because they do not provide a significant base of political support or opposition. In addition, those groups which have been the object of discrimination through ethnic, gender and other biases will become increasingly ostracized and stigmatized. Local housing authorities (or agencies performing their functions) will be the providers of "last resort" for these groups.

It is evident that the public and private sectors have not provided for the housing needs of the low-income poor. What is quite clear is that there has been interplay between the politics at the central and local level of governments and the provision of housing in both sectors. The most difficult, albeit practical solution would be to remove housing from the realm of politics. In a sense "depoliticize" it. The realm of politics is appropriate for this

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discussion of the future roles of the public and private sectors because the motivation for actions by the housing providers is very different.

The public sector provision of housing is an ideological issue. The Labour party used to be supportive of social policy issues and strongly favored a prominent role for the government in the provision of housing. The Conservative party has consistently been in favor of a very minimal role of government. Both parties, have in the past, altered their policy agendas when it became clear that the electorate, regardless of "party line", favored one course of action over another.

The private sector is not motivated by political or ideological considerations. It is concerned with whether or not the investment in rental housing and the subsequent income generated, produces enough returns to justify not using the resources in other ventures.

Housing associations should be removed from the political arena if local authorities and the central government are going to be able to meet their responsibilities of providing housing. Unfortunately, the Government in its zeal for homeownership imposes its own goals on housing associations and funds projects that will increase the level of owner-occupation such as "build-for-sale" and "rehabilitation-for-sale". If housing associations continue to be dependent upon government funds, they will be susceptible to greater political manipulation. They are able to secure funds from charitable trusts and other means; however, the funds they need for projects have not (cannot) been secured from any other sectors.

Housing associations have an important role in the provision of affordable housing, of more than average quality, to those who are of

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low-income. Whether or not the central government, regardless of which party is in office, will use housing associations in a more constructive way is questionable. Housing associations have the potential to fill the void for providing housing through building and rehabilitation and management in a way that local authorities are unable.

## 1.2.0

**TENURES**

England and Wales <b>YEAR*</b>	<b>*1947</b>	<b>*1960</b>	<b>1961</b>	<b>1966</b>	<b>*1971</b>	<b>*1981</b>
Private Rented	61	31.5	33	27	19.3	13.4
Public Sector	13	24.7	26	28	28.7	28.8
Owner- Occupied	26	43.8	41	45	52.6	57.8

Total Number of Households: 19,492,428

\*Figures "**The Housing Crisis in Britain and the Netherlands**", Michael Harloe and Maartje Martens.  
 Figures for 1961, 1966 from "**Housing Tenure in Britain: A Review of Survey Evidence, 1958-71**", Alan Murie.

## 1.2.1

## Age of housing and Tenure (1983)

Building Age	Great Britain			Percentages and Numbers		
	Owned outright	Owned with mortgage	Local authority new town	Unfurnished private	Furnished private	Number
Pre-1919	38%	32%	4%	22%	4%	2,333
1919-1944	29%	34%	28%	7%	1%	2,314
1945-1964	18%	26%	53%	3%	-	2,637
Post 1964	14%	40%	38%	7%	1%	2,622

Source: Social Trends 1985  
HMSO

## Chapter 2 WHO ARE TENANTS AND OWNERS?

### 2.0 Tenure Preferences

"...The development of a duopolistic housing system with alternatives to owner-occupation and public authority rental being consistently reduced has repercussions both for management and planning and for individual households...[It] may restrict and confine the options of households who must rent or who are unable to satisfy the eligibility tests at least of building societies and other institutions enabling entry to owner-occupation, and possibly to local authority housing..." [Murie:1974]

Tenure preferences are influenced by housing and employment mobility, waiting lists, local authority selection processes, central and local government fiscal policies (subsidies and tax relief) and property condition.

The Government argues that most people desire to own their home and it is in response to the electorate that it is encouraging homeownership through its policies. In light of the Government's use of "choice" as justification for its actions, tenure preference is a crucial aspect to a discussion of marginalization. The contention that this author would make is that there is no real choice for the low-income housing consumer. Those individuals who can afford to buy their council house could in all likelihood purchase a home in the private sector. Those whose incomes are low and still purchase do so because of the difficulty they face in moving to another unit, the tax incentives and the discounts for council tenancy.

Goss and Lansley [1981] argued that homeownership preference has been artificially created by years of social conditioning. This conditioning process equates individual freedom with homeownership and espouses the financial benefits of owning. These financial benefits are a product of the subsidy system and inflation, unequal legal and social benefits, and the excessively paternalistic, bureaucratic and insensitive character of public housing management.

## Chapter 2 WHO ARE TENANTS AND OWNERS?

They further argued that tenure preferences have been distorted by the nature of government intervention, especially on the financial side. Those with the ability to make a housing choice, often choose homeownership. Public housing has become accommodation for those unable to take advantage of the somewhat artificially created benefits offered by housing purchase and unable to take advantage of housing in the private rented sector.

Murie [1974] argued in his study of survey results of tenure that "...[t]he most important distinction [between tenure groups] does not rest in physical characteristics of the sectors but in the rights of owners and users of the property..." According to Murie, certain types of housing maintain the same tenure regardless of contracts between landlord and tenants or legislation. "...Dwellings which are owner-occupied are likely to remain so throughout their use, unless they are temporarily leased in the owner's absence, or are purchased by a public authority..." Once housing tenure changes it does not change back. This counters the Government's position that people wanted to move into owner-occupied housing. Tenants in council housing would move to rent houses but it is unlikely that they would have moved from renting to owning. From Murie's argument, the primary consideration is the relationship between housing tenure and the units.

The surveys conducted by the National Consumer Council and the government's General Household Survey found, as did Murie, that most moves are within tenures and not across. The implication of the survey data is that those units which have become owner-occupied will not be available for rentals. Should the Government find itself with a shortage of adequate rental housing (not an unlikely situation) it will either have to build or encourage owners more vigorously to rent or sell their houses back to the Government for rentals.

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If the Government does not revise its standards of adequate downward, in order to avoid having to engage in new building it will most likely revise the construction standards downward to reduced construction costs. It is estimated that it would cost L 5,000 (five-thousand pounds) to rehabilitate the average council unit. The discounts on the sales price average a larger amount. The costs of construction for new building are much greater than 5,000 pounds.

Recent homeowners are unlikely to rent out portions of their homes. One reason might be that they have gone to such great sacrifice for these homes and to own this property that they are unwillingly to share it with anyone who is not a member of the family. Another reason may be the inability of landlords to remove tenants from the premises. Landlords in-residence (which is what most of them are likely to be) have to show "just cause" for removing the tenants, provide an alternative place for the tenant to live and are bound the Tenants' Charter. They have no control over their property and it would seem out of the question that they would forego this control over their property in order to rent a portion.

### **Construction Defects**

Council housing, particularly the non-traditional unit, (tower blocks) has been found to have a large amount of structural defects. It is estimated that one out of five houses built by local authorities in England and Wales suffers from defects. [Shelter:1983] The Association of Metropolitan Authorities (AMA), estimated that the cost of repairs for aging stock in England was L 24,800,000,000 at 1984 prices. [AMA:1984] The defects which have been found to be prevalent in council housing (flats and houses) are known to be health hazards. Some of the problems of the council housing are a result of inappropriate design and construction materials used. There are

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many local authority estates where condensation, mould and mildew are rampant; walls and floors are separating from the beams or each other because there was improper handling of the concrete. The defects in nontraditional housing built in the 1940' and 1950's was estimated to cost L 5B pounds (five-billion pounds). There were 500,000 units built within the 10 years after the war.

### **Waiting Lists**

Tenure preference is greatly influenced by the likelihood of securing an accommodation. In the public housing sector, the ability to acquire a rental unit is influenced by different local authority requirements, waiting lists and the condition of the vacant housing stock. Waiting lists have been used by local authorities to screen people from housing estates.

In 1983, the number of applicants on waiting lists in England and Wales was estimated by Shelter to be 1,216,962. In England, the number was estimated to be 1,163,310. There were an estimated number of 583,439 households waiting for transfer.

### **Access to Housing List**

Access to local authority housing lists is restricted in several ways. The local authorities consider whether or not the applicant lives or works in the area; require a minimum residency period or employment; require that applicants remain on list for a period of time before rehousing; some authorities have waiting lists for desirable properties; some have restrictions against single people (none allowed, minimum age requirement); owner-occupiers may be disadvantaged (may not be registered or minimum time period between ownership); restrictions on income are not publicized, but according to Isobel Ogilvie of the DOE, anyone with high incomes will remain on the list and not be housed in council housing; weight rent history;

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compile a deferred list, a list of applicants who are registered but not being considered; restrict housing to applicants in 'need' (problem of defining need - local authority determines need not applicant); assign a minimum point value to the applicant in order to register. Much of these qualification requirements are subjective and vulnerable to abuse.

Some authorities used the measures of need as a way of arranging applicants in terms of spatial needs, security or insecurity of tenure, lack of amenities or shared amenities, homelessness, structural conditions of current living units (dampness, disrepair, inadequate drainage or unfit housing). In addition, medical factors and social factors (such as age, presence of children, employment, unsuitable accommodation, caravan dwellers, location, lack of access to public transportation were given special consideration.

