

***Affordable Homes in  
Safer, Greener  
Communities***

**Housing Policy Paper**

**Policy Paper 69**





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# Executive Summary

Decent homes, decent communities, and the opportunity to own your own home. Liberal Democrat housing policy aims to make these aspirations a reality.

But there is no single policy that can make this happen, because every area has its own housing needs. In this paper we propose a menu of policies and options to help each local community meet those needs.

In many areas, the lack of affordable homes is the most pressing problem, so we propose new ideas for building houses that are within the reach of ordinary people. Other areas have seen a collapse of the local housing market, with homes falling into disrepair. These communities will benefit from new systems for promoting investment to bring them back to life.

People also want more than bricks and mortar from their home. They want to live in safe, clean and friendly communities. So Liberal Democrats will give local people more say in running their neighbourhoods and put the environment at the heart of housing policy.

## Low cost home ownership

Owning a home has become an impossible dream for many people. Too few homes are being built in many areas, pushing up house prices and locking hundreds of thousands of families and young people out of the housing market altogether.

### First time buyers

**First time buyers** will benefit under Liberal Democrat plans for low cost home ownership. By investing in more shared equity schemes and with our new model of mutual home ownership, we will make it easier for people to own their first home. Our policies would create an intermediate housing market, bridging the gap between the rented sector and the open housing market.

- **Shared equity schemes**, where people part buy and part rent, have been starved of funds by Labour. Liberal Democrats will direct more of the housing budget to shared equity and use planning guidance to encourage councils, housing associations and developers to consider shared equity. We would also promote our “golden share” model, where the homes remain affordable because the council or housing association can set limits on who buys them, targeting help towards those in need, and limiting price rises.
- **Mutual home ownership** is a totally new concept, primarily aimed at helping young people starting out. Rather than buying the home right out, people would buy shares in a mutual home ownership trust that owned their home. Mutual homes will also be affordable because the land on which the homes are built would be owned by a separate Community Land Trust. By permanently excluding the land cost from the house price, affordability is locked in. Sites would primarily come from surplus land now owned by the Government.
- **First time buyers in rural and coastal areas** would benefit from our plans to give local authorities more freedom to address the problems sometimes caused by second home owners. Local people can be priced out of the housing market and lose crucial services when many local properties are bought as occasional holiday homes. Liberal Democrats will allow councils to use business rates and the planning system to tackle these problems.

### Existing home owners

- **Existing home owners** would benefit from our plans to invest in energy conservation and by our plans to abolish Labour’s proposed Home Information Packs which will increase the cost of selling

a home. Home owners will also benefit from our proposals to improve people's say in how their immediate neighbourhood is run through community and parish councils.

- **Council tax revaluation** threatens many home owners with huge rises in bills from April 2007. Liberal Democrats would stop revaluation and use the money saved to replace council tax with a local income tax. The change would protect home owners currently facing tax rises from the revaluation, and make local taxation affordable for home owners on low and modest incomes.
- **Home owners in low demand areas** would benefit from our proposals to encourage housing investment. Our bottom-up approach to **community renewal**, with solutions agreed by residents, owners and elected councils, will guarantee home owners a voice in regeneration projects. And as the quality of community life and confidence in the area are restored, house prices will rise. Run down or deprived communities will also benefit the most from our proposals for warmer homes and safer, greener communities set out in Section 3.

### **Leaseholders of local authorities**

- **Leaseholders of local authorities** would benefit from a new requirement for councils to provide quick and independent arbitration of bills for capital works and service charges. Many people who bought their home under the right-to-buy scheme get poor treatment from the council freeholder and we will legislate to raise standards.

### **Leaseholders**

- **Leaseholders** would be given more powers under a Liberal Democrat government. We would make it easier and cheaper for leaseholders to transfer to commonhold, or to buy the freehold of their homes. We would also abolish forfeiture - the right of a freeholder to force a tenant out of their home for sometimes minor breaches of contract. We would give freeholders similar rights to mortgage lenders to reclaim money or compensation owed to them.

### **More affordable homes to rent**

Tenants of councils, housing associations and private sector landlords too often receive poor quality services for the rent they pay. Worse still, Britain's homeless situation remains acute, with record numbers of families in temporary accommodation. Such problems require new approaches to social housing and to creating a strong market of quality private sector homes for rent.

### **Council tenants**

- **Council tenants** will be protected by our proposals to end Labour's unfair subsidies for council housing stock transfer, giving them the **right to remain council tenants**. Tenants often want to keep the council as landlord, but have been denied funding for making this choice. We will create greater freedoms for councils to invest in upgrading their housing stock. Tenants who do want to move away from council ownership will be granted a new option of transferring to a **mutual housing association**.
- Two more rights will be given to council tenants - the **right to manage** their estate and neighbourhood and the **right to invest** in their property. Under the right to manage, tenants will be able to set up estate boards to deal with all day-to-day management issues. The Decent Homes Standard will be reformed to become a menu of investment choices, where tenants choose the investment priority for their home and immediate environment. The right to invest will allow tenants to build up equity in their homes, which can be used to purchase a home of their own in the future. Councils could also grant housing equity to tenants where the tenant has contributed 'sweat equity' in their property or for the community.

- **Liberal Democrats will retain the right to buy**, allowing councils to vary the discounts according to their local needs.

### **Housing association tenants**

- **Housing association tenants** will be afforded more say in decisions about their home and local neighbourhood. Like council tenants, housing association tenants will be given a new **right to invest**, so they can more easily save for a home of their own.
- **We will abolish the Housing Corporation**, and give its remaining regulatory functions to the Audit Commission and its financing role to existing regional housing boards. This will save money and cut the regulatory burden on associations.

### **Private tenants**

- **Private tenants** are already set to benefit from new tenant protections campaigned for by the Liberal Democrats and introduced in the Housing Act 2004. Together with the promise of a new tax incentive for investment in private rented accommodation, change is underway.
- The government has failed to work closely with private sector landlords. We will drive quality improvements in the private rented sector by working with **private landlords** and their representative bodies to develop better training and more professionalism. Liberal Democrats will also make improved administration of housing benefit a priority.

### **Homelessness**

- **Homelessness** will be reduced through the provision of more affordable homes and specialised accommodation. As a matter of urgency we will tackle the scandal of empty homes, since empty buildings offer an efficient, affordable and environmentally friendly way of increasing housing supply quickly.
- We believe government figures on the homeless underestimate the size of the problem. There are large numbers of **hidden homeless** in the UK, with people living in insecure accommodation, on friends' floors, in shared rooms or unregistered hostels. We support a homelessness census to discover the real extent of the problems we face.

### **Warmer homes and safer, greener communities**

Liberal Democrats will make sustainable housing a key policy for tackling global climate change. We will set a target of one million sustainable homes by 2012.

- **Liberal Democrats will cut the average pensioner household's fuel bill by £100**, by encouraging pensioners to choose to use their winter fuel allowance to improve their home's energy efficiency. Using one year's allowance in this way can bring permanently lower bills.
- **We will reduce VAT on renovations and repairs to buildings** to encourage their re-use, and reduce VAT on energy saving materials. Building regulations will be automatically upgraded every three years to force up energy efficiency. We will ensure all new buildings are built to an **eco-standard** and reform planning laws so an authority can require developers to create sustainable buildings.
- **Communities will be made safer by extra police** and new ways of tackling anti-social behaviour, which undermines people's sense of security and can ruin communities. A vital weapon against anti-social behaviour, developed by Liberal Democrats, is the **Acceptable Behaviour Contract (ABC)**, which we will promote as a cost-effective way of tackling anti social behaviour.

