



728.1  
(41)  
H68  
U711

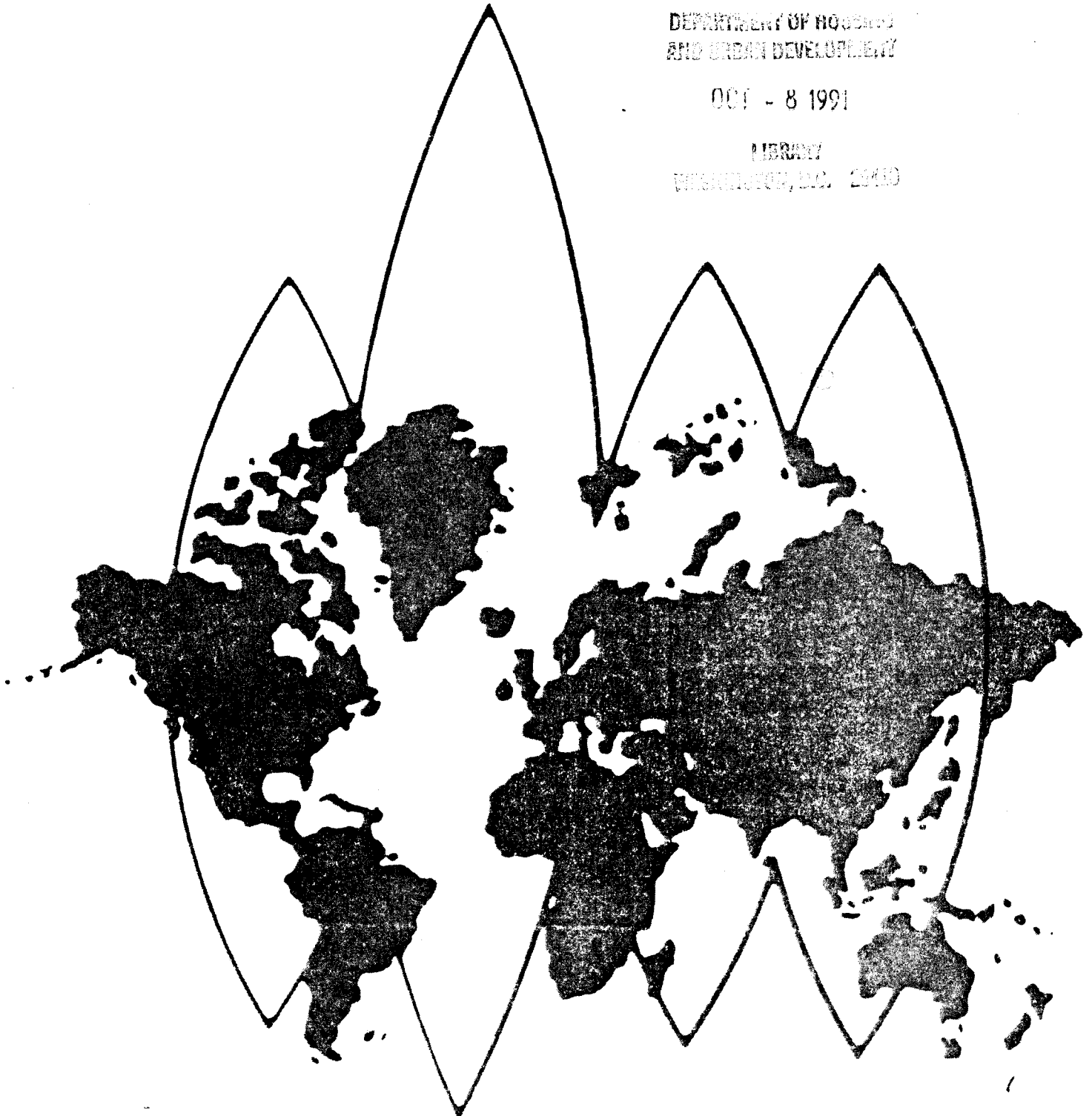
HOUSING AND URBAN DEVELOPMENT IN THE UNITED KINGDOM

MAY 1981

DEPARTMENT OF HOUSING  
AND URBAN DEVELOPMENT

OOI - 8 1991

LIBRARY  
WASHINGTON, D.C. 20430



## FOREWORD

The Office of International Affairs publishes housing and urban summaries on HUD programs of foreign countries, in order to acquaint the urban researcher with the basic outlines of their economy, settlement patterns, and housing programs. The summary is not intended as a comprehensive explanation of the country's urban activities, but as a reference piece that should provide a basis for further research. It is also intended to be used as a briefing paper for urbanists who may have occasion to travel to the country and would like a broadbrush picture of the country and its housing and community development policies. In addition, a directory of some major housing and urban development institutions and a bibliography are included.

The information used for the preparation of this summary was drawn from HUDFIRS - The Department of Housing and Urban Development's Foreign Information Retrieval System. HUDFIRS is a computer-based system in which foreign data is stored and available to urban and housing researchers. The documents used in this piece, as well as in many other housing and urban development subjects may be used in the Office of International Affairs, Room 2124, 451 Seventh Street, S.W., Washington, D.C. 20410.

# HOUSING AND URBAN PROFILE OF GREAT BRITAIN

## INTRODUCTION

Great Britain is a highly urbanized country. Almost eight of every ten people live in towns and work in offices and service industries. The need for business premises creates a chronic shortage of urban housing and displaces populations. In the postwar period, government's answer to these problems was the establishment of suburban, industrial conurbations, called new towns outside major cities, where rapid urbanization has been most intense. In the 70's, there was lessened emphasis on the new towns and policy makers turned their attention to a more pressing problem: how to arrest urban decline brought on by employment and population losses.

## POPULATION TRENDS

About 80 percent of the population of England and Wales live in cities and towns. In Scotland, the figure is 70 percent, and in Northern Ireland, 55 percent. The largest concentration of people is in London and several industrial new towns. Outside these urban groupings are the rural areas where the remainder of the population, largely elderly, lives. The UK is experiencing a decrease in natural population growth. A population of over 60 million was estimated for the year 1961. A lower figure of 54.7 million is now suggested by a 1974-based projection.