Applicants do not choose from multiple offers and are unable to refuse any offer extended. If an offer is refused, the applicant may be penalized. Depending on the policies of the local authority, some applicants who refuse run the risk of having their names removed from the waiting list or not made any offers for a period of time determined by the authority. Some authorities grade the properties in order to make the "appropriate" match of applicant and property so as not to offend the applicant.

The policy of "matching" applicants with appropriate property is in itself marginalizing because the local authorities determine based on their own subjective criteria what kind of housing befits a certain kind of person without regard to the issue that everyone deserves to be as well-housed as is possible in a free society. Local authorities in a sense "redline" certain areas and properties without the knowledge of the applicants and then determine "deserving" and "undeserving" applicants. Implicit in these

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activities is the notion that the poor are not as concerned with their living conditions and therefore will allow themselves to be subject to indignations without complaint.

Local housing authority processes of resident selection have created a group of people who will never be able to secure resources for homeownership. These families and individuals have been placed on "sink estates" [Henry:1985; Short:1981] which are located in areas of high crime and far from employment. These estates suffer from disrepair and are those which no one else is willing to live in. In Great Britain, where you live is important for securing employment and loans. Once it is discovered that the applicants live on one of these estates, many of them are unable to secure jobs or loans. Considering it was a local authority policy which put them there in the first place, it does not seem unreasonable to assert these residents will remain on these estates possibly for generations.

### **2.1 Owners and Renters**

#### **Owners**

The owner-occupied sector is generally of a higher income and the local sector is of a lower income. This housing tenure is a mix of socio-economic groups and is represented by professional, managerial or clerical workers. Prior to the Government's sales campaign, the majority of the occupants of owner-occupied dwellings were skilled and semi-skilled workers and retired workers. The government's shift to improvement has led to increases in the number of low-income owner-occupiers but the properties which they purchase are often of poor quality and their mortgage rates are higher than those for other income groups.

The pattern which emerges from council house sales is one of a polarized housing sector with the most affluent individuals as

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owner-occupiers and the least affluent in the local housing authority sector.

### **Renters**

The Government provided "protection" for those secure tenants who chose to rent. These tenants have greater input into the decisions their landlords make regarding management, rent collection methods, repair and improvements and rent increases. The Charter extends the right to legal redress for arbitrary and unfair treatment from landlords.

Security of tenure means that the tenant cannot be removed from the unit. Secure tenants live in units which are self-contained and occupy them as the only or principle residence. Tenants in most housing associations, housing trusts and housing cooperatives, New Town Development Corporations and housing authorities are secure tenants. The rights extended to these tenants: security of tenure, subletting, right to receive home improvement grants, succeeding tenancy and right to take in boarders. [DOE:1982]

### **2.2 Summary**

Housing choice is basic to the discussion of marginalization and/or cooptation. The values which society has placed on housing and property ownership are deeply ingrained in the social fabric of communities. Housing affects the psychological and physical well-being of the individual. Council housing sales in support of homeownership does not encourage options for housing consumers.

Poor people, single parents, elderly, ethnic minorities, are subject to arbitrary decisions at the local level. The waiting lists are ways in which opportunities are limited and in some cases denied. Local authorities have been known to create "ghettoes" in which the poorest and the "least desirable" individuals and families live. These estates create or

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perpetuate a cycle of poverty unlikely to be overcome.

Security of tenure is an avoidance of the central issue of public sector housing, social stigmatization and extensive disrepair. The Government has simply forced tenants to live in unsafe and unhealthy units and systematically closed all possible avenues for acquiring adequate living accommodations. Whether they are "securely" rented or not, the situation remains the same. The Government has placed the renters in a "no-win" situation unless these renters change the rules of the game. These tenants are being misled into thinking that the "choice" is between not being evicted and living in substandard housing and not being housed at all. The choice is demanding that as taxpayers, ratepayers, and citizens of a free society, they should be treated with a recognition of the mutually agreed upon basic rights.

Owner-occupation is available to individuals with higher incomes, so while the Government states that the overwhelming demand is for ownership, the processes of ownership are limited to certain social criteria such as household income. Welfare dependents, unemployed, poor, and the elderly will not be able to acquire mortgages to purchase housing. The housing which has been and continues to be sold are those units which are the best in the housing stock. What remains is housing of poor quality.

The local authorities and government policies have created the present condition and composition of the tenant population in council housing. It seems ludicrous that these levels of government are stipulating that the conditions are the result of actions by the residents.

## Characteristics of occupants

Table 8.7 Tenure of households: by socio-economic group of head of household, 1982

	Great Britain						Total households in sample (= 100% numbers)
	Owner-occupied		Rented				
	Owned outright	Owned with mortgage	Local authority/new town	Unfurnished private	Furnished private	Rented with job or business	
<b>Socio-economic group of head of household (percentages)</b>							
<i>Economically active heads</i>							
Professionals, employers and managers	18	68	5	2	2	4	1 536
Intermediate non-manual	17	60	10	6	4	2	696
Junior non-manual	17	46	21	7	5	3	607
Skilled manual and own account non-professionals	15	41	35	6	3	2	2 343
Semi-skilled manual and personal service	11	24	46	6	3	6	1 025
Unskilled manual	15	12	60	8	4	1	272
<i>Economically inactive heads</i>	39	4	44	12			3 350
<b>All heads of household</b>	<b>24</b>	<b>32</b>	<b>32</b>	<b>6</b>	<b>2</b>	<b>2</b>	<b>9 824</b>

<sup>1</sup> Excludes households headed by members of the armed forces, full-time students and those who have never worked

<sup>2</sup> Includes those renting from a housing association

<sup>3</sup> Excludes those living in care or in hostels, and cases where tenure is not known

Source: General Household Survey, 1982

Non-manual heads of household are likely to be buying their homes – 68 per cent of professional employer and manager heads of households in Great Britain in 1982 were owner-occupiers with a mortgage. By contrast among unskilled manual heads 12 per cent were owner-occupiers with a mortgage while 60 per cent were council or new town tenants (Table 8.7). This tenure pattern is not just a result of differences in income, as owner-occupation is

Table 8.9 Owner-occupation: by age and marital status of head of household, 1981

	England						
	Male heads of household				Female heads of household		
	Single	Married	Divorced or separated	Widowed	Single	Divorced or separated	Widowed
<b>Percentage owner-occupying among household heads aged:</b>							
10-24	21	47			11		
15-29	45	64	42		28	16	
30-34	59	70			43		
35-44	54	73	51		50	37	
45-59	41	68	45	45	52	38	49
60-69	44	58	34	40	51	39	44
70-79	41	56		43	48		43
<b>All ages</b>	<b>42</b>	<b>65</b>	<b>45</b>	<b>45</b>	<b>41</b>	<b>34</b>	<b>44</b>

Table 8.8 Tenure of households, by gross normal weekly household income and by number of earners, 1983

	United Kingdom					Sample size (= 100% numbers)
	Tenure					
	Owner-occupied		Rented			
	Owned outright	Owned with mortgage	Local authority/new town	Unfurnished private	Furnished private	
<b>Gross normal weekly household income (percentages)</b>						
<i>Economically active heads</i>						
Up to £100.00	19	16	44	5	11	426
£100.01 to £140.00	20	34	35	7	4	576
£140.01 to £180.00	15	49	26	7	3	710
£180.01 to £250.00	14	61	19	4	2	1 173
£250.01 to £300.00	12	66	15	3	2	529
£300.01 or over	14	74	7	2	1	920
<i>Economically inactive heads</i>						
Up to £60.00	31	2	52	11	4	988
£60.01 to £100.00	31	4	53	6	2	865
£100.01 to £140.00	46	7	40	6	1	303
£140.01 or over	60	12	31	3	2	481
<b>Number of earners in household (percentages)</b>						
None	37	4	47	10	3	2 186
One	20	40	29	6	5	2 173
Two	14	61	16	5	2	1 999
Three or more	17	52	25	2	1	606
<b>All households (percentages)</b>	<b>23</b>	<b>36</b>	<b>31</b>	<b>7</b>	<b>5</b>	<b>6 973</b>

<sup>1</sup> Includes those renting from a housing association, those renting with a job or business and those living rent free

<sup>2</sup> Excluding imputed rent for owner-occupiers

Source: Central Statistical Office, from 1984, Expenditure Survey

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### 3.0 Housing Finance

The Government currently subsidizes all housing tenures. The owner-occupiers receive loans, rehabilitation grants, tax credits for interest on loans and costs of improvements, various tax exemptions and rebates. Renters in the public and private sectors receive housing subsidies and allowances.

The 1950's was a period in which much of the housing legislation was directed to providing loans for housing purchases. The Housing Act of 1957 permitted the sale of council housing at discounts, restricted the ability to resell to over five years and provided the local authority with the right of first offer at the original selling price within five years. In 1958, local authorities were permitted to extend 100% mortgages to home buyers. From 1959 to 1962, the government lent building societies £100M to help fund mortgages on pre-1919 houses.

Homeowners lobbied against the "unfairness" of the Schedule A Tax. In 1963, Schedule A Tax liability was abolished for owner-occupiers. The Schedule A Tax was a tax on the imputed rental income for owner-occupiers. The rental income was estimated based on the rental income of houses in the area of similar characteristics.