- **Community justice panels** will be set up for people accused of anti-social behaviour and vandalism. Representatives of the community would require individuals to repay the people and communities they have wronged, with community work like cleaning up graffiti. If they refuse, they will face the courts and a criminal record. Liberal Democrats would also introduce a new system of **specialised mediation and housing courts** to make better use of legal resources and speed up justice.
- Vulnerable people housed in the community need more support and choice. Liberal Democrats would reform the Supporting People programme to reduce the bureaucracy and direct more of the resources to **frontline specialised accommodation**, like foyers.

### **Tackling the industry's skills and land shortages**

- **The skills shortage in the construction industry** increases construction costs and delays development. We would engage actively with the property industry to find ways to build the extra homes we need at affordable prices and to higher environmental standards. Liberal Democrats will develop flexible and “fast track” courses, find ways to attract more women into the sector and work with professional bodies to meet skill shortages in areas like planning, design and project management.
- Liberal Democrats will push for **high quality design** in all new house building, and work with the industry to continue the improvements of recent years. To make sure land is used efficiently, we will reform business rates and cut bills for small business, thereby encouraging regeneration through the re-use of local shopping parades and vacant land.
- We propose two more solutions to increasing land supply: first, better use of publicly-owned land through **Community Land Trusts**, and second, piloting reform of the planning system, with our idea for **Community Land Auctions**.
- In our pilot scheme, councils could initiate community land auctions. All land owners will be invited to send in sealed bids, with details of their land and sale price. The council will consider, with consultation, which land offered, if any, was suitable for development. The council would apply for planning permission. Any granting of permission would dramatically increase the land's value, allowing the council then to buy the land at the sealed bid price, before immediately selling it on at the post-planning permission price, using the profit for community benefits.

# Introduction

1.1.1 Everybody wants a decent home. Everybody wants to live in a community that is clean and safe. Most people want to own their own home. Liberal Democrat policy will help these aspirations to become a reality, for everyone.

1.1.2 Housing policy has to cater for a wide variety of needs, because every community has its own housing problems. For many, the biggest housing problem is the lack of affordable homes - with high house prices and high rents making it impossible for people to find somewhere decent to live. Other communities are so run down, people don't want to live there, and housing is cheap or even worthless.

1.1.3 All communities have some families or people that they cannot find homes for, who are then forced into shelters or temporary accommodation. And thousands of families are living in poor quality or overcrowded homes. This has to end.

1.1.4 The other key challenge facing all communities is reducing the impact we and our homes have on the environment, from the way we build houses in the first place to cutting their consumption of energy, water and other natural resources.

This policy paper seeks to address our country's housing crisis, with three basic objectives:

- to build more **affordable** homes,
- to help every local **community** meet its specific housing needs
- to make all homes more **sustainable**

1.1.5 There are some issues that cannot be addressed here. The effect of interest rate rises on the housing market, the future of house price inflation and regional economic policy: these are structural economic issues that are not within the remit of this work. Instead, this paper focuses on the homes themselves - building them, improving them and making them available for the people who need them most.

1.1.6 No one knows how many people are in housing need in the UK. Crude figures can be obtained. Over 100,000 families are living in temporary accommodation and more than a million public sector homes are in need of repair.

1.1.7 But we know almost nothing about the problems of quality or overcrowding in the private rented or owner occupied sectors. And we don't know how many people are stuck in friends' or their parents' homes because they cannot afford their own place to live.

1.1.8 What we do know is that we need to build more homes in Britain. We need more affordable homes. We need to consider energy efficiency and the environment, and we need to think not just about houses, but about the communities they form and the people who need them.

# Low Cost Home Ownership

## 2.0 First time buyers

2.0.1 High house prices are wrecking communities and families and undermining public services. Many young people cannot get onto the housing ladder. Many would-be first time buyers simply cannot buy in the area where they were brought up, or near their jobs. Employers from private companies to hospitals, schools and police forces find it difficult to recruit staff because of high housing costs.

2.0.2 Labour has made this problem worse. Housebuilding has fallen to record lows under this Government and flagship policies like John Prescott's Starter Homes Initiative have exacerbated spiralling house prices by fuelling demand without improving supply. By failing to understand that Britain's housing problem stems from the lack of new houses and not demand, Prescott has developed a housing policy for the few, and not the many.

2.0.3 Labour's policy has been led by Whitehall targets and plans. Liberal Democrats support a policy based more on the market coupled with local community decision-making.

2.0.4 To promote low cost home ownership for first time buyers, Liberal Democrats will create an intermediate housing market using planning powers and spare public sector land, bridging the gap between the rented sector and the open housing market.

### Shared equity and "golden share" homes

2.0.5 Various kinds of shared equity schemes exist in many parts of the country. But governments have never made them a priority for investment. This is a huge mistake. Not only do they spread public subsidy further because people invest their own money too, but they can help create more balanced communities. Moreover, shared equity schemes generate funds that can be recycled to create more housing.

2.0.6 Liberal Democrats will therefore direct more of the housing budget to shared equity schemes, including cash saved from abolishing Labour's failed Starter Homes Initiative. We will

issue planning guidance to encourage councils, associations and developers to consider the shared equity route.

2.0.7 Golden Share homes are a particular form of shared equity, arising from an innovative use of the planning system and have already been piloted by Liberal Democrats on South Shropshire District Council.

2.0.8 Using a section 106 planning agreement, a local authority agrees with a developer for land to be used for affordable housing, in which the local authority has a "golden share". Such houses are sold at the build cost, not on the open market. A restricted market is created with conditions on who can purchase the house: key workers or people already living in the area for example. All potential purchasers demonstrate their income makes it impossible to purchase housing on the open market. If the purchaser of a golden share home subsequently moves, the maximum price at which the home can be sold is based on the original price plus a percentage related to average local house price increases. The new purchaser must qualify to buy the house under the same rules applied before. By guaranteeing such conditions through their "golden share" the council locks in affordability and, crucially, sustains this intermediate housing market for those in need.

2.0.9 The concept of intermediate housing markets can be applied in many contexts. It has advantages for rural areas, but also could help address problems faced by key workers in London. It will only work if local authorities are given the freedom that previous Governments have always denied them, but that will be offered for the first time by a Liberal Democrat government.

## **Golden Shares: The South Shropshire Experience**

In South Shropshire, market pressures from tourists and retirement have pushed up local property prices, causing a shortage of affordable housing. The district council therefore created the concept of “golden shares” in affordable housing, to help local families to find homes in the area. It is a key strategy in dealing with a predicted need for more than 1,400 affordable homes in the area over the next seven years.

Golden shares promote affordability in three ways:

- Developments are brought forward through planning gain. The council takes a ‘golden share’ of 1% so that the property cannot be sold on the open market.
- Such a property can only be sold on to people with local needs. If no one comes forward, it must be offered to a registered social landlord or to the District Council to acquire. If neither wants to buy, the house may be sold on the open market but the gain is split half and half between the owner and the council. The council’s money is re-invested in affordable housing.
- Golden Share planning restrictions keep land prices low and ensure only a builder’s profit is built into the price, not that of a developer.

The policy has been delivered through a number of measures:

- A joint venture has been set up between a building society, builders, a housing association and the local authority.
- The policy is proactively driven to overcome landowner/developer resistance.
- Single plot schemes for individuals have not proved a problem.
- Compulsory purchase powers will be used as a last resort to release land.

A definition of someone with local needs has been established. Such a person needs to fulfil three of the following criteria: born locally; schooled locally; lives or works locally; parents/children living locally or have the support of the town/parish council. They must also be unable to afford open market housing.

South Shropshire’s experiment shows the potential for a new intermediate tier of housing. It aims to deliver a tier of affordable homes based on local rather than external market need. It prevents enforced migration and encourages the extended family and its support network. It helps maintain the sustainability of settlements and helps keep shops, schools and other community services alive.