## GOVERNMENT

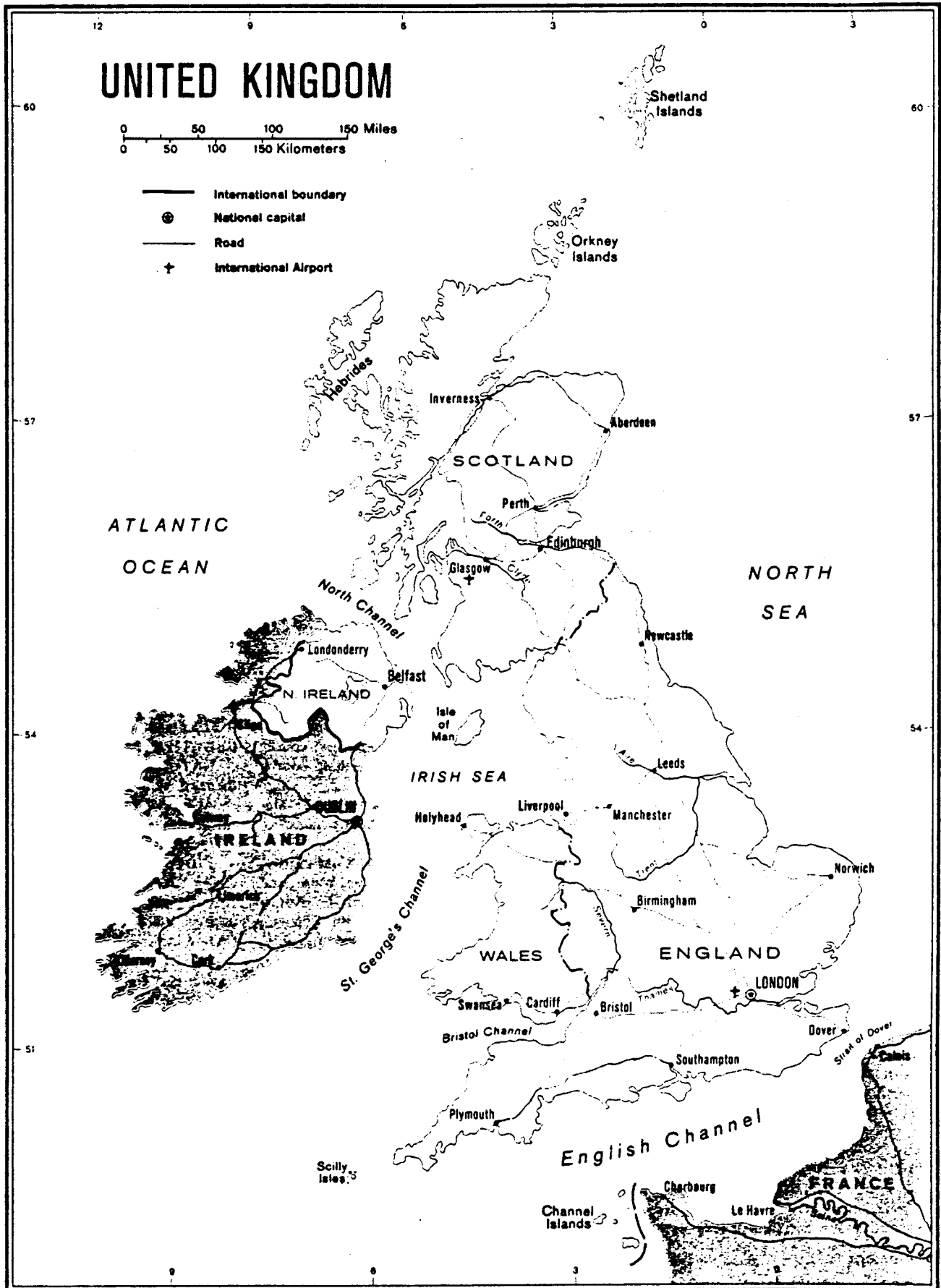
The United Kingdom is a constitutional monarchy and a parliamentary democracy. Its permanent head of state is the reigning king or queen, and the head of government is the Prime Minister, who derives his position from the fact that he is leader of the political party that possesses, or can command, a majority in the House of Commons. All political power is concentrated in the Prime Minister and his Cabinet, and the monarch must act on their advice. The Cabinet plans, drafts, and puts before Parliament all important bills.

## ECONOMY

Unemployment is high in the inner cities, with some sectors having rates 50 percent greater than the UK average. During the 70's unemployment rose to levels not seen since the 1930's. At the start of the 70's, the annual gross national product was just under 3 percent. As a result, the British standard of living is lower (in terms of disposable income per head) than in such other countries as the United States, Canada, Sweden, and West Germany.

## HOUSING IN THE UNITED KINGDOM

All housing activity must be approved by the central government, through the Department of Environment, which also funds both construction and rehabilitation. The Department directs local Housing Authorities in individual boroughs to identify needs, plan strategy, and make delivery of housing stock or provide improvements. Their activities are



coordinated at the local level, for example, by the areawide Greater London Council. Housing Associations are the third force in British housing planning and policy. They are roughly the equivalent of nonprofit housing sponsors in the U.S.

#### HOUSING STOCK

There are close to 20 million units in the United Kingdom. Of these, about half are privately owned and occupied. A third are owned and administered by local authorities, and the remainder (mainly older houses) are rented privately.

Public housing stock is a mixture of new and old dwellings. New units are generally located outside major cities and often are part of a total living concept (new town) which includes schools, shops, and social facilities.