In 1967-1968, the Labour government implemented the option mortgage scheme. The scheme was intended to reduce the cost of a house purchase for lower income workers not paying the full tax rate and who could not benefit from full tax relief on interest payments. The availability of 100% mortgages expanded. In 1969, tax relief on loan interest was abolished, but a specific exemption was made for interest paid on loans for purchase or

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improvement of property.

From 1970-1974, the restrictions on the local authorities limiting the number of houses they could sell were lifted. Local authorities were encouraged to release their land for private development, and began to play a significant role in building for sale. The government during this period removed the ceiling on local authority lending and the option mortgage scheme was extended to expensive houses. In May 1973, the government extended a L 15M loan to building societies to prevent an increase in mortgage interest rates. From 1974 to 1979 the made L500M loan to building societies April to August 1974 to ensure funds for mortgages despite increased interest rates. In 1976/77 the government again provided money to building societies to loan.

The 1974 Local Government Act permitted low-start mortgages through local authorities. Under the scheme, the early repayments were reduced by 20% at the beginning of the loan and amounts of payments increased later. In March 1974, the Government imposed a ceiling of L 25,000 on mortgages for eligible for tax relief and discontinued tax relief on mortgages on second homes.

In 1974/75, guidelines were published identifying who could receive mortgages including tenants, waiting list applicants, those homeless and displaced through slum clearance. Local authorities provided mortgages for older, cheaper houses to those with lower income and could not obtain loans from building societies. The equalizing role for mortgage financing which the local housing authorities were intended to did not materialize.

The House Purchase Act 1978 was enacted for first-time buyers. It was intended to address the problem of deposits and downpayments by providing an incentive for savings. Under the Act, anyone who had a balance of at least

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L 300 in savings for one year were entitled to a cash bonus of L 110 or to a loan up to L 600 interest-free for five years.

In 1983, the Government introduced the Mortgage Interest Relief at Source (MIRAS) system. [Roof:1983] Under the scheme, lending institutions would apply allowable tax relief before issuing the loans. The scheme was primarily aimed for elderly owners. Before MIRAS elderly home owners could borrow money for repairs at the option mortgage rate. The MIRAS replaced the option mortgage scheme. The revisions removed tax relief on loans for repairs and limited tax relief on loans for improvements. The Inland Revenue determined which types of repairs were eligible for the tax relief and required building societies to consult with it before extending loans.

#### **Loans**

Building societies, banks, insurance companies and local housing authorities are the main source of mortgage funds. Banks and insurance companies lend money to higher income groups. Banks will provide mortgages to upper and low-income groups but at very high rates. Most mortgage financing is carried out by building societies and local authorities.

#### **Building Society Financing**

Building societies have not been committed to homeownership as the various governments have. However, they do recognize that any commitment by a central government to homeownership greatly influences their lending power and increases their resources. The governments have had to provide incentives for building societies to extend mortgages to targeted groups and to refrain from increasing mortgage rates. The period between 1970-1977 the government provided loan money to prevent increased mortgage rates and ensure a supply of mortgage funds.

Building societies are private, non-profit insitutions. They act as

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savings banks and lenders. Building societies generally lend money to skilled and securely employed borrowers. [Short:1982] Borrowers receive long-term loans and low repayment schedules. Building societies were reluctant to lend money to individuals with low incomes or low-skilled jobs. They have not been likely to provide loans toward purchases in the older inner cities. Building societies loan money for mortgages on newer properties and in newer neighborhoods. The eligibility restrictions placed on borrowers by the building societies exclude a large portion of those who desire to be homeowners. The Housing Act 1980 encouraged the building societies to provide low cost mortgage loans for buyers to encourage homeownership.

#### **Local Authorities**

The local authorities are extending fewer and fewer loans for home purchasers. They also pattern their lending policies after building societies. The eligibility requirements for applicants are the same as those used by the building societies. In addition, the loans they extend are usually for homes in locations where there is substantial building society involvement. [Short:1982] In 1980/81, local authorities made 10,000 loans for home purchase compared to 30,000 1979/80. There were 16,000 referrals from the building societies to local authorities in 1980/81 as compared to 24,000 in 1979/80. Of those who were referred, 51.4% were successful in getting a loan. This represents a decrease when compared to 53% in 1980/81 and 56% in 1978/79. [Aughton:1981]

Council tenants are a borrowing group of risk. Most of the arrears on mortgage payments were to local authority borrowers. Under the Housing Act 1980, authorities can take into account three other incomes in addition to the main applicant. The prospective buyer has the right to choose a 25-year

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repayment schedule. The local authority is unable to limit/refuse the borrower based on any information other than income. [Roof:1981] However, what the local authorities consider their legal obligations is subject to individual interpretation and quite often is.

### 3.1 Rents

The Government has argued that council rents should reflect the value of location, amenities, character and condition of the housing unit. It feels that a reasonable rent for an accommodation should be determined and then a decision made as to whether or not the tenant can afford it or should be subsidized. Before the 1980 Housing Act, council housing rents generally were below market and the difference between charged rents and market rents was met through capital gains on housing, grants to local authorities and property taxes.

Changes in rent fixing policies have characterized the past forty years. The rent fixing policies for council housing changed from the subsidization of the accommodation (reduced rents for units) to a subsidy of the individual (rebates). The Ridley report on Rent Control in 1945, recommended exemption of local authorities from the Rent Control law because local authorities were expected not to charge more than what the person could afford.

The Rent Control Act of 1957 removed rent control ceilings from highly-valued properties and allowed rent increases for other properties in the private sector. Rent control ceilings were removed from private dwellings with the stipulation that increases in rents could only be made when the occupancy changed. After enactment of this legislation, landlords began evicting tenants at such an alarming rate and in such a notorious manner that the government had to reinstitute rent control laws.

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In 1960, the position of the government was that tenants should pay economic rents and obtain rebates. From 1961-63, the government's policy was for a general needs subsidy on all new houses at two different rates. The financial need of the local authority was tested to determine which rate.

The government in 1965 felt that rents should not be kept artificially low because of a subsidy. In 1966, the government in an effort to slow down inflation, requested local authorities to limit or avoid rent increases until the end of the year. The central government did not attempt to influence local rent policies directly. In 1967, the government continued differential rents and supported the policy that a tenant should not be expected to pay more than he or she could afford. No family was to be denied accommodation suited to its needs based upon ability to pay. In addition, there was a plan for applying standard rents throughout the housing system and allowing individuals to apply for a rent rebate. In November 1967, the Prime Minister announced that as a result of the actions of a few local authorities that raised rent by a very large amount, the issue of rents was to be referred to the National Board for Prices and Incomes for consideration. [Cullingworth:1977] The Prices and Incomes Act 1968 made it illegal for a local authority to increase rents unless it was in accordance with proposals approved by the Housing Minister. The government's motive was to have control over the amount of rent increases and not to set allowable rent levels. [Cullingworth:1977]

#### **3.2 Rebates and Allowances**

Current rent policies can be a source of marginalization and disenfranchisement of housing consumers. The housing benefits program is intended to help low-income people pay rent. Eligibility for the program is determined by income level. The policy of the program is to pay low-income

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individuals and families additional money to pay the difference between the rent charged and what the family could afford.

Supplementary benefits is a subsistence allowance (including rent) to any person unemployed and with an income that falls below (DHSS (Department of Health and Social Security) income requirements. The amount of the benefit for renters is the difference between needs and income. These payments are in addition to the normal social security benefits to help with the rent. For most recipients rent is paid in full. Under Supplementary benefits rent includes the cost of property tax but not utilities.

Owner-occupiers are eligible for rebates. Most owner-occupiers are pensioners who are receiving supplementary benefits. For owner-occupiers the equivalent of rent is calculated based on taxes, allowance repairs and insurance and mortgage.

The council tenant receives a rebate in the form of reduced rent. The rebate is paid directly to the local authority. The private tenant receives a cash allowance. A rent rebate or rent allowance is available to any tenant who cannot afford the rental fee for the unit. These rebates and allowances are legally available to everyone who is unable to afford a rent; many who are eligible choose not to apply for the rebates or allowances, either because they are not aware of their eligibility or do not wish to go to the bother. Eligibility is determined by the local authorities and the rebates and allowances are processed through these authorities. The administrative processes are so cumbersome that many decide not to seek certification for eligibility. Local authorities have varying levels of efficiency in processing and issuing allowances. Delays create serious problems for tenants (e.g. evictions or poor rent history).

In 1971, the Department of the Environment published a document

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outlining the proposal for a national housing benefit scheme. This was a national scheme to be administered locally. Under the program, a basic needs allowance of L 13.50 for both husband and wife and L 2.50 for each dependent child is determined. If the male's gross income is the same as the needs allowance, the tenant pays 40% of the rent. For every L 1 (one pound) the income exceeds the needs allowance amount of 40% of the rent is increased by 17p. For every L 1 (one pound) the income falls short, amount of 40% of the rent will be decreased 25p. The needs allowance is deducted from the male's weekly income before any determination is made regarding ability to pay rent.