## **Mutual homes**

2.0.10 Mutual homes could become the starter home of first choice for young people. By buying shares in a trust that owns the home, and not the home itself, a buyer has much greater flexibility on the initial payments needed to build up their first stake in a home.

2.0.11 Rather than simply paying rent to a landlord, in our mutual home concept the tenant’s payments work as their first step on the property ladder. The shares they buy in the Mutual Home Ownership Trust increase with value as house prices rise. When they wish to move - to buy a

home on the open market, for example - they can sell their shares back to the mutual, using the proceeds as equity for their new home.

2.0.12 The model works because it is based on two trusts: a Community Land Trust (CLT), which owns the land on which the homes are built, and a Mutual Home Ownership Trust (MHOT), which owns and manages the homes. With the land trust providing the land on long leases, at peppercorn or low rents, the individual or family is only paying the mutual home ownership trust for the building and maintenance of the homes.

2.0.13 Community Land Trusts are crucial, because they hold the public land subsidy that makes the homes affordable. CLTs are non-profit making companies existing to hold land, in perpetuity, for the benefit of the local community. A top priority for an incoming Liberal Democrat Government would be the early identification of land for new CLTs and guidance for councils on setting them up. Councils would be required to set up and publish a register of all publicly-owned land in their area.

2.0.14 The Ministry of Defence, the Health Department and English Partnerships would be required to provide land for 100,000 new homes within our first 12 months. The first wave of CLTs would come directly from reforming English Partnerships.

2.0.15 Mutual Home Ownership Trusts would organise the building and management of the homes. Formed by housing associations, local people or councils, they would exist to deliver our mutual home concept, using the cheap land provided by CLTs.

2.0.16 A MHOT would take a long lease from the CLT, normally 99 years, and a communal mortgage on a commercial basis. It would contract out the construction and manage the homes together with the shareholding householders.

2.0.17 The individual or family wanting a mutual home would normally be expected to provide a deposit or a small equity share, normally around 5% of the build cost of their home. The monthly rent would be calculated based on a percentage of salary - the financial modelling suggests 30% of salary would normally be sufficient. That monthly payment would be in the form of rent, but would contribute to the repayment of the communal mortgage, a sinking fund and other costs. It would also earn the individual extra shares in the trust.

2.0.18 When the householder wants to move, they sell their equity, based on an agreed resale formula. The formula would be linked to the local housing market, so people would see their equity stake rise in line with local house prices. Maximum flexibility for re-sale could be achieved by allowing the householder to sell their shares either to a new tenant/owner, to an existing tenant owner or back to the trust, which would use

standard re-financing methods. Banks and building societies would lend money to MHOTs, as they have security on both the land value in the long lease and the future stream of rent payments.

2.0.19 These proposals are based largely on a model proposed by CDS Co-operatives and the New Economics Foundation. They themselves have based their ideas on schemes that operate successfully in the USA and Scandinavia.<sup>1</sup>

2.0.20 Several examples of the mutual home ownership model are already being pursued in Britain. In Scotland, Community Land Trusts are growing, spurred on by the Community Land Unit and the Land Reform (Scotland) Act 2003. Even the ODPM has flirted with the idea. Yet the key to making mutual homes work on a large scale is the provision of public land as subsidy, through new Community Land Trusts, as proposed only by the Liberal Democrats.

### **Reducing pressures from second home ownership**

2.0.21 Housing markets in some areas are distorted by high proportions of second home ownership. This tends to happen in areas popular with tourists, especially in rural and coastal communities.

2.0.22 Such tourism can bring benefits, like jobs and additional sources of income, but there can be serious disadvantages when the proportion of second homes becomes too high. Local house prices can spiral to London levels, so locals, on incomes significantly below national averages, are effectively excluded from their own community's housing market. Local services like post offices, GPs and village schools can all be lost, as they are rarely used by weekenders or summer holidaymakers.

2.0.23 Getting the balance right between attracting tourists and meeting community needs will be difficult and can only be done locally. So Liberal Democrats would give councils greater freedoms to use planning powers, business rates and right-to-buy rules to strike that balance.

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<sup>1</sup> See especially "Common Ground - for Mutual Home Ownership", published 2003

2.0.24 Councils would be allowed to make owners apply for a change of planning use before a main residence became a holiday home in certain areas. Liberal Democrats will return business rates to local control as part of our reforms of local government finance, and allow councils to levy business rates on second homes. Councils will also be able to vary the discounts available under Right to Buy to fit in with local housing conditions.

## Planning Reforms

2.0.25 Reforming the planning system is an essential part of any housing policy, and a key plank of Liberal Democrats' drive to give power back to local communities.

2.0.26 Two years ago, we published detailed proposals for reforming the planning system in *Planning for the Twenty-First Century*. Our aim is to decentralise the system, speed up the planning process, increase sustainability and give communities a much greater say over land use in their area.

2.0.27 Since then, the Government has passed its own planning reforms, in the Planning and Compulsory Purchase Act. Regrettably, this Act has centralised planning even more, taking powers away from elected county councils, giving them to unelected regional planning bodies. Liberal Democrats led the fight against that decision.

2.0.28 In this paper, therefore, we reconfirm our commitment to decentralising the planning system. We will give county councils back their planning powers. We will reduce the interference by Whitehall and the Secretary of State. We will give communities more say in the process of drawing up a local development plan, especially through the creation of the Local Community Plan.

2.0.29 Our planning reforms also include:

- A statutory requirement for pre-application consultation on larger developments, to reduce unnecessary friction and delay;
- Support for the use of section 106 agreements to provide affordable housing, especially in shared equity and "golden share" schemes;
- Support for the planning profession, to

improve the numbers and skills of planners in local authorities;

- Support for the wider use of "exception sites", particularly in rural areas, to meet the affordable housing needs of such communities.

2.0.30 We also want to trial new ways of planning, to try to bring together the interests of existing communities and residents with those of people without homes and in poor housing.

2.0.31 This can be done through new approaches to section 106 agreements or to more profound reforms to the planning system, that enable the local community to capture the uplift in land values created by councils granting planning permission. We therefore propose to pilot two new ideas, allowing local authorities to bid to become pilots. These are:

- Using section 106, to require developers to fund improvements in the energy efficiency of individual homes adjacent and close to their proposed development;
- Using a new system of community land auctions, to decide which land obtains planning permission for homes. This is explained in detail in section 5.4 below.

## 2.1 Existing home owners

### Ending council tax revaluation and replacing council tax

2.1.1 Council tax revaluation will hit homeowners from April 2007. House prices have risen hugely since the last valuation at 1991 values, so we know there will be large shifts in council tax.

2.1.2 The Government has so far refused to say how the revaluation will work. All we know is that council tax revaluation will, as an exercise cost, around £200 million, and that there are likely to be millions of losers - as well, of course, as winners.

2.1.3 The only information we have comes from Wales, where the revaluation has happened and will take effect in April 2005, and from research commissioned for the government's Balance of Funding Review. In Wales, a third of homes have gone up one or more council tax bands, while only 8% of have dropped a band. The

Balance of Funding research showed households in London, the South East and South West will suffer most, especially people in modest homes in bands C to E.

2.1.4 Liberal Democrats would end council tax revaluation immediately. We would legislate to replace council tax with a local income tax. We would save the costs of the revaluation exercise and use that money instead to set up our replacement system of local income tax.

### **Abolishing compulsory Home Information Packs (HIPs)**

2.1.5 Home owners wanting to sell their homes are about to face a nasty shock with Labour's new 'poll tax' on selling your home: the home information pack, or HIP, which the government wants to be compulsory.

2.1.6 A HIP will contain everything from the land registry search to a home condition report - the information currently compiled by a buyer and their solicitor at the point of sale. Yet under the Housing Act 2004, it will become illegal to market your home without first preparing a HIP.