Old public housing is found largely in the inner cities, where occupants are overcrowded in unfit units without the five basic amenities: fixed bath in a bathroom, a washbasin, a sink, and hot and cold water at three points in the dwelling. Occupants often abandon such buildings, which authorities then board up.

As in most Western European countries and in the United States, increasing emphasis is being given in the United Kingdom to preserving and rehabilitating this old, existing stock, with less on new housing construction.

#### REHABILITATION LEGISLATION

The British Housing Act of 1974 made three types of areas eligible for housing improvement assistance:

- o Housing Action Areas (HAA) are neighborhoods considered to have the worst housing problems. HAA's can later be designated as clearance areas or General Improvement Areas, depending on whether radical improvements are necessary and when they can be made. HAA grants may cover 75 percent of the total costs.
- o General Improvement Areas are those with houses in fundamentally sound condition and with a long remaining life. Improvement in these areas relies predominantly on voluntary owner action. Grants can cover up to 60 percent of costs.
- o Priority Neighborhoods is a designation intended for basically sound areas in and around deteriorating housing to stop adverse ripple effects from the inner areas.

Intermediate grants of 700 pounds are available to install basic amenities or make essential repairs. Improvement grants as high as 3700 pounds are available for converting an entire house into a livable flat. Special grants are given to persons not forming a single household. In recent years two concepts for rehabilitation have been used: homesteading, and "half and half." Under the homesteading system, young couples who buy deteriorating property are given an interest-free mortgage

period in which to renovate and improve the purchase property. Under the "half and half" plan, half a house is bought and the other half rented on a 99-year lease.

#### HOUSING ALLOWANCES

Listed below are the types of housing allowances authorized under the Housing Act of 1974:

- o Vacant Unit Supplement. This allowance covers administrative costs only. Where site security is necessary, an allowance is paid equal to the reasonable costs of providing security, subject to the prior approval and recommendation of the lending authority.
- o Permanent Rehousing Allowance. This allowance is payable in full when the tenant is rehoused by a local authority or another housing association, but not when the tenant rehouses himself.
- o New Tenancy Allowance. This allowance is payable in full when a tenant remains in the house while major repairs are being carried out.
- o Temporary Decanting Allowance. This allowance is composed of three parts. The administrative element equals the permanent rehousing allowance. The tenant's removal expenses element is a fixed allowance to cover both moves. The rent and rate loss element equals the actual loss incurred when a tenant is temporarily moved into a previously subsidized property with a registered rent, but continues paying rent on his old property.
- o Removal Allowance. When the move is temporary, the allowance will equal the temporary decanting allowance. When the move is permanent, the allowance will be half that amount. The actual allowance payment is based on the actual incurred costs.
- o Special Project Promotion. This allowance is paid when an association is involved in providing housing in conjunction with a specialist group (e.g., providing assistance for ex-offenders, or discharged psychiatric patients) in cases where a lease or management agreement is to be drawn up with the group. The prior approvals of the lending authority and the Regional Office are required.
- o Cyclical Maintenance Allowance. This is granted for rehabilitation projects. It is based on the costs of planned redecoration of external and internal common parts. Other items of a periodic nature, such as replacement of fittings, are budgeted into the day-to-day maintenance allowance.

## LOCAL HOUSING AUTHORITIES

Local housing authorities are the key element in British housing programs. It is they who deal with public and deliver or improve a significant portion of the housing stock. Funds are allocated to the authorities by the government through a system called Housing Investment Programs. (HIP).

HIP's are formal, written statements which identify needs and outline a strategy for meeting those needs over a four-year period. Included is a spending proposal which is coordinated with the stated strategy. Spending proposals are assessed by the Department of Environment and then allocated in spending blocks. Amounts can be transferred from one block to another, and carried over into the next fiscal year.

## FUTURE HOUSING OUTLOOK

The United Kingdom's predominant concern in the next decade will be with urban decline. The country's earlier focus on urban growth and new town development is no longer appropriate because of severe population and employment losses in the 70's. The UK indicates that its policy will aim to:

- o promote home ownership through urban homesteading.
- o rehabilitate and modernize existing stock.
- o provide financial incentives in specific areas to attract business.