Private sector tenants are not entitled to secure housing where they desire and still receive full benefit from the housing benefit program. The allowance is based on a portion of the fair rent if the limit is larger than tenant needs or in a high property area where tenant chooses to live rather than out of necessity. [DOE:1971, Aughton:1981] As the Government shifts housing consumption from the public sector to the private sector, it still is creating a marginalized group of individuals and families as it determines what is "appropriate" accommodations for certain families. It seems evident as there is increased demand in the private sector for the limited units, rents will be at higher rates and as there will be no alternative, poor people will have to rent at the rates the landlords demands. If they do not, they may be considered intentionally homeless and be deemed ineligible for benefits under the Homeless Act.

The financial obligations for this scheme is divided between the central and local governments. Under the scheme, central government is to responsible for 80% of the costs for rebates and local authorities 20%.

#### **3.3 Summary**

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Mortgage tax rebates are a Catch-22 for the central government because those who were marginal buyers (bought because of the tax rebate and the discounts) would not be able to afford homes if the tax laws were changed. People who are capable of buying without the tax advantage, should do so, but there is no incentive. As the system is now implemented, the more you earn and the more you borrow, the greater the tax relief. Any attempts by the Government to reduce eligibility for tax rebates would be politically impossible and could be devastating to those buyers who bought with the tax relief in mind.

Either in public or private sector housing, the costs to a family are in themselves marginalizing. Thirty-five percent of the tenants in council housing are able to pay the rents for their units. [Ogilvie:1985] As the Government increases rents more individuals will be unable to afford them. The rents are increased at a greater rate than inflation. [Grey, et al:1978; Aughton:1981]. The justification is that these units are a source of revenue for the Government and it is not efficient to have people living in units at the taxpayers and ratepayers expense at subsidized rents. The irony is that as these rents rise, the Government has to increase its subsidies to tenants. The increased subsidies are paid for out of the taxes and rates. Increased rents do not remove the tax burden from those who pay taxes and rates.

The increased subsidies as council rents increase, is alarming because it places those who receive subsidies in a position of greater dependence. They cannot move into the private sector because the rents are the same. They may become homeless because of rent arrears even with security of tenure. The potential disruption that fair rents in council housing may cause is tremendous. As a result of the rent increases, the tenants still

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are expected to pay 40% of the housing costs and then are subsidized. A greater portion of the family income is paid out for rental costs, and less remains for other household needs. The deficiencies in family income will (for the moment) be handled by the Government.

3.2.1

**Tax Relief on Mortgages**

<u>YEAR</u>	<u>AMOUNT</u>
1976-77*	L 1,100M
1974-75*	L 695M
1971-72*	L 310M

Source: \*Cullingworth:1983

\*At 1975 prices

## 3.2.2

**Households Receiving Housing Benefit: by Type of Rebate 1983**

Great Britain	Thousands and Percentages	
Type of Rebate	Certificated by DHSS Supplementary Benefit	Standard Housing Benefit
Rent rebate	1,870	1,830
Rent allowance	540	390
Rent rebate and allowance	2,410	2,220
Rate Rebate	3,070	3,660
Owner-occupiers	25%	45%
Local authority tenants	60%	50%
Private tenants	15%	10%

Source: Social Trends 1985  
HMSO

## 3.4.0

**Building Societies: repossessions and mortgage arrears**  
United Kingdom

Year	Loans at end of period	Loans in arrear at end-period		<u>Thousands</u> Properties taken into possession in period
		By 6-12 months	By over 12 months	
1979	5,264	8.4		2.5
1980	5,396	13.5		3.0
1981	5,505	18.7		4.2
1982	5,664	23.8	4.8	6.0
1983(1st half)	5,821	27.4	7.0	3.4
(2nd half)	6,018	25.9	6.6	4.0

The monthly arrears figures for 1979-1981 may not be accurate.  
The figures for 1982-1983 were calculated in a different manner than  
the previous years.

Source: Social Trends 1985  
HMSO

3.4.1

**Building Societies: Average Values of Mortgages Granted  
(L's)**

Purpose of Loan	1968	1969	1971	1972	1973	1974	1975	1976	1977	1978	1979
New home	3,356	3,486	4,242	5,161	6,304	6,848	7,604	8,742	9,409	11,096	12,549
Other	3,049	3,212	4,018	5,201	6,134	10,950	11,734	8,184	8,699	9,333	11,392
All loans	3,154	3,295	4,080	5,191	6,181	6,568	7,347	8,288	8,819	10,137	12,143

## 3.4.2

**Building Societies: Average Mortgage as Percentage of Average Price  
(%)**

**Mortgages by private owners: United Kingdom**

Purpose of Loan	1968	1969	1971	1972	1973	1974	1975	1976	1977	1978	1979
New home	75.5%	73.6%	75.9%	73.9%							
Other	71.1%	69.9%	71.7%	69.6%							
All	72.6%	71.1%	72.9%	70.7%	62.2%	59.8%	62.3%	65.2%	64.6%	65.0%	58.2%

\*1973-Different method of reports. All loans combined.

Source- HMSO: Housing and Construction Statistics

### 3.4.3

#### Building Societies: Average Recorded Income of Borrower(s) (L's)

Purpose of Loan	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
New home	1,734	1,904	2,120	2,363	2,848	3,381	4,005	4,694	5,282	5,964	6,927
Other	1,773	1,937	2,213	2,516	2,953	3,422	4,044	4,633	5,175	5,700	6,695
All	1,680	1,928	2,187	2,474	2,923	3,411	4,036	4,644	5,193	5,747	6,735

Source: Housing and Construction  
Statistics

## 3.4.4

**Building Societies: Average Purchase Prices  
(L's)**

Mortgages by private owners: United Kingdom

Type of Loan	1968	1969	1971	1972	1973	1974	1975	1976	1977	1978	1979
New home	4,447	4,735	5,584	6,992	9,683	11,114	12,013	13,084	14,324	16,923	21,124
*Other	4,290	4,598	5,604	7,512	10,043	10,950	11,734	12,618	13,513	15,312	19,675
All loans	4,344	4,640	5,600	7,372	9,942	10,990	11,787	12,704	13,650	15,594	19,925

\*2nd mortgages, purchase of 2nd homes  
and acquisitions

## 3.4.5

Authorities: Housing Loans  
England and Wales

Purpose of Loan	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980
<b>New homes:</b>													
#	4,290	1,816	2,605	2,734	1,893	2,710	4,563	6,472	1,957	339	139	185	
L(000's)	13,962	5,863	10,497	11,194	7,940	16,272	50,376	34,457	14,353	2,365	1,115	1,450	
<b>Other:</b>													
#	34,502	17,280	41,498	44,440	43,309	56,711	70,833	95,480	25,601	22,737	27,647	35,625	
L(000's)	71,731	36,293	107,846	115,487	124,987	276,396	420,655	585,713	137,435	132,103	154,314	247,300	
<b>All Loans</b>													
#	38,792	19,096	44,103	47,174	45,202	59,421	75,396	101,952	27,558	23,076	27,786	35,805	16,375
L(000's)	85,693	42,516	118,343	126,682	132,927	292,668	455,155	636,089	151,788	137,435	132,103	154,314	247,300
<b>100% Value</b>													
#		7,520	3,550	12,261	13,926	11,417	13,282	18,447	26,664	7,208	5,956	7,150	9,355
L(000's)	19,603	9,669	44,074	50,426	43,357	80,606	124,342	182,943	43,489	40,091	47,250		

## Chapter 4 ANYONE INTERESTED IN BUYING AN ASSET?

### 4.0 Sale of Council Housing

The first man who, after enclosing a piece of ground, took it into his head to say, 'This is mine', and found people simple enough to believe him, was the true founder of civil society. How many crimes, how many wars, how many murders, how many misfortunes and horrors would that man have saved the human species who, pulling up the stakes or filling up the ditches should have cried to his fellows: 'Be sure not to listen to this imposter; you are lost if you forget that the fruits of the earth belong equally to us all, and the Earth itself to nobody!'

Source: Rousseau

Emphasis on sales and owner-occupiers has not been limited to Conservative governments. It was the Labour government in 1964 which began this "sales policy" in a substantial way. Both Labour and Conservative parties have stated that ownership is natural and desired. The Government has been able to decrease state intervention in housing because council housing is not represented by groups or professions interested in public housing provision.

The Consultative document published by the Department of the Environment in 1977 on housing policy listed among the aims of the Government's housing policy the desire to ensure that each family had an affordable home; "special needs" families and individuals would have housing built or secured for them; encourage homeownership for individuals and families who historically had been unable to purchase because of financing or other restrictions; stabilize the costs of housing; improve older housing and new housing investment; encourage mobility of housing tenure, families and individuals.

John Stanley, former Minister for Housing and Construction summed up the Government's view of homeownership in an article he wrote for "**Homeownership in the 1980's**". The Government views home ownership as a

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source of capital access/accumulation and mobility. Housing is also a cushion for old age which because it can be a source of capital to boost income. Owners can change housing tenure by purchasing a smaller house or a flat, or convert part of house's value in an annuity. According the Government, homeownership is a source of wealth creation and redistribution.