2.1.7 HIPs will reduce the number of properties coming on the market and make housing even less affordable. HIPs will slow down the process of selling a house, and increase costs. And many buyers and lending institutions may well insist on their own surveys and reports, making the HIP pointless.

2.1.8 Liberal Democrats opposed HIPs in Parliament and we will stop them becoming a compulsory requirement, removing this costly regulatory threat to home owners and the housing market.

2.1.9 The energy efficiency audit introduced as part of HIP legislation would be completed as part of the standard survey at the point of sale.

### **Investment in energy efficiency**

2.1.10 Home owners would benefit significantly from the Liberal Democrat commitment to increase the energy efficiency of homes. Reducing the use of heating, water and power will make homes cheaper to run, and are also a key part of our environmental policy. Section 3 sets out our sustainable homes policies in more detail.

### **Home owners in low demand and regeneration areas**

2.1.11 There are many towns and cities, particularly in the North of England, where affordable housing is not the problem. There are communities where housing is extremely cheap, or even worthless, because the housing market has collapsed or is on the brink of doing so. Typically, though not exclusively, these are areas with substantial amounts of traditional terraced housing, often in a state of disrepair. The needs of these communities are different from elsewhere and require different solutions.

2.1.12 Labour has introduced Housing Market Renewal strategies for some of these communities, including its Pathfinder projects. With implementation timescales of 15 years, these projects are at a relatively early stage, and involve a number of ideas, from wholesale demolition to huge extra spending in a few areas.

2.1.13 But few pathfinder projects have engaged with local people in their areas. Early analysis from the Audit Commission suggests that value for money is not being considered sufficiently, and cost-effective community solutions are being overlooked in favour of more grandiose schemes.

2.1.14 The Liberal Democrat approach would be different. It is vital that policies and programmes for the future of such neighbourhoods are developed and agreed at the local level by residents, owners and elected councils, rather than being imposed from above. Appropriate solutions will vary considerably from place to place, but must include community-driven projects that improve quality of life, attract local employment and restore confidence in the locality.

2.1.15 We would seek to encourage a wider group of investors, from the voluntary and private sectors, to become involved. In some low demand areas, house prices will need to increase to create sustainable and affordable housing provision, and policies need to encourage this process.

2.1.16 Our approach would benefit not only the areas most affected by housing market collapse, but those with traditional terraced and similar housing which are not in immediate need of action, but require a degree of support to guarantee a sustainable future.

2.1.17 Communities in all these areas will also benefit significantly from the proposals for warmer homes and safer, greener communities set out in section 3 below.

## **2.2 Leaseholders**

2.2.1 Homeowners with a leasehold can face a completely different set of issues from freeholders. This section therefore briefly sets out our ideas for them, depending on whether their freeholder is the local authority or a private individual or firm.

### **Leaseholders of local authorities**

2.2.2 Home owners who are leaseholders of their local council can experience real problems.

2.2.3 Normally, they are residents who bought their property under the right-to-buy legislation. Too many councils do not take their continuing responsibilities as freeholders seriously, with service charges badly assessed and repairs left uncompleted or bills poorly explained.

2.2.4 Liberal Democrats would legislate to strengthen the protections of such leaseholders, and give them the right to quick and independent arbitration for capital works and service charges.

### **Leasehold reform**

2.2.5 The Commonhold and Leasehold Reform Act 2002 is beginning to improve the rights of those leaseholders afflicted by unreasonable and exploitative behaviour by some freeholders. However, it is regrettable that the Government has delayed in bringing in some of the Act's provisions. Moreover, it is increasingly clear that the reforms have left a number of problems unresolved.

2.2.6 Liberal Democrats would therefore introduce further reforms of Britain's system of leaseholds.

2.2.7 We would make it easier for leaseholders, or homeowners with a share of a freehold, to transfer to the new commonhold tenure. Under the current rules, every party with an interest in a block of flats, including all leaseholders, their mortgage lenders and the landlord must agree to transferring to commonhold.

2.2.8 We would allow the transfer to commonhold without the consent of the landlord, and with a 75% or more majority of leaseholders. If a leaseholder did not want to join the commonhold, those transferring would acquire the commonhold of his flat and he would become a tenant of the commonhold.

2.2.9 Enfranchisement, where leaseholders purchase the freehold from their landlord, would also be easier under a Liberal Democrat government. The existing rules require the leaseholders to pay the freeholder half the 'marriage value' - the difference in value between a freehold with vacant possession and a freehold with a long lease. We would abolish this payment.

2.2.10 Forfeiture, under which a freeholder can force a leaseholder out of their property for sometimes minor breaches of contract - like building an extension without consent or refusal to pay excessive service charges - has no place in modern housing legislation. It has been limited by the government, but would be abolished by the Liberal Democrats and replaced by sanctions similar to those available to mortgage lenders. Money or compensation due to a freeholder would be paid out of the sale of the leasehold; the leaseholder would pay only the money owed, not the entire value of their home.

2.2.11 Liberal Democrats will also investigate remaining allegations of abuses of insurance premiums and service charges by some freeholders, and then legislate to end them.

## ***More affordable homes to rent***

3.0.1 Tenants of councils, housing associations and private sector landlords too often receive poor quality services for the rent they pay. Britain's homeless situation remains acute, with record numbers of families in temporary accommodation. Such problems require new approaches to social housing and a new partnership approach to stimulate an expansion in social rented housing as well as a quality private rented sector.

3.0.2 Liberal Democrats' housing policies are based on a menu approach. We want to give communities and local housing authorities a range of measures to choose from, so they are empowered to tackle the specific problems of their area - whether the issue is the need to repair the council housing stock, or to provide more permanent housing for families in temporary accommodation.

### **3.1 Council tenants**

3.1.1 Council housing has had a mixed history, with some instances of real progress and others of terrible quality and worse management. But the current trend to ignore or underplay council housing as an important option for local communities is a mistake.

3.1.2 Decisions over the future of council housing should be taken in the context of local housing needs and the wishes of local tenants. We reject the principle of national policies that unnecessarily restrict or expand the right to buy. The decision on stock transfer should not be taken within a national financial regime that has been prejudicially structured against council housing. And national standards such as the Decent Homes Standard are too rigid and do not take account of the priorities of local council house tenants.

#### **Stock transfer - right to remain a council tenant**

3.1.3 Liberal Democrats will enable communities to remain tenants of the council, by ending Labour's unfair subsidies for council housing stock transfer: many tenants prefer to keep the council as landlord, but have been bribed into stock transfer because money for improving

homes is not available without it. Liberal Democrats will give councils greater freedom for capital investment in housing.

3.1.4 Unlike the Government, we believe there should be a so-called 'fourth option', where the council can retain ownership and strategic management and still be granted money for improvements. But our fourth - and further - options would not be a return to the old days of council housing without reform. If tenants voted to remain council tenants, they could choose to do so within other models, including ALMOs and tenants' co-operatives. They could also vote to exercise a new right: the council tenants' right to manage. (see below).

3.1.5 For tenants keen to change the council as their landlord we will also create a new option of transfer to a mutual housing association, where tenants can become owners of the housing association managing their property. (see below).

#### **The council tenant's right to manage**

3.1.6 Liberal Democrats will give all council tenants the option for a right to manage.

3.1.7 The right to manage will allow tenants to set up estate boards to deal with all day-to-day management issues, while the council retains strategic management. The estate board will have direct control over local issues that directly affect the environment in which the people live.

3.1.8 An estate board would have its own devolved budget. The current national Decent Homes Standard would be reformed into a menu of standards, and tenants, through their estate boards, would decide which standards they wanted to adopt first. So rather than all tenants being forced to have their kitchens modernised, they could opt to prioritise something else - such as a lift repair, window replacement, a new children's playground or a CCTV system.