Policy implementation will be carried out through three mechanisms: (1) the Urban Programme, (2) Urban Development Corporations, and (3) Enterprise Zones.

- o The Urban Programme

As designed in the late 1960's, the Urban Programme was small in scale, targeted to assistance for the urban areas of greatest need. In the mid 70's, its budget was increased from 30 million pounds to a high of about 185 million pounds allocated for 1980/81. Another 23 million is slated for Scotland, and 8 million for Wales. The Urban Programme operates on a partnership system between central and local government. Together they agree on the proper mix of expenditures and priorities in a given area. Urban programme partnerships currently exist in Birmingham, Manchester/Salford, Liverpool, Newcastle/Gateshead. Three operate in London. Other urban areas may submit projects for Urban Programme or Local Authority funding. The Urban Programme is designed to assist in areas not otherwise funded, economic regeneration for small businesses, environmental improvements, and aid to the voluntary sector for low-cost projects.

o Urban Development Corporations

This program is devoted to specific cities: London and Liverpool. Announced in September of 1979, the program is not expected to be fully operative in 1981. UDCs will place strong emphasis on attracting private sector finance through joint venture projects and by encouraging private development. Land acquisition, land reclamation, and the provision of infrastructure and services are likely to be key elements.

o Enterprise Zones

The British Government is about to launch its new experiment to increase economic activity through "Enterprise Zones." The zone experiment is too small to have any significant impact on Britain's current deep economic slump; it consists of eleven sites averaging 500 acres. But the Thatcher Government regards it as a symbolic, practical test of its deep-seated belief that the dynamic force of private enterprise can create new jobs, output and wealth given a proper climate of reduced taxation and less government interference.