The basic problem with Stanley's argument is that not everyone is able to benefit from these attributes of homeownership. There are any number of variables which preclude owners and would-be owners from being able to take advantage of these aspects to homeownership. Pensioners are very unlikely to incur debts and jeopardize their homes. They are also unlikely to receive loans from banks or building societies because of their age. There is also the question of where they will get the money to pay back any loans which they borrow on a limited and fixed income. Clearly, the Government's argument is based on the assumption that these elderly homeowners have been in jobs whereby they were able to receive adequate pension incomes to support loans. Or, the Government assumes that too many homes are now being under-occupied and these elderly homeowners should move to smaller houses or flats.

From 1945 to 1951, Labour withheld permission for sales as part of the post-war strategy to expand the public sector as a result of the housing crisis. In opposition, the Conservative party emphasized decontrol and adopted the slogan "a property owning democracy". This was period in which both parties were attempting to make themselves ideologically distinct.

In 1951, the embargo on sales was lifted and legislation was enacted to remove the requirement to sell at market prices. No attempt was made by the government to compel sales, but floors were placed on sale prices. Sale prices were not to be less than 20 times the annual rent of houses built

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before 1945 and not less than the costs of those completed between 1945 and 1951. [Short:1982] By the end of the 1950's one-third of the local authorities in England and Wales had sold property, but the total sales amounted to a small percentage of the housing stock.

During the 1960's was first time there was emphasis on owner-occupiers. The Labour governments were concerned with owner-occupiers' and renters' votes, but still supported state intervention and provision of public housing. A 1960 Circular issued on sales advising tenants who could afford to become owner-occupiers encouraged by the sale of council units. From 1964 to 1967, was the period of the Conservatives and Right-to-Buy. The emphasis was on council house sales as a way to spread owner-occupation. Sales of the units were based on market valuation but local authorities were granting up to 20% grants in exchange for the right of preemption.

In 1968, Conservative authorities followed an aggressive sales policy. The Labour government, concerned with the reduction in council housing stock had to release a circular to limit local authority sales. The government limited the amount of housing permitted for sale to 1% of each local authority's stock.

Conservative housing policies up to 1970, centered upon state provision of housing due to shortages caused by the wars and reduced state provision by the restriction of public sector construction, concentration on special groups and increased council rents to reduce the demand for council housing. [Political Quarterly:1980] From 1970-1974, Conservative housing policies were formulated to encourage sales to tenants and increase rents in council housing. The readiness of the government to cut housing expenditures resulted from no political power of the housing tenure and the stigmatization of council housing buildings due to construction design and

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structural problems. The decision of how much and whether or not to sell was being left up to the local authorities. Other policies were to stimulate new private sector construction and encourage the transfer of private rentals into owner-occupied.

In 1980, the Government enacted the Housing Act 1980. The mainstay of the Act is the "right to buy". The "right to buy" is based upon tenancy in council housing and tied accommodation through work as a civil servant or in the military. Individuals who have been public housing tenants for a minimum of three years are able to buy the unit they live in at a discount of 33% of market value. There is a provision for a discount up to 50% for tenants living in council housing and/or the unit for 20 years.

The housing policy posed the central and local government against each other. Many local authorities were not in favor of the Act because it meant the loss of control. The Act empowered the Secretary of State with the authority to intervene, carry out sales or set prices for any local housing authority which did not comply. The Secretary of State intervened in Norwich in 1981/82.

According to the Government, "the right-to-buy has two main objectives: first, to give people what they want, and, secondly, to reverse the trend of ever-increasing dominance of the state over the life of the individual. There is in this country a deeply-ingrained desire for homeownership. The Government believe that this spirit should be fostered. It reflects the wishes of the people, ensures the wide spread of wealth through society, encourages a person's desire to improve and modernise one's own home, enables parents to accrue wealth for their children and stimulates the attitudes of independence and self-reliance that are the bedrock of a free society." [Secretary for the Environment, on 15 January, 1980]

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Right-to-Buy has three components: ability to buy outright, 2-year deferment option and shared ownership. The process is straightforward the tenant applies to buy the unit exercising the right-to-buy. The application is processed to determine the tenant's eligibility. The tenant arranges for an assessor to determine value of the house. Value is assessed at market value for a vacant unit and the selling price is discounted at 70% of the market value. The Government's position is that market value is a measure of financial benefits and an indication of social benefits (revenue foregone which could have been used in society). There is no way to quantify benefits to society for a social good. The aesthetic value as well as the value that the individual and society place on the good are not quantifiable. There is no way to put a pound value on self-esteem and physical and psychological well-being. The market value is the value of the good as determined by the expectations of the property owner for a certain return on an investment.

The 2-year option enables a prospective buyer to keep an application active with a L 100 (one-hundred pound) deposit and buy within two years for the initial price. This delayed purchase adds additional years to the applicant's tenure eligibility for a discount on the price because the Government views rental payments as "mortgage" payments for the property.

The Shared Ownership scheme enables the tenant to purchase a lease for a portion of the price of the unit either 50%, 62.5%, 75% or 87.5%.

[DOE:1984] The remaining portion is owned by the landlord for which the tenant pays rent. The monthly rent is calculated on the amount which is not owned by the tenant and decreased by 25% to reflect maintenance costs. The tenant can purchase this portion at any time at the market value of the unit. [DOE:1984]

The Government, when it first presented the sales policy argued that

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local authorities would benefit from sales because they would be able to use the proceeds for housing services. Under the initial plan, local authorities were entitled to nearly 100% of the proceeds. The central government received a small portion from the sales as repayment for public monies which had been used to construct and maintain the units. From 1984/85, the local authorities were entitled to 40% of the proceeds from the sales. In April, 1985, the central government set the limit for the use of funds to 20%. The allocation of the sales proceeds will not be of as much use to local authorities as the Government first argued. It is clear, that the central government benefits from the sales and not the local authorities. The actual effect of sales on public expenditure depends on many variables: rents, discount levels, mortgage rates, management and maintenance costs and the rate of inflation. [Political Quarterly: 1980]

In 1978, the Department of the Environment estimated a financial loss from the council house sales. By 1980 the projected loss was presented as a gain. While the Government feels that its 1980 results substantiate its decision, it is evident that depending on the desires of the interested party the variables and assumptions may be manipulated to substantiate any claim in support of the policy or against.

The Labour party put forth its position on the sale of council housing in a Statement presented at the 1979 Annual Conference. It opposed the sale of vacant property on the open market. This type of sale was considered unfair to the ratepayer and taxpayer. Selling vacant property would damage the local authorities ability to meet the demand for decent rented housing. This position was not unjustified. There is a practice among some local authorities to put up for sale on the the open makret, local authority housing which has been vacant continuously for three months or more and been

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on unrestricted offer to waiting list applicants. The regulations for sale on open market are not being adhered to in some cases. Some authorities eager to unburden themselves of their council housing, refused to rent vacant or sell vacant houses to waiting list applicants.

A main attraction of the Government's sales policy is the amount of discount tenants are eligible for. The Party could not see any justification for selling housing at less than market value. It argued that if the Government's position was based on the "free market philosophy", it should sell housing at the market rate.

The Party questioned whether or not local authorities would carry out their statutory obligations to provide housing as a result of the sales and the sales policy. It argued that the right-to-buy was an attack on the statutory obligations of local authorities to provide housing as sales reduced the supply of rental housing. Nearly three-fourths of tenants were rehoused by councils each year based on the Labour party studies. The Labour party felt that sales might lead to a decrease housing supply. It supported home ownership but drew the line at homeownership at tenants' expense.

### **4.1 Effects of Sales**

Researchers have argued that the subsequent effects of sale of council housing will be the reduction of available rental housing, an increase in the amount of housing in need of repair, decrease in local authority investment and labor mobility. In view of the fact, that there are waiting lists with an average waiting period of three to four years, it does not seem to be unlikely that such a situation will result. The private rental sector is not able to absorb the numbers of people on the waiting lists. Many local authorities are not willing or able to house those who will

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become homeless as they are forced to leave their accommodations. (Most of those on waiting lists live with family or friends. As situations become difficult, many people are forced to leave where they are staying and become homeless.)

Of the total number of units sold, the majority of them have been houses. The flats are not being purchased. The units which are being purchased are in better condition. Those with low incomes purchase the older properties in need of extensive repair. DOE has contracted to have a detailed survey of properties and locations conducted to determine how much of each of the properties have been sold and the condition of the remaining units.

### **4.2 Government's Dispute of Effects of Sales**

In 1981, the Government published responses to the issues raised by the Environment Committee on the effects of council house sales.[DOE:1981] The Government limited its remarks to the issues of the desire for home ownership, relets, types of property sold, local authority investment (replacement, maintenance and rehabilitation costs), implications for special groups and rural and urban areas, financial effects and labor mobility.

The Government's position was that 380,000 applications from tenants who exercised their right to buy, was evidence of a significant level of dissatisfaction in the housing market and there was an overwhelming desire for homeownership. The Government argued that survey results indicated 5% of the owner-occupiers preferred renting compared to the 49% of council tenants who preferred ownership and that 54% of the private sector preferred ownership.