3.1.9 The council's strategic powers would be focused on strategic finance, though under the right to manage, estate boards would be consulted. The council would retain control over allocations.

## **The council tenant’s right to invest and “sweat equity”**

3.1.10 Liberal Democrats would introduce the right to invest to allow council tenants to buy equity in their homes, which can then be used to purchase a home of their own in the future.

3.1.11 Tenants exercising the right to invest would effectively be entering a shared equity arrangement with the local authority. The tenant will continue to pay rent to the council but will have the opportunity to purchase shares in their home from the council over time. The tenant would see a proportionate rent reduction, and begin to build up an asset.

3.1.12 The right to invest could lead to the council tenant eventually buying the property, under the right-to-buy, but for many tenants it would act as a savings vehicle, giving them a stake in the rising value of property. We would introduce guidance on how a council could develop this idea, including arrangements for equity withdrawal, valuations and so on.

3.1.13 Councils could also grant housing equity to tenants where the tenant has contributed ‘sweat equity’ to their property or even to the local community. Liberal Democrats would pilot with a range of local authorities different ideas for granting ‘sweat equity’, from agreed and inspected DIY schemes to community activities such as getting rid of graffiti and helping with community projects.

## **The right to buy**

3.1.14 Liberal Democrats will retain the right to buy, allowing councils to vary the discounts according to local needs.

3.1.15 Under our proposals, councils could give larger or smaller discounts than currently allowed, depending on their circumstances. Prudential guidelines would have to be met, to ensure any historic debt was properly serviced. Yet a council might wish to introduce much larger discounts than currently available, in order to develop more mixed housing communities and to regenerate an area. Equally, councils could reduce the existing discounts, if the loss of social housing was causing problems locally.

## **3.2 Housing association tenants**

3.2.1 Britain now has over four million housing association tenants and over 1,400 associations. Liberal Democrats welcome this expansion, and the diversity it has brought to social housing provision.

3.2.2 But tenants, in general, want improved service quality and a greater say in how their association operates.

3.2.3 Associations are finding it hard to play their important role in the supply of affordable homes because of the enormous regulatory burden they face. They are under pressure to restructure and consolidate, in particular because of major efficiency demands from Whitehall, which continues to impose excessive central controls on their financial regime.

3.2.4 Liberal Democrats will increase the accountability of housing associations to their tenants, whilst reducing some of the instability and regulation the associations face.

## **Tenant involvement in housing associations, and the right to invest**

3.2.5 Housing associations will be required to offer their tenants much more involvement in the decision making process about their home and the local neighbourhoods.

3.2.6 Liberal Democrats want to see RSLs considering a much wider range of options for involving their tenants, from local estate boards, as proposed above for councils, to actual conversion into fully-fledged mutual organisations. RSLs need to find new ways of empowering their tenants, including vulnerable tenants. This should be linked in with the Supporting People programme and RSLs appropriately rewarded.

3.2.7 Like council tenants, housing association tenants will also be given a new right to invest, so they can more easily save for a home of their own. This will provide associations with an extra source of capital. However, the right to invest will not be extended to a full right to buy, as that would seriously undermine the finances of many RSLs.

### **Increased stability and reduced regulations for associations**

3.2.8 A more stable financial regime for RSLs will require a number of reforms. We would highlight four areas of immediate policy significance.

3.2.9 First, housing benefit policy changes must always consider the need for RSLs to be sure of their revenue streams. Ever-changing rules lead to more mistakes and more arrears. The key priority for housing benefit reform should be more efficient administration.

3.2.10 Second, government proposals to pay housing benefit to the tenant rather than direct to the landlord fail to appreciate the likely impact on RSLs and many vulnerable tenants. If driven through, this will cause more arrears, undermine financial planning and could increase homelessness. A Liberal Democrat government would reverse the proposals.

3.2.11 Third, the Conservative proposal to extend the right to buy to housing association tenants would be a serious mistake. It could seriously damage the financial position of many RSLs, undermine their ability to borrow for future investment and could cost the taxpayer nearly £1 billion a year in discounts.

3.2.12 Finally, the Government's current efficiency review is driven purely by cost analysis, with no quality measures. Liberal Democrats would measure efficiency more broadly, using it as a lever to improve tenant satisfaction across the sector.

3.2.13 RSLs face a confusing and burdensome set of regulation and inspection regimes, with inspection from the Audit Commission and corporate governance regulation by the Housing Corporation. Liberal Democrats would abolish the Housing Corporation and consolidate all regulation and inspection of associations with the Audit Commission.

3.2.14 The Housing Corporation's role in investment would be transferred to the new regional housing boards. Other residual functions of the Corporation, including the allocation of grant support to regional housing boards, would be subsumed back within our proposed Department of the Nations and Regions, which

will replace ODPM and parts of other departments in our rationalisation plans for Whitehall.

### **Mutual housing associations**

3.2.15 Liberal Democrats would add to the social housing sector with a new type of landlord, a mutual housing association.

3.2.16 Mutual housing associations will aim, within their governance structure, to maximise tenant involvement and control. Professional housing experts would take executive decisions, as with standard RSLs, but be more accountable to tenants. Mutuals would have a duty to encourage and train local tenants to participate and to use the extra power that direct ownership offers.

### **Private tenants**

3.2.17 The private sector has an important role to play in providing homes for rent and improving quality. Change has been initiated by the Housing Act 2004, with tenant protections lobbied for and won by the Liberal Democrats.

3.2.18 All tenants will benefit from the new Tenants' Deposit Scheme, which helps tenants and landlords in disputes over rental deposits. Tenants of houses in multiple occupation and of homes covered by the new selective licensing regime will also see new protections.

3.2.19 But the government has failed to engage positively with private landlords. Because there are so many and so varied landlords, organisations representing good landlords have struggled.

3.2.20 But self-help within the private sector is a key way to lever up quality and investment and Liberal Democrats would act to support the further development of landlord associations, in return for their co-operation in developing training, good practice support and accreditation systems. By focusing on improving the quality of landlords, we believe we can avoid many of the potential disadvantages of further regulation.

3.2.21 Liberal Democrats regard letting property as a business in its own right, not as a cottage industry. We would review all aspects of the tax and regulatory system to see what changes could be made to stimulate the sector further, without

jeopardising the legitimate rights of tenants. We would, for example, consider taxing income from rents as trading income instead of as present as investment income. We would amend the current absurd regulation that first-time landlords can reclaim tax on renovations, but only if they let the property first and then renovate it.

3.2.22 Liberal Democrats welcome the analysis behind the Government's proposed "real estate investment trusts" (REITs). Policy should aim to attracting more investment capital into the rented sector. However, we are concerned that the Government may design REITs poorly, failing to make them a viable investment vehicle and wasting the opportunity they offer.

3.2.23 Liberal Democrats would encourage REITs, when set up, to create developments modelled on proposals like the Joseph Rowntree Foundation's CASPARs - City-centre Apartments for Single People at Affordable Rents. REITs, as large scale residential investors, could help meet the affordable housing needs of single adults, a group of people often overlooked by past housing policies.

3.2.24 Liberal Democrats would also encourage the development of private renting housing by enabling developers to offer cheap private rented housing as part of their affordable housing provision quota. All such housing would have rents set at affordable levels for an indefinite period, regardless of changes in tenants. In this model, the developer becomes landlord, and meets the affordable housing obligation effectively by providing rent subsidy.

3.2.25 We would change the rules allowing investors to put residential property into self invested personal pension schemes (SIPPs). Policies throughout this paper aim to discourage holiday homes which remain empty to the detriment of local communities, and giving buyers tax breaks to invest in these homes only exacerbates the problems they create. Residential SIPPs also encourage investment in the already fragile buy to let sector.