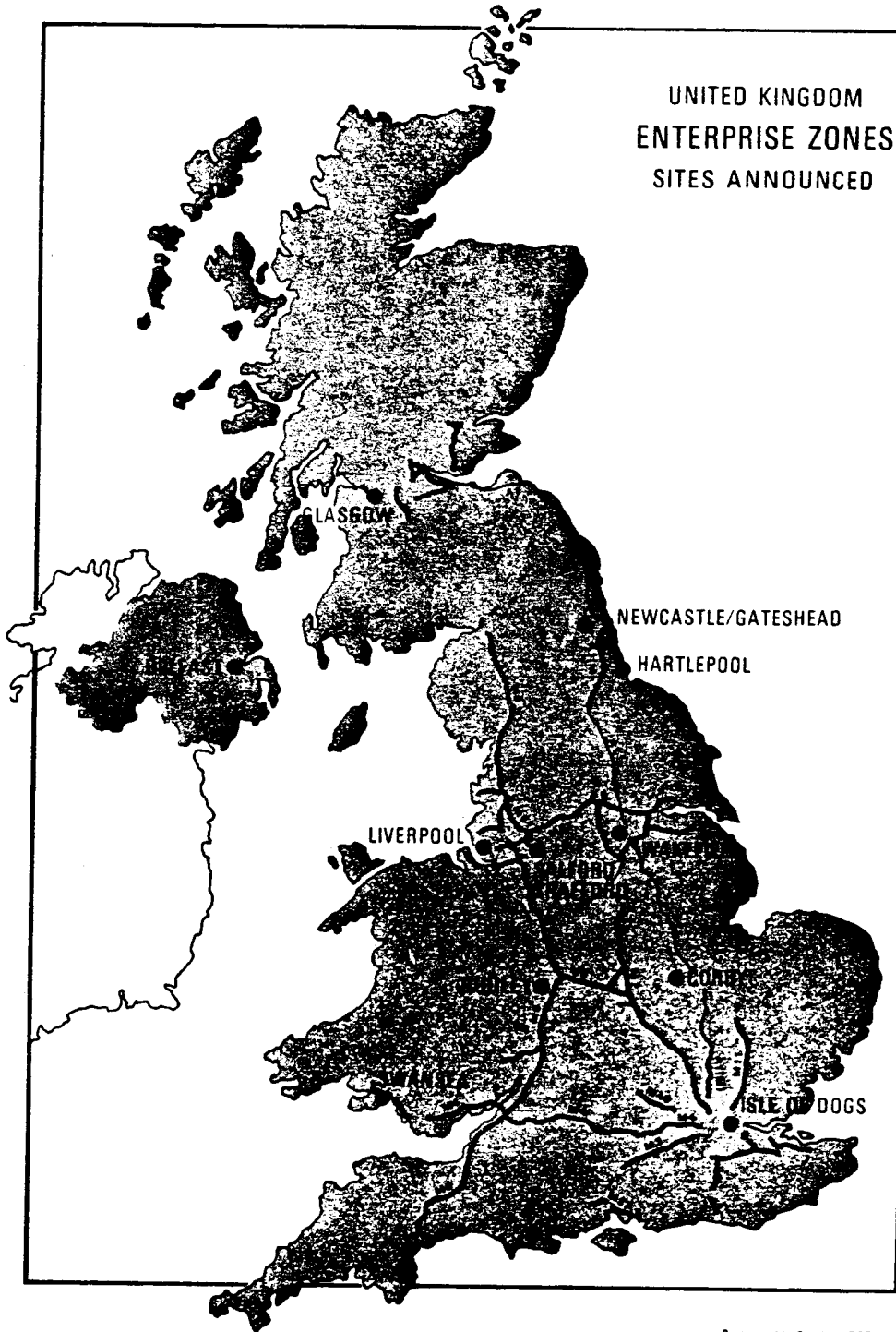
As approved by the British Parliament, the legislation authorizing the enterprise zones comprises parts of two different acts: 1) the Local Government, Planning and Land Act; and 2) the Finance Act; both Acts were passed in November 1980. Plans for most areas have now been completed by local authorities and are available to the public. The final steps of public consultation, testing in the courts and approval by Government and Parliament will take place over the next few months for about half the zones. All hope to be operating before the end of the year, although the London zone has no firm schedule yet. One will be in London, one in Northern Ireland (Belfast), one in Wales (Swansea) and one in Scotland (Clydebank). Seven will be spread around England (Corby, Dudley, Liverpool, Newcastle, Manchester, Hartlepool and Wakefield). (See map attached) The first zone to officially open was in Swansea, on June 10, 1981.

The basic concessions available to all industry and commerce (including foreign-owned businesses) operating in the zones are scheduled to last for at least ten years. These will eliminate local property and capital gains taxes and give full tax credits for new investment in plant and equipment. Most government regulations-- except those relating to zoning-- will remain in force, although help for firms to meet these will be given more easily and quickly than in the past or in other areas.

The zones were selected by the national government (there is no self selection based on general eligibility criteria) to provide a cross-section of laboratory conditions to determine which circumstances are best for job and income creation. Several of the zones are in areas where local developmental authorities have good experience with the development programs, a fair amount of their own resources to contribute, and can control their zones through ownership of most of the land. Others are largely dependent upon private resources, ownership



UNITED KINGDOM  
ENTERPRISE ZONES  
SITES ANNOUNCED



Cartographic Services DOE

and development. Some already have most of the infrastructure in place, while others will need substantial development. Some have not just sites but also buildings available. Some are emphasizing small business, others are looking for balance, and at least one spoke of looking for several large "showcase" industries for its zone. The British Government has recently hired an agency to monitor the zones for the first three years to help identify which of the package of incentives being offered has been the main influence on the zones.