The Government's counterarguments regarding the numbers who wanted to

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buy and preferred to buy is somewhat flimsy. The private sector it has already been stated is predominantly middle class and this group enters the private sector with the intention to purchase a home. The current owner-occupiers would prefer to continue in their homes because most of them have been paid for or have been able to benefit from the various grants, loans and tax incentives provided by the Government. As for the council tenants the Government does not factor into the analysis the massive sales campaign it conducted in order to garner support for the program. This is not to say that there was no interest or desire on the part of any of these housing tenures to purchase their homes. What is being questioned are the arguments the Government uses to support its position.

Regarding the question of relets, the Government pointed to the fact the people who bought were long-established tenants and were unlikely to move to another place to purchase. (This disregards the difficulty of transferring.) If this assumption were correct, there would be no relets until the tenants' deaths or some other circumstance. The Government was not receptive to any quantification of the effects of sales on relets by opponents because it determined the figures would be speculative. The Government felt that there was "no reliable" way of calculating loss or gain of relets because the probability and timing of moves depended on many variables. That may be valid, however, the Government made some assumptions of its own about the longevity of tenants in council housing. Whether or not it actually put numerical values to these assumptions is irrelevant. Implicitly when the plan was being proposed there were values placed on the number of relets which would be lost or gained as a result of the sales.

The Government discounted that houses were more likely to be bought or that houses were considered to be the most desirable by prospective

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purchasers. It argued that sales were directly related to price. The negative value property should not be used to criticize right-to-buy because they were the result of actions taken by builders and architects. [DOE:1981] Under other circumstances that might be true, but the Government was planning to sell units that were in great disrepair and in many cases defective. It was the Government's responsibility both as the landlord and the landowner to make the properties saleable. (Which it did with improvement for sale and homesteading programs.)

The Government viewed sales (land and housing) as a method of generating investment income for local authorities. Given that local authorities had access to revenue generating sources, the Government believed concern raised over the replacement costs was misplaced. Local authorities own or hold the title to most of the developable land in Great Britain. By selling land, the central government believed that the local authorities would be able to generate the resources necessary to fund housing costs. The Government viewed the local authorities' land, particularly the vacant or under-used land as a realisable asset. In light of this, not all council houses sold needed to be replaced so the issue of cost of replacement was irrelevant.

The Committee determined from the testimony of local authority officials that there should be some concern about the effects of sales on those groups which could not or did not purchase their units. In addressing the concerns of the Committee about the implications of sales for other groups, the Government argued that the Committee disregarded the desire of tenants in the groups for owner-occupation. (The Government's response directed itself to elderly tenants and not to the other groups who would be affected.)

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The Government disagreed that there is any way to determine the long-term effects of sales. The Government's position was that even if the financial effects in the long-term are not positive, that is no reason for local authorities not to sell. The short-term should be considered as well. The Government's assessment of the financial effects of council house sales was that they were a method of redistributing wealth. This argument hedges the issue. Of course the Government had calculated the long-term and short-term benefits from the sale of council housing before it embarked upon the policy. It determined that sales would reduce the level of national expenditure by providing income to local authorities and reducing local authority borrowing demands for example.

In answer to concerns about the reduction in labor mobility with the council house sales, the Government's position was that owner-occupiers have more mobility than tenants. Increased ownership in effect increases the mobility of the labor force. The Government did not agree that greater mobility of owner-occupiers reduces mobility for tenants for the following reasons: the existence of a National Mobility Scheme, financial contributions to tenant mobility schemes and the publication of transfer and exchange rules for local authorities and housing associations, right to take in lodgers and sublets, shorthold leases for private rentals and encouragement of local authorities to provide properties as temporary residence until a permanent residence is found.

The Government again did not produce a very convincing argument for its position. The National Mobility Scheme is a voluntary program and the number of units made available for in-migrants is limited. Also, the Scheme requires that the individual have secured employment before moving to the area. There are additional restrictions placed on the in-migrants by the

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local authorities. Local authorities have their own mobility schemes but these too are restricted to individuals who live in the areas. Local authorities with very flexible requirements are concerned that there will be an influx of people and wish to avoid this. The Greater London Council before it had to disengage the housing component had a very successful mobility scheme throughout the 31 boroughs under its control. This program was a requirement by the GLC. Labour authorities were willing participants, but the Conservative authorities were very reluctant to participate.

Local authorities do not publish or even have in written form their transfer and exchange rules. Spicker [1982] contacted approximately 357 authorities and discovered that a very small percentage of them were in compliance with this requirement.

The points regarding lodgers and sublets have been discussed in a previous section of this paper.

Shorthold leases are lease agreements with a tenant and a private landlord. The Government stipulates that shorthold leases do not create homelessness, however, when the leases are up and the landlord demands a greater rent than under the previous lease (which is quite likely) or when the landlord decides not to rent but to sell, the tenant is homeless. The shorthold leases are intended to give the landlord greater control over the property. They are usually from one to five years leases for the property.

Finally, local authorities are not able to provide for the numbers of people on the waiting list as it is. They are responsible for housing the homeless as well as making an effort to house those who are on waiting lists. The homeless are most likely to be housed in these temporary accommodations. The conditions under which these families or individuals live are unjustifiable. These temporary conditions are the worst of the

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housing stock owned by the authorities.

### 4.3 Summary

The Government's dispute of the issues raised by the Environment Committee's hearing on the effects of council housing are if nothing else weak arguments for an indefensible position. The Government was perfectly aware that tenants who had the opportunity to purchase houses with gardens in predominantly owner-occupied suburban areas would do so. Tenants in the tower block flats were unlikely to purchase because of construction defects, maintenance costs, rate payments, disinterested management, and feelings that neighbors would not take care of their units.

The Government's position that the tenants would not move is inaccurate. Limited relets ought to be a concern. Security of tenure coupled with the right-to-buy clearly reduces the number of adequate units available for rentals. Tenants may stay in units, but many would have attempted to transfer to other estates. If there were greater mobility, tenants would in fact move for those units. Also, the Government does not factor in that certain age groups such as the 20-35 year-olds are more mobile than others. The Government's position discounts the lack of opportunity to move within the public sector.

The Government's position that negative value is determined by the builder and architect and not the unit seems to again avoid the relevant facts and issues of sales. Low cost schemes are not substitutes for new rented housing. The decreased amount of public sector investment has reduced the number of new lettings being made and it seems likely that they are increasingly concentrated on those with little or no income.

## COUNCIL HOUSE SALES

Table 1: All sales - Great Britain  
(including right to buy and other sales to sitting tenants  
and sales of vacant dwellings)

	Local authorities	New towns	Housing associations	Total
1979/80	56,200	3,850	n.a.	60,050
1980/81	75,490	5,015	215	80,720
1981/82	150,935	5,970	9,670	166,575
1982/83	209,395	7,000	19,540	235,940
1983/84	147,545	6,705	18,810	173,055
Total	639,560	28,540	48,235	716,340

Table 2: Council house sales as a percentage of stock (local authorities and new towns - England)

	Stock (at start of year '000)	Sales (number)	Percentage sold	
			%	(rounded) %
1979/80	5,120	55,345	1.1	1
1980/81	5,134	71,545	1.4	1½
1981/82	5,102	132,115	2.6	2½
1982/83	5,009	185,565	3.7	3½
1983/84	4,844	130,205	2.7	2½

11.5 \*

(Note: the percentage of stock sold by individual local authorities in England has ranged from under 1% to over 25%)

Table 3: Council house sales - by houses and flats April 1979 - March 1984  
(local authorities and new towns - England)

	Houses %	Flats %	Total Sales
All sales	96	4	574,775
Voluntary sales	94	6	185,955
RTB sales	97	3	388,820

Figures estimated 4/79-3/84 - 3/4M sold ; 4/79-12/84 - 800,000 sold  
Estimated at 12%

Source: DOE, 1985

## **Chapter 5 ECONOMICS OF SALES**

### **5.0 Economic Analysis of Sales**

In the short-run the central government will experience a benefit. As of December, 1984 the sales had netted the Government L 800,000 (eight hundred thousand pounds). The local authorities may realize a profit but the discounts from the market value represent a substantial loss in revenue. Local authorities not only lose the rental income from the units, they also lose the appreciation on the properties being sold. The housing costs are not offset by selling price. The selling floor is the cost of investment in the unit since 1974.

In the long-run, the public sector will experience a loss as a result of the lack of rents, subsidies, tax relief, construction costs and support for housing services. The Government recognizes that much long-run figures are based on assumptions about rent increases. The Government also makes assumptions about the amount of revenue local authorities will have based on centrally determined sales projections and rent increases.

The revenue generating potential varies with the housing units. Rents on pre-war housing even when held at a level the tenant can afford, are higher than the costs and have been used to subsidize new units. The pre-1919 through mid-1920's are debt free and the income from rents is a valuable source of revenue for the local authorities.

Local authorities are faced and will continue to be faced with properties needing high repair and maintenance and will not have the resources to carry out them out. The local authority loses rent money, government subsidy, and has to pay the administrative costs of extending mortgages and the sales campaigns.

The Government has to absorb the financial losses from the tax relief

## Chapter 5 ECONOMICS OF SALES

that the mortgagors are able to realize. The foregone tax revenue is greater than the subsidies to the council tenants. As income and mortgage interest increase, the amount of tax relief increases as well. For the council tenant, the amount of subsidy remains the same.