3.2.26 REITs would offer investors a more stable opportunity for tax efficient investment in property without pushing up house prices.

### 3.3 Homeless People

3.3.1 Homelessness remains a huge blight on our society. Street homelessness appears to have fallen, but the number of families living in temporary accommodation is at record levels. The instability of temporary accommodation, together with low standards and overcrowding, can seriously harm people's health and family life.

3.3.2 The Homelessness Act 2002 was a major step forward, requiring local authorities to have strategies to help homeless people and to prevent homelessness happening in the first place. It has brought forward a range of new, innovative solutions at grassroots. But to really drive forward change, we need to find new ways for hospitals, social service departments, probation services and other organisations working with people in housing need, to work together.

3.3.3 We will not be able to fully solve the problem of homelessness until we understand the full scale of the problem. But there is an army of 'hidden homeless' not counted in government statistics. They are mainly single people, living temporarily in the homes of friends or relatives, on floors or settees. They may have shelter for the night but are generally without somewhere they can call home. Liberal Democrats therefore support a homelessness census to capture the sheer scale of hidden homelessness and to better inform policy.

3.3.4 The top priority for tackling homelessness is the provision of more affordable homes, as set out throughout this paper, and specialised accommodation, from hostels to young people's foyer-style accommodation.

#### **Boosting affordable housing by re-using empty properties**

3.3.5 The homelessness crisis is so acute, Liberal Democrats would also implement a programme designed to boost the supply of affordable housing more rapidly than construction programmes can, by reusing empty homes and other buildings.

3.3.6 We will give extra support to councils with the most severe homelessness problems, helping them to re-use empty homes.

3.3.7 First, we will encourage councils to use the new compulsory leasing powers in the Housing Act 2004, successfully campaigned for by Liberal Democrats. These Empty Dwelling Management Orders will give councils, with certain safeguards, the power to lease out empty homes, where the owner has refused support, advice and inducements to let out the empty home himself.

3.3.8 Second, we will ensure a local authority can benefit financially if it chooses to levy full local taxes on the owner of an empty property. Under current rules, the extra revenue goes to the Treasury, reducing the incentive for councils to monitor long term empty properties.

3.3.9 Third, we will support councils in auditing all public sector property in their area, whether owned by the council or another public sector body. Where public sector homes are empty, the council will be empowered and funded to use such properties for homeless families.

### **Voluntary re-location, employment and schooling packages**

3.3.10 There is also much more scope for linking high demand areas, with many families in

housing need, to low demand areas, with empty properties. Local authority-run schemes such as LAWN already help families voluntarily relocate - largely from areas in London and the South East, to areas in the Midlands and the North, assisting with employment, schooling and relocation costs.

3.3.11 Liberal Democrats would fund a major expansion of voluntary relocation schemes, using money saved from the high costs of temporary accommodation and housing benefit.

3.3.12 National government should assist with much greater co-ordination across local authorities. Such co-ordination needs to bring together information on housing, job opportunities and school places. Individuals and families should be helped with funding to travel to visit the housing, education and employment packages on offer.

3.3.13 While regional policy is outside the scope of this paper, it is clear that any complete strategy for tackling Britain's housing and homelessness problems must address regional imbalances, which relocation could help achieve.

# Warmer homes and safer, greener communities

4.0.1 The environment is at the heart of all Liberal Democrat policy thinking - and nowhere more so than housing. From increasing the energy and water efficiency of Britain's housing stock to building communities with access to green space, improving the environment is essential to our housing vision.

4.0.2 Liberal Democrats have led the way in Parliament with Private Members' Bills, most recently Andrew Stunnell's Sustainable and Secure Buildings Bill, which empowers government to use building regulations to make buildings safe and energy efficient. We welcome the new tax relief for landlords' capital expenditure on loft and cavity wall insulation, and the national Code for Sustainable Buildings.

4.0.3 But there is still much to be done. Some of our ideas have already been set out in previous policy papers - *A Strategy for Sustainability* (April 2004) and *Conserving the Future* (October 2003) - and this section builds on those proposals.

4.0.4 Sustainable homes need to be in sustainable communities - with open spaces, safe streets and a clean local environment. Neighbourhoods matter: nationwide research shows that when people are choosing a new home, for sale or rent, in public or private sectors, the last thing they look at is the property itself. They look first at the local neighbourhood - if the street lights work, if there is rubbish in the streets, if they would feel safe at the bus stop.

4.0.5 Our policy for sustainable homes explores the connections between these neighbourhood issues and housing, with ideas on planning, regeneration, neighbourhood management and tackling anti-social behaviour.

## 4.1 Energy conservation and sustainable homes

### A million new sustainable homes

4.1.1 We need to build hundreds of thousands more homes over the next decade: we need to make sure they are genuinely sustainable. We accept much of the analysis behind the proposal from WWF of a goal, by 2012, of one million

sustainable homes, including refurbished and new build, and consider this a realistic target.

4.1.2 Sustainable homes are more affordable homes - as they are much cheaper to live in. By enabling large savings on the energy and water bills for people, the small upfront capital costs of making homes more sustainable can be more than offset over a few years.

4.1.3 Our plans for reaching a million more sustainable homes by 2012 include:

- **Zero-rate of VAT for new homes meeting the EcoHomes "Very Good" standard** (with other new homes paying VAT at our new harmonised lower VAT rate for repairs and conversion);
- **Reduced VAT on all energy saving materials, from 17.5% down to 5%;**
- **Assistance to banks and building societies to produce 'green mortgages'**, that could capitalise the longer term financial benefit of buying a more sustainable home;
- **Fast-tracking new building regulations on energy and water efficiency**, that have now been widely consulted upon;
- **Introducing an automatic system of upgrading regulations on energy performance in new buildings every three years**, to the level of the top-performing 25% of new buildings;
- **Reform planning guidance, especially Planning Policy Statement 1, to enable planners to require sustainable buildings**, not merely encourage or promote them.

### Saving energy, water and money in your home

4.1.4 One of the biggest challenges is to improve the energy and water efficiency of existing homes. Liberal Democrats want to incentivise homeowners, social housing providers and landlords to invest heavily in sustainability.

4.1.5 Some progress is being made. Thanks to the European Parliament, the Energy Performance of Buildings Directive will, from January 2006, require a building energy performance certificate when homes and other buildings are constructed, sold or rented. This information will help everyone understand the potential in their properties for generating energy savings.

4.1.6 However, Britain has a long way to go. Four million households suffer from fuel poverty and fuel poverty is still the prime cause of some 35,000 winter deaths in England every year, and imposes huge costs on the NHS. We must do more.

4.1.7 To encourage people to invest, we will:

- **Cut the average pensioner household's energy bills by at least £100 a year** - with a new package of energy saving measures, including insulation and more efficient lighting. Pensioners will be encouraged, but not obliged, to choose such a package, rather than one year's winter fuel payment. Using one year's allowance in this way can bring permanently lower bills;
- **Help more low income and vulnerable households with grants for insulation and heating improvement packages**, by boosting funding of the Warm Front scheme;
- **Substantially raise the woefully low thermal standards in the government's Decent Home Standard**, at least to Building Regulations level, in our reforms of the Decent Home Standard to ensure council and housing association tenants benefit from warmer homes and lower bills;
- **Consider extending the new tax incentives for landlords to invest in energy savings for their tenants**, once the new £1,500 allowance has operated for 2 years;
- **Enable every home, where practical, to generate its own power**, by removing all barriers to technologies such as micro combined heat and power units, solar power and micro wind turbines, and requiring all new and replacement electricity meters to operate "two ways", so homes could sell power back to the grid;

- **Help energy suppliers to assist residential customers save energy**, by allowing suppliers to market and sell energy efficient appliances, including light bulbs, through their billing arrangements.