#### Incentives Offered in the Zones

While the incentives available in any zone will vary somewhat according to local conditions, the following are the major benefits to be offered in all zones:

- (1) Exemption from the Development Land (Capital Gains) Tax. This tax is normally levied at a rate of 60 percent on the development value of land at the time of sale.
- (2) Exemption from property taxes (rates) on the industrial and commercial property. The revenue loss to the local authorities (rates are virtually their only local source of revenues) will be reimbursed by the national government.
- (3) 100 percent capital allowances on new industrial and commercial buildings. This refers to capital expenditure on the construction, extension or improvement of buildings, and can be used in its entirety the first year or through accelerated depreciation over several years. The allowances do not apply to residential property.
- (4) Customs Facilities in the Zones. "Inward processing relief" is an arrangement generally available in Britain to exclude payment of customs charges for goods imported into Britain for processing and later export outside the Common Market. Arrangements for this relief and applications for establishment of private warehouses will be expedited in the zones.
- (5) Simplified Planning Regime. In essence, businesses in the zone will be exempt from obtaining planning permits provided that their activities fall within the scope of the zone's plan (the usual process in Britain is the reverse, i.e., that any activity must obtain a planning permit). This important qualification will require interested businessmen to examine each zone's plan to make sure they do not fall under any exclusions (e.g., size of retailing establishments, which will be limited in all the zones). Health, safety and pollution standards and construction codes will continue to apply.

- (6) Speedier Administration of Controls in Force. There will be a formal (but not binding) understanding between the central government and the zone authorities that priority and speedy handling of administrative matters will be assured for zone establishments. The usefulness of this provision remains to be seen and will no doubt depend upon the responsiveness of the individual authorities in each zone.
- (7) Government requests for statistical information will be reduced to a minimum.

What is not generally understood in the U.S. is that businesses locating in the enterprise zones are eligible for a wide variety of government grants and aids in addition to the incentives listed above. The city of Corby, for example, offers regional development grants of 15% for new plants and machinery; repayment guarantees for low-interest loans secured through either British and Common Market financial institutions; rent free factories for up to 18 months; and grants totaling 65%-80% of training costs.

#### Estimated Costs of the Zones

Given the uncertainty about how well and how quickly the scheme would take off, the unreliability of cost figures for many items (for example, future tax projections), and the uncertainty about assigning some of the infrastructure costs to the zones' accounts (since many would have taken place even without the zones), it is difficult to come up with any figure that can adequately represent these costs.

Some costs, however, can be identified. For example, current local property taxes in all the zones now amount annually to about \$23 million. This amount will be reimbursed to local governments by the central government. The cost of this reimbursement should increase significantly in future years, however, particularly if the zones do well and if government-owned land within the zones (which is not now subject to taxes) is sold to private sources. The latter will not occur in many zones, however, since long-term rents will be the preferred method of attracting businesses. Taking the tax items alone, one rough estimate given us was the current rate offset costs of \$23 million per annum may be three to five times that amount by the end of the ten year period.

As activity quickens in the zones, the significance of the exemption from the capital gains tax and 100 percent tax credits for new investment will also increase. Although these are national taxes and hence not subject to reimbursement to the local authorities, the amount of revenue foregone could be considerable.

Finally, the infrastructure costs could be significant in some zones (although most were largely selected to avoid major new development costs). In some cases, these may be minimal, as at Clydebank (Glasgow) where the zone is already located in a blighted city area where water, roads, sewers, etc., are largely in place. In places like Dudley, much of the infrastructure costs will be assumed mainly by the private sector, although here too there will be some government assistance (mainly through the Coal Board to rehabilitate mined-out areas). In places like London's Isle of Dogs, however, major government investment will be required, through the new urban development corporation, to develop London's blighted docklands. The proportion of the latter's costs for roads, electricity, water, etc., which should legitimately be assigned to the 500 acre enterprise zone is a major question.

While many London-based government officials continue to insist that the experiment in zones will be a testing of the thesis of economic development catalyzed through largely unregulated private enterprise, administrators in most of the zones admitted frankly that they regard the enterprise zone program as simply one more tool in the government-subsidized effort to revive depressed areas.