It seems poor fiscal policy to sell assets which are revenue generating at a discount thereby further reducing returns. Revenue is further reduced by both subsidizing through tax legislation and other homeownership rebates.

Increasing the rents to fair market rents does not decrease government expenditures when two-thirds of the council tenants receive state assistance and will need increased subsidization of their rents to cover the additional costs. The process of restricting council housing to the neediest precludes the reduction in subsidy. It also creates a situation in which local authorities will be unable to have the resources to operate at a break-even point or with a surplus.

Houses built up to approximately 1950-60 produced a local "surplus" in 1976, a week and the local authorities could use the surplus to offset other costs for new houses. [Shelter:1981] The surpluses are lost as older houses are sold and the total housing costs increase as a greater proportion of newer housing costs have to be paid for out of the local budget. Many council houses built in 1920's are among the most popular properties. These properties generate surplus income because they have been paid for. Subsidies in newer houses will offset only a portion of their costs. Newer houses have larger subsidies but the market value is high.

## Chapter 6 DEMOCRACY REVISITED

### 6.0 Relationship Between Local and Central Governments

Public sector housing policy is made at the central and local government levels. Each level of government effects level of funding, construction efforts, and provision of housing. The relationship between local authorities and the central government in terms of political party membership and fiscal policies influence housing policy formulation.

Local authorities always maintained control over decision-making authority for housing services. It was not until 1980 that the central government was able to legislatively coerce local authorities (primarily Labour-controlled) into carrying out its policy objectives.

Local authorities are dependent on central government for resources to the extent that they cannot get those resources elsewhere. Previous governments used fiscal pressures (reduced levels of grant support primarily) on local authorities in an effort to obtain compliance with overall national policy objectives. These fiscal pressures were not an effective measure of control because local authorities had the capacity to increase local taxes to offset any reductions in grant support levels. In 1979, the Thatcher government stated that it intended to get control of public expenditure. In 1980, the Local Government, Planning and Land Act of 1980 was enacted. This piece of legislation marked a change in the Government's position of allowing local authorities to make independent decisions on expenditure. Under the Act, the Secretary of State determines local spending levels and amount of grant based on his own calculations (these calculations do not have to be disclosed). If the local authority spends over the grant, the Minister can withhold the grant.

The Housing Improvement Program (HIP) was initiated in 1978. When it was first introduced, local authorities were pleased because it represented

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a less complicated funding application than the previous cost-yardstick method. They did not realize that the HIP's represented centralized expenditure target. In a sense, authorities have no control over spending levels or policy choices about local housing services and needs. The HIP is a detailed accounting of housing costs, revenues and needs. The Government carefully scrutinizes the figures and allocates a certain level of funds for the local authority to carry out its objectives. There is some speculation (from the rhetoric of the Conservatives quite likely) that the HIP is being used to provide greater resources to Conservative-controlled authorities and less to Labour-controlled.

The recent enactment of rate-capping, a ceiling on the amount local authorities can tax residents, prevents local authorities from raising additional revenue. The Thatcher government argued this measure was necessary because local authorities had been overspending and such actions would jeopardize national economic policies aimed at recovery. Many statistics point out that in fact local authorities were not overspending and were spending within the limits set out by the Government. What became clear from the Parliamentary debates held on the subject in March, 1985 was that the action was primarily directed at the Labour-controlled authorities. Tory Members of Parliament (MP's) argued that the proposed action would "hurt their friends" when it was Labour authorities which were to be punished. Even with the rhetoric, Tory-controlled authorities realized that such an action would have serious repercussions in their areas and their MP's forced the Government to revise its position on the rate levels before they would support it.

Reductions in HIP and ratecapping may jeopardize some local authorities' statutory obligations. Local authorities with high commitments

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for rehabbing and high costs will have a problem. Local authorities have commitments before the beginning of a new financial year and may find themselves short of money. Local authorities are faced with build versus modernization of existing properties.

The Government also proposes to abolish local authorities entirely and replace them with government agencies. This is a centralization process and the creation of a "mega-bureaucracy". The tenants at the local level were able to exercise some influence or political pressure because the locally elected officials were held accountable to their constituencies. The local authorities were better able to address the needs and provide services to their constituencies. An overarching bureaucracy cannot accomplish these tasks.

The striking concern which this "mega-bureaucracy" engenders is for accountability and the threat to freedom. Local authorities are democratically elected local governments. To replace a democratically elected body with a central government agency makes me uneasy. The officials of these agencies are held accountable not to the constituency which elected the central government, but to the central government.

The case of Clive Ponting, a former civil servant in the Ministry of Defense points up my concern. Ponting was concerned about facts which he had uncovered about the sinking of the Belgrano (Argentinian warship) prior to the Falkland Islands war. Ponting leaked the information to an MP who in turn went public with the information. Ponting argued that it was his responsibility to the country to leak the information. He was tried under the Officials Secrets Act (enacted to protect the British government from the spies of the Czar of Russia).

What his case pointed out was that a civil servant owes loyalty not to

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the State, but to the government of the day. The case was also used as a warning to any other civil servants who might be inclined to leak information. This was not the first time a civil servant had leaked information and been tried. In the other instance, the MP was incarcerated for several months. It is not a healthy situation to have one party dominate all levels of government. Particularly, when the consequences are so grave for disobedience and there is no way to determine indiscretions by the central government.

### **6.1 Political Analysis: Government's Motivation**

Party realignment does not occur simply by increasing the number of property owners. The Thatcher government assumes, not unlike many of its predecessors, that there is a positive correlation between political party identification and property ownership. Owner-occupiers are a majority and represent a large block of voters. If there is a relationship between political affiliation and housing tenure, as the owner-occupied housing tenure represents an electoral majority in terms of the number of households, homeownership and property become critical for political leverage and representation. Even moreso if the Government creates its one-party bureaucracy.

The Government's electoral strategy is to transfer as many units into owner-occupied as is possible to expand its political base. The argument assumes that there is a relationship between conservative voters and property. The assumption of cause and effect in this argument is not a rational assumption. There is no empirical evidence that owning a home causes the owner to vote for the Conservative party. It also believes that homeowners are less likely to be create political disturbances.

There are differing opinions on the relationsihp between political

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affiliations and housing tenure. G.S. Bhatti [1984] argued that owning a home does not determine political affiliation and the assumption that there is an homogenous group of homeowners is false. Homeownership according to Bhatti does not affect everyone the same way because the benefits and losses are not distributed evenly or equitably. Benefits from a home as an asset are influenced by location, household income, interest rates, supply and demand.

Low-income individuals purchase for some of the reasons previously discussed; for example higher rents in the private setor, long waiting lists and stringent and arbitrary eligiblity requirements. For many low-income households it is an issue of cost: redlining by building societies, eligibility requirements and substantial deposits, loan is a small percentage of the purchase price. "...Benefits received by homeowners vary over social class, race, income and age of occupants, and the age of the stock..."[Bhatti:1984] Low-income, particulary elderly have the most problems because they are unable to afford repairs.

Most owner-occupiers and women vote Conservative and tenure plays an independent role in the process of political choice. There is no evidence that the tendency to vote Conservative has to do with ideology, lifestyles and interests of owner-occupiers. In the last election, 25% of working-class home-owners voted Labour and 57% of council tenants. Home-owners who voted Labour in 1979 were twice as likely as council tenants to change to other parties.

Both the Labour and Conservative parties have a solid block of votes. Among each are the middle-class and working-class voters. Property does not appear the determining factor. Voters often vote in response to the conditions in their life and their perception of which candidate can

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best address those conditions. The Conservatives recently lost the local elections. Initially, Thatcher was reported as counting this election as a vote of confidence. When the opposition won, she was reported not to be concerned because the electorate was split between the Labour and Liberal parties. This split only meant that her party benefit.

### 6.2 Success or Failure?

The determination of whether or the sales policy is a success or failure is subjective. For the Government this sales policy is a success both financially and politically. It is reaping financial benefits and as long as this happens, it will continue to push for sales. There is an indication that the number of sales is beginning to decrease. As long as it is able to set the expenditure levels for local authorities, it can reduce its level of public expenditure.

Politically the sales policy has enabled the Government to centralized expenditure levels, formulate housing policy, restructure local government and reward Conservative authorities and punish Labour authorities.

Building societies are benefitting as long as the Government continues to support homeownership. They are the source of mortgage funds and are least costly in terms of interests than are banks or local authorities. They receive additional resources from the variable interest rates and the volume of mortgages which they are able to extend.

The construction industry is badly damaged because of the reduced resources for building. It may gain, as local authorities are forced to sell their land in order to raise revenue. The total amount of land owned by local authorities is considerable. Also, as local authorities sell off or enter into "partnership" agreements with companies for "difficult to let" housing estates the builders and construction companies are certain to

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benefit.

Unquestionably, the Government has been "successful" in carrying out what it had intended with its housing policy. What remains to be seen is whether or not it will be as "successful" in carrying out its role as the protector of the values of the community. It is my opinion, that the Government has become so involved in the perpetuation of itself that it has lost sight of its responsibilities and obligations to the community. The Government believes that it is more important than the State. It is bound to consume itself with its arrogance.