## 4.2 Open spaces

4.2.1 Improving access to green space is also key to a healthy environment for people. Higher house prices near parks and commons are a clear indicator that people prefer to live in homes and communities where they can see and walk in green space.

4.2.2 The government's green space initiatives, mostly implemented through the Commission for Architecture and the Built Environment are welcome, but they are not enough. Nearly 150 school playing fields have been lost since the government 'tightened up' regulations over sell-offs in 1998. Too many parks and public spaces are inaccessible or so neglected they have become no-go areas.

4.2.3 A Liberal Democrat government would encourage the development of new parks and open spaces by giving councils the right to insist on a minimum percentage of green space in larger developments. We would also help local communities to reclaim under used and neglected green space, allowing the local community to manage them.

4.2.4 We would require councils to compile and publish a register of ownership and management of public green spaces, so local people can direct suggestions, complaints or requests to the right person in order to help bring neglected parks and gardens back into use. Too much green space, in particular small plots of land, is neglected because no-one knows who owns it.

4.2.5 The growing trend for private developers to provide open space as part of large scale schemes should be encouraged, but must not be allowed to lead to social exclusion with developers' security staff refusing public access.

4.2.6 Where private roads and open spaces replace public ones, we would institute a presumption in favour of retaining full public access. Communities would be represented on the committees that manage these spaces.

### 4.3 Safer communities

4.3.1 Even thriving communities can find the challenges of keeping the streets clean and combating anti-social behaviour difficult. For some communities, the challenges have proved too difficult. The Government's National Strategy for Neighbourhood Renewal identify at least 3,000 communities as dysfunctional, where basic services have broken down and where the notion of a clean, safe and green community seems a distant dream.

4.3.2 Liberal Democrats believe sustainable communities will only be achieved when local people are empowered, through their councils, tenant associations and local community groups. That requires public bodies to listen to people, so they provide the services that locals want, in the way they want. We need to adapt services to suit the users: if people want services delivered at a neighbourhood level, "joined up" and not dispersed, then the public sector should aim to provide that.

#### Neighbourhood Management

4.3.3 The concept of neighbourhood management is inherently Liberal Democrat.

4.3.4 Towns and cities controlled by Liberal Democrats are meeting local needs from the bottom up, and beginning to make a real difference to some of these dysfunctional communities. In Liverpool the Council has restructured seven of its key front line services and reconfigured them as a neighbourhood services unit with more than 450 mainstream permanent staff.

4.3.5 And the council does not always manage these services itself. In Toxteth the PLUS Housing Group has established a subsidiary, INCLUDE, which controls the work of 70 staff from the association, the council and a variety of public and private sector bodies. That organisation is driving up resident satisfaction, house prices and efficiency and driving down costs, housing void rates and crime.

4.3.6 However, there is no single way to achieve neighbourhood management. For some areas, it will require new neighbourhood governance, with new parish or town councils or boosting the powers of existing bodies. We would

fund the National Association of Local Councils to promote the idea of town and parish councils in communities without them.

4.3.7 For other areas better neighbourhood management will really mean a restructuring of services with a customer led focus. Housing associations and other service providers outside the local authority will need to be involved in developing this new neighbourhood management agenda, which sees housing within the wider community setting.

4.3.8 Our policies for community regeneration would work through the local democratic structures, not round them.

#### Anti-social behaviour

4.3.9 Anti-social behaviour makes people feel less safe. All too often both private and public sector housing is dogged by anti-social behaviour, and communities feel powerless to control the behaviour of a minority of residents.

4.3.10 While the Government has tried to address this issue, many of its ideas have been poorly thought through and too often have been driven by the desire for headlines. To make communities safer, above all we need more police. But Liberal Democrats have a range of extra measures to tackle the anti-social behaviour problem, including our ASBO-plus ideas and the Acceptable Behaviour Contracts pioneered in Liberal Democrat-run Islington.

4.3.11 Liberal Democrats would promote the take-up of Acceptable Behaviour Contracts across the country, as they are showing themselves to be one of the most cost-effective and successful ways of tackling anti social behaviour. Those causing the anti social behaviour are forced to take responsibility for their own actions, and face the consequences if they do not. ABCs are flexible in their terms and their involvement of other agencies. No Court action is required, keeping costs down, and the results are impressive: one estate in Somerset saw an 85% drop in police call outs after the use of ABCs.

4.3.12 Liberal Democrats will introduce community justice panels for people accused of anti-social behaviour and vandalism. Representatives of the community would require individuals to repay the people and communities

they have wronged, by doing work such as cleaning up graffiti. If they refuse, they will face the courts and a criminal record.

## Housing courts

4.3.13 Linked to the need to combat anti-social behaviour, but also to the myriad of other legal disputes arising from housing, Liberal Democrats would introduce a new system of specialised mediation and housing courts, after consultation with the magistrates and judges.

4.3.14 Mediation and housing courts would be a better use of scarce legal resources and should lead to faster justice.

4.3.15 At the moment, many housing cases are heard in the county court before a district judge in an adversarial system. The myriad of different types of tenancies clouds the issues and increases the complexity of non rent-arrears cases. The bulk of the cases involve rent arrears partially caused by Housing Benefit problems. Frequently, as long as the rent is paid, neither the landlord nor the tenant wants the tenant to lose their home, and the cases are straightforward: to place them in front of a highly trained experienced district judge is an inefficient use of resources.

4.3.16 Equally, the current way the courts deal with housing issues such as anti-social behaviour, disrepair, succession and non rent possession cases is inefficient. This is partly due to the delays in listing cases experienced in many parts of the country, but also because such cases are unnecessarily complex due to the different types of tenancies in existence.

4.3.17 Where mediation between landlord and tenant has broken down, housing courts chaired by housing specialists would help solve differences and disagreements. They would relieve pressure on the over strained court system, speed up the process for landlords and tenants, reduce the potential for delaying tactics on the part of both the tenant and landlord and be cheaper to run. Coupled with the Law Commission's proposals to simplify tenancies, we believe these reforms would play a major part in a range of matters related to housing and sustainable communities.

## Supporting People

4.3.18 Vulnerable people housed in the community need more support and choice. Liberal Democrats would reform the *Supporting People* programme to reduce the bureaucracy and direct more of the resources to front line specialised accommodation, like foyers and other hostels.

4.3.19 A key issue with the *Supporting People* programme is the cost - £1.8bn in 2003-4. The Government is now trying to cut this back, and it is predicted to fall in absolute terms over the next two years. This is despite the fact that the numbers of vulnerable people remain high. Liberal Democrat policies for boosting the supply of affordable housing and providing free personal care for the elderly will however reduce some of the strain on *Supporting People*, and should release some resources.

4.3.20 Another method for releasing resources for such vulnerable people is the reduction of the bureaucracy associated with the "Supporting People" programme. Our proposals to streamline the inspection regimes for local authorities will cut some bureaucracy: currently *Supporting People* is monitored twice, by the Care Commission and the Audit Commission, and we will end this duplication. We would also encourage local authorities to work together on joint agreements with service providers, who often find themselves with an assortment of contracts for the same services. We would particularly seek to reduce the inspection burden on smaller providers.

# ***Tackling the Industry's Skills and Land Shortages***

5.0.1 To build the extra homes we need at affordable prices and to higher environmental standards, government needs to engage actively with the property industry. Liberal Democrats recognise we can only achieve our ambitious goals in housing by understanding the challenges faced by all parts of the industry.

## **5.1 Reducing the skills shortage**

5.1.1 Skill shortages remain acute across the construction sector. From craft based skills like plumbing and bricklaying to professional skills like architecture, town planning and project management, employers have consistently reported problems recruiting. The Construction Industry Training Board estimates the industry needs about 80,000 recruits every year to meet the country's construction needs from housebuilding to major infrastructure projects.

5.1.2 The Government has taken a number of initiatives in recent years to address the problem. With 38 Centres of Vocational Excellence specialising in construction training and modern apprenticeships, the number of course and places has increased significantly.

5.1.3 But the skill shortage remains. We will dramatically expand these training initiatives, with flexible and fast track courses to help attract young people and women. There is a vital need to increase skills and numbers of the professionals in the sector, and we will work with the professional bodies to help recruitment in planning, architectural design and project managers.

## **5.2 Raising design standards**

5.2.1 Liberal Democrats will push for high quality design in all new house building, and work with the industry to continue the improvements of recent years.

5.2.2 High design standards are needed to pursue our sustainability agenda, but also to ensure the needs of people through their lives are met. Despite the extra upfront costs of designing in the EcoHomes "very good" standard or Lifetime Homes standards, they are excellent value over the life of the building.

5.2.3 Much progress has been made recently in design, with building regulations on accessibility, the work of the Commission for Architecture and the Built Environment and the new Code for Sustainable Buildings. Liberal Democrats will work with industry to make sure such new regulations and codes are actually used.

5.2.4 Innovations in off site construction could have a major part to play in boosting affordability and efficiency, but some caution is required to ensure that off site methods can meet new building regulations and genuinely have whole lifetime cost advantages.

## **5.3 Re-using land and property**

5.3.1 Liberal Democrats support the move to re-use land wherever possible and appropriate. There remain huge areas of previously developed land, contaminated or otherwise, that should be a priority for re-use.

5.3.2 We support the use of incentives such as tax credits to assist the cleaning of polluted land, but would go much further, reforming the tax system to encourage regeneration and re-use and repair of existing buildings.

5.3.3 Liberal Democrats would reform business rates and cut rate bills for small businesses, to encourage regeneration and re-use of local shopping parades and vacant land. Our proposals for de-nationalising business rates and introducing a rates allowance would help councils and local small businesses to re-open closed businesses, especially shops on local shopping parades. This will not only boost local jobs and regeneration, it will help make many isolated estates and communities with the problem of empty homes more attractive to live in. Moreover, since our reform proposals for business rates would also see the rates becoming based on land values, not property values, this would extend the local business rate tax base to empty land zoned in the local planning for commercial use. This would cut tax bills for existing local businesses, as the tax base is widened, and provide a new incentive for landowners not to speculate on vacant land but to put it to use.

5.3.4 Liberal Democrats would cut the 17.5% VAT charged on the repair, modernisation and conversion of existing buildings for residential use. This would stimulate the private sector to invest in providing new homes from existing buildings. VAT at 17.5% acts as a huge disincentive for the recycling of buildings, and is especially perverse as new build on greenfield land is zero-rated for VAT. We would pay for this tax cut by harmonising the VAT rates for new greenfield development with a new lower VAT rate for repair, modernisation and conversion.

#### **5.4 Improving land supply: community land trusts and community land auctions**

5.4.1 To build more affordable homes in areas of high housing need, more land is needed. To make those houses affordable, the industry needs cheaper land, since it is increasingly the price of land that is pushing up house prices and rents.

5.4.2 Liberal Democrats propose two solutions: first, better use of publicly-owned land, and second, piloting reform of the planning system, to see how best to unlock more privately-owned land at affordable prices.

#### **Community land trusts (CLTs)**

5.4.3 The concept of Community Land Trusts (CLTs) was discussed in chapter 2, in relation to our proposal for building mutual homes, though CLTs could have wider implications for land use and housebuilding.

5.4.4 Community Land Trusts (CLTs) are non-profit making companies that exist to hold land, in perpetuity, for the benefit of the local community. They have been used for a variety of objectives, from local economic regeneration to providing more affordable homes. Since CLTs exist already, the policy challenge is how to increase their number. Self-evidently, this requires land to base new trusts on.

5.4.5 We see CLTs as vehicles primarily for holding public land subsidies, from transfers of surplus land from Government departments and agencies. But CLT land could come from a variety of sources, including land procured through section 106 planning agreements, land donated by private individuals and foundations or bought by local authorities, through our proposed

community land auctions described below.

5.4.6 A Liberal Democrat government would make it a priority to identify land for new CLTs and issue guidance for councils and private foundations on how they can provide land for the trusts. Councils would be encouraged to undertake an audit of all publicly-owned land in their area, and to publish the register. The Ministry of Defence, the Department of Health and English Partnerships would, together, be expected to provide land for 100,000 new homes within the first 12 months of taking office.

5.4.7 By driving the provision of land this way, a Liberal Democrat government would be able to fast-track new build and refurbishment, making an early contribution to tackling the affordable housing shortage. Unlike the problems created by the Right to Buy process, when public subsidies were effectively lost in a one-off give-away, the CLT structure would ensure that affordable homes built on the Trust's lands remained in the affordable sector, as part of the new intermediate market for home ownership described in chapter 2.

#### **Community land auctions (CLAs)**

5.4.8 As discussed above ("Planning reforms, section 2.0.25), Liberal Democrats want to bring together the interests of communities and residents, with those of people without homes and in poor housing - in short, we want to turn "nimbys" into "imbys". To some extent this already happens though the current planning system's "section 106" agreements, but we believe that much more can be done.

5.4.9 Liberal Democrats have developed community land auctions (CLAs), as a way of tackling this more effectively. The aim is to ensure existing residents and communities gain much more from appropriate local developments and, by making planning less confrontational to speed the process up. Since CLAs would represent a significant reform of the local planning system, we would pilot it before taking the decision as to whether to expand it nationwide.

5.4.10 Under this reform, local authorities could initiate community land auctions from time to time. All land owners would be invited to state the price - if any - at which they would be happy to sell their land. By bidding, they give the council

the right to buy the land at that price, for a preset length of time, say a year. The council would consider, with full public consultation, which land offered, if any, was suitable for development, as currently happens with the local plan. The council would then apply for planning permission. Planning permission dramatically increases the land's value - by as much as £2.75m per hectare - allowing the council, after planning permission is granted, to buy the land at the sealed bid price, before immediately selling it on at the post-planning permission price, or transferring it to an RSL, mutual housing organisation or other similar organisation.

5.4.11 At current building levels and land prices, we estimate councils would raise over £10bn a year from community land auctions - to use for housing, local services, or halving local taxes. The prospect of much better local services or much lower local taxes gives local communities a reason to support, rather than oppose new housing. This in turn helps both the industry, and those who are in need of housing.

5.4.12 It is important to understand that CLAs would not force councils to accept development where they do not want it. Councils would not simply accept the lowest priced land that they are offered, but instead take into account all elements relevant to good community planning policy - the location, propensity to flooding, infrastructure, effect on other communities, and so on. Community planning policy remains at the heart of this system, just as it is today.

5.4.13 Those offering land would be able to offer land with conditions. We would expect the most common condition would be that the land is not auctioned to developers after planning permission, but retained by the current owner. This would allow farmers - and others - to build housing for their family, and staff.

5.4.14 The auctions will be designed to make it as easy for a landowner to offer their land as for a homeowner to put their house on the market - all they will be required to do is to state a price at which they are happy to sell. The ease of offering land under CLAs, and the profits that landowners can make, mean that we are confident that the community will be offered a very large amount of land, both green field and brown field. At present, the average value of agricultural land is £6,000 a hectare, that of industrial land is £600,000 a

hectare, whereas land for residential use is valued at over £2.75m. So the owner of 4 hectares of industrial land, who puts in a successful offer of £1m per hectare would make a windfall gain of £1.6m, and the 90 hectare farmer whose land is bought at £40,000 a hectare makes a £3 million pound profit. These sums are large enough to make a lot of landowners more than willing to