DIRECTORY OF MAJOR HOUSING  
AND URBAN DEVELOPMENT INSTITUTIONS

Housing Division 6  
Department of the Environment  
2 Marsham Street  
London SWIP 3EB

This department has the lead role in development of policies and administration of housing and area improvement programs.

Urban Conservation and Historic Buildings Division  
Directorate of Ancient Monuments and Historic Buildings  
Department of the Environment  
25 Saville Row  
London W1

Building Research Establishment  
Department of the Environment  
Garston, Watford WD27VR

This division furnishes technical research materials.

The Housing Corporation  
Sloane Square House  
Holbein Place  
London SW1

This is a public authority created under the Housing Act of 1974 to promote new housing and rehabilitation and to channel funds to housing associations.

National Federation of Housing Association  
86 the Strand  
London WC2

The federation serves as a lobby, information clearing house, and professional association for housing associations.

Public Health Advisory Service  
Cave House  
Bigland Street  
London EC4

This is an advocacy planning group providing services to tenants living in substandard housing.

The Royal Society for the Promotion of Health  
90 Buckingham Palace Road  
London SW1

The central role of public health inspectors in the British improvement process makes this society significant.

The Housing Centre Trust  
13 Suffolk Street  
Pall Mall, East  
London SW14 4HG

This is a professional association which publishes the Housing Review, operates a bookshop and library, and holds conferences and arranges study tours.

Housing Rehabilitation Division  
Chesham House  
30 Warwick Street  
London W1

These councils administer H.A.A.'s, and Improvement grants, and take a lead role in developing housing strategies for the Greater London area.

Centre for Urban and Regional Studies  
University of Birmingham  
Sally Wick House  
Sally Wick Road  
Birmingham B29 7JF

The British equivalent of the Urban Institute, this center conducts in-depth analyses of housing improvement policies and monitors H.A.A.'s.

The Planning Exchange  
186 Bath Street  
Glasgow G2 44G, Scotland

The purpose of this organization is to encourage education and information in the field of planning.

The Institute of Advanced Architectural Studies  
University of York  
The King's Manor  
York YO1 2EP

Two areas of research by this institute are conservation planning and design, and use of existing housing stock.

BIBLIOGRAPHY

- Background Readings on Neighborhood Conservation and Housing Rehabilitation. Washington, D.C. September 1977.
- Bernstein, Beverly. A Survey of European Programs. The Ford Foundation. New York. undated.
- Building Societies Association. Building Society Affairs. No. 101. London. March 1980.
- Department of the Environment. Housing Strategies and Investment Programs for Local Authorities in England: Arrangements for 1979/80. London. May 1978.
- Department of the Environment. New Towns in the United Kingdom. London. 1977.
- Department of the Environment. OECD: Urban Decline Project. London. August 1980.
- Dumouchel, Jr. Robert. European Housing Rehabilitation Experience. Washington, D.C. 1978.
- Government Statistical Service. Housing and Construction Statistics. London 1979.
- Housing Review. Vol. 29, No. 2 March-April, 1980. London.
- London Boroughs Association. Report to Housing and Works Committee. December, 1977.
- Machennan, Duncan, and Parr, John B., eds., Regional Policy: Past Experience and New Directions. Department of Social and Economic Research. University of Glasgow. 1979.
- Merrett, Stephen. State Housing in Britain. Lowe and Brydone Printers Ltd. Thatford, Norfolk. 1979.
- Nationwide Building Society Bulletin. London. undated.
- Office of International Affairs, HUD: A Summary of British Policies for Inner City Renewal. Washington, D.C. October 1977.



Office of International Affairs, HUD: A Summary Abstract of Housing Policy in England and Wales, A Consultative Document. Washington, D.C. June 1977.

Office of International Affairs, HUD: Selected Bibliography on Inner City Areas of the United Kingdom. Washington, D.C. May 1978.

Policy Project Group: Urban Decline in OECD Countries: An Overview of the Issues. Paris. November 1980.