**7.0 Marginalization or Cooptation**

In recent years, landlords, builders and lenders have become a very powerful force in the political arena and lobby for their interests in the governments. The increase in political leverage of the production and provision interest group has resulted in the decrease in the political leverage of the consumers.

The political activism of housing tenures is limited to issues that are more localized. In response to local housing needs, community groups have organized, as well as political groups and political organizations. The tenants and owner-occupiers have organized themselves into resident associations, independent of each other to protect and represent their various interests. The tenants in local housing authorities have had very little power over their property or their rights in tenancy. The Tenants' Charter seemingly is intended to address this. Political activism of the tenure groups is less an issue of class and more an issue of which segment of the housing sector.

At the local government level, if not at the central government level, it is possible for workers to influence local politics on the housing authorities' boards. Working-class individuals have more political power at the local level because they can vote for political parties to represent their interests on the boards. The proposed reorganization of local government changes the balance of power for tenure groups.

The concerns expressed by researchers who foresee a housing market in which the poor and unemployed are marginalized and the available housing stock is in a state of disrepair are not unfounded. The current housing strategies are sure to create a society in which the poor are ridiculed and ostracized and income and housing tenure will generate greater economic and

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political power.

The arguments often used to justify limited government intervention are issues of efficiency and equity. Social housing cannot be provided within the so elusive "free market" model. It is not possible for the market to provide housing as a commodity and as social good. It would be "inefficient" for the market to produce and provide housing at a cost which those who desire and need it can avail themselves. Producers would never be at equilibrium. The costs of housing construction are greater than the price at which the units can be sold or rented.

The Government's position is that any point above low minimum standard housing is a private good benefitting the individual rather than society as a whole. The market may not be perfect but it is more efficient than the administrative allocation of meeting housing needs. If housing is a private good then the majority of benefits must go to owner or occupier of housing and not others or society as a whole.

Efficiency is measured in terms of whether or not the society meets in qualitative and quantitative terms, the material desires of the society. In order to be an efficient instrument for society a private market must be organized so that buyers and sellers realize all the benefits and pay all the costs of each transaction (reflect full value and full cost to society as well).

Viewing housing as an economic good implies that those who desire a particular unit and who wish to maximize their utility and dollar value will buy or rent the housing that is made available. This argument does not take into account unequal opportunities of adequate housing stock, the willingness or unwillingness on the part of owners, sellers and lenders to treat individuals fairly as well as other vagaries within the society which

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impact individual and collective housing decisions.

The role of government in addressing the problem of a greater demand should be directed toward bringing about a change in values and vested interest in housing so that there is no need to regulate and legislate the housing market. Government housing policies should be designed to address identified weaknesses in the private sector. In addition, government should facilitate the private sector's redefinition of its own self-interest. In general, housing has historically been considered an issue of proper resource allocation to be addressed through monetary policies such as tax incentives and monetary transfer arrangements such as housing vouchers.

When considering equality or equity, the focus is on housing as a social good. A social good is a distributive sphere of justice which produces complex equality. A distributive sphere attempts to ensure that one's position in one sphere with regard to one social good cannot be undercut by a standing in some other sphere. In theory, a distributive sphere is autonomous, and no individual's access, influence or opportunity in one sphere gives him or her a greater access, influence or opportunity in each of the other spheres.

Housing as a resource may be an effective influence in some decisions but not all. As a result of multiple affiliations, there can never be a group or an individual who possesses the resource(s) to monopolize power or influence across all the different areas.

However, housing in reality does not fit neatly into the economic good or social good model because "[h]ousing...has represented much more than physical structures, housing is/has become a subject of highly charged emotional content: a matter of strong feeling. It is a symbol of status, achievements, or social acceptance. It seems to control, in large measure,

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the way in which the individual, the family perceives him/itself and is perceived by others." [Alvin Schorr:1963]

Because of the multiple values that society places on housing, it can be used to create inequalities within a society such as the promotion of class and racial cleavages. It is this use and potential misuse that provides housing, as a social good, with the capacity to have its influence used beyond its own autonomous sphere. Housing can never be a private good as the Government argues. There are too many values placed on it. The Government's attempt to use it to expand its political base is a perfect example.

It is the state's obligation to protect the limits of the sphere to assure that there is appropriate distribution. It is the government's obligation to ensure that the overlapping which is brought about by housing is prevented from being abused.

Clearly, the Government's housing policy as it has been envisaged will create a segment of the population who are without choice. The most obvious lack of choice will be where and how they will be housed. The Tenants' Charter which the Government included in the 1980 Housing Act was simply used to divert the attention of the renters from what the implications of the policy really were. To be "securely" tied to inhabitable housing at a cost that has to be supplemented by the Government at a level that is determined by the Government is a process of total subjugation.

These tenants have no political power and most importantly no economic power. They are likely to be unable to find employment or remain employed because of the physical and psychological conditions they are living under. Young mothers will have to watch as children grow up in an environment that is detrimental to their health and completely isolating.

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Ethnic minorities are already ostracized and stigmatized by the society. They already represent a large proportion of low-skilled and low-income tenants in council housing. They too will find it increasingly difficult to provide for their families or themselves. This growing dependency on the "good-will" of the Government puts them in an untenable situation.

Before these tenants are any further subjugated they should begin to understand that the day has gone when they can depend on "the kindness of strangers". They must organize in tenants' groups and begin to consider ways in which to take control over the property to which they are bound. This is to organize for economic power and self-sufficiency. Local authorities are willing to have tenants work in management cooperatives. If tenants could begin to get advice on how to manage from housing associations, they will become very efficient and effective managers.

Tenant organizations are hiring professionals to assist them with technical and legal issues in response to the poor conditions of the housing stock and the subsequent physical and psychological damages. These organizations are involved in gaining redress from the Government for allowing and refusing to alleviate these conditions.

Individual tenants can begin to take the initiative and renovate their units. They are able to receive grants to rehabilitate their properties. Again, the Government is unwilling for them to make their units too comfortable. There are stipulations on the amount certain repairs are to cost. If the work costs more than the authorized amount, the tenant has to pay the difference. Unfortunately, tenants have no control over the amount of time or the costs of a project. If the Government is incapable of preventing cost-overruns how can the tenant be expected to when a private

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contractor is carrying out the work. The tenants can begin to look at the skills of the members in their organization and capitalize on those skills. There may be people who know how to perform carpentry work, plumbing, etc. There is no reason for these residents to acquiesce to the any government.

## Chapter 8 LESSONS TO BE LEARNED

### 8.0 Any Relevance for the U.S.?

To anyone who is unfamiliar with British public housing, might consider any attempt to determine relevance of the British experience for the U.S. would seem futile. However, as the current administration has decided to model its public housing sales policy on the British plan, such is not the case.

The relevance for the U.S. will be considered first, in terms of Federal government policy making and second, tenants' activities. It is entirely possible that the current administration will only consider the amount of revenue the Thatcher government has been able to place in the public coffers. This would be a mistake because there are tremendous public expenditures which are involved in the process. The amount of tax relief foregone to homeowners for example. The growing numbers of people who will be made homeless (and have to be provided for) or have to be subsidized if public sector rents are increased to fair market rents.

The possibility of a political backlash has to be considered in the U.S. The current administration is not faced with a "complacent" constituency and the liberal ethos may be dying but it has not totally vanished. Homeowners in suburban and gentrified urban areas will not be any more comfortable with a low-income homeowner in their neighborhoods than they were with a low-income renter.

The opportunity is here in the U.S. to consider the actual cause of the decay and decline in inner cities. It has less to do with housing and more to do with lending policies, eligibility criteria and landlord unwillingness to maintain property, lack of employment opportunities and paternalism on the part of the bureaucracy. The remedy is not to force low-income tenants to purchase poor units, or sell them to developers who will make a profit.

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What is needed is a rental policy which will integrate all income groups in a housing project to generate rental income to support management, maintenance and utility costs of the project.

The response by the community needs to be explored as well. This was not something that was looked at during the course of the research but a little speculation would do no harm. In Great Britain, the expectation is that homeowners and renters will become divided as their perceived mutual interests are clouded by property. In the U.S. it is definitely possible that there will a great deal of tension between low-income homeowners and others. The situation in Great Britain is that most of those who bought their homes were of sufficient income to buy in the private sector. That is the not the case in the U.S. Most of the people living in public housing in the U.S. are dependent on income support programs from the government. Their counterparts are those renters who have to remain in the public sector because they are too poor to buy.

There is no incentive under the U.S. plan for tenants to buy their units. It is interesting that there is such an incredible push for tenants purchasing their units when they have been able to do so for twenty to twenty-five years. In Great Britain, tenants have been buying their units since 1937. The difference in both countries is the commitment on the part of the administrations to privatization.

In Great Britain, the best houses and those in the need of least repair is being sold. The housing stock which remains is the poorest quality. The housing stock that is to be sold in the U.S. is already of the poorest quality.

The tenants should not allow themselves to be further removed from the mainstream. This sales policy will not integrate them into their

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communities. They should begin to utilize their organizations and the economic and political system to their advantage. These tenants have to realize that as long as they continue to be supported by the government, they will continued to be used and exploited by it.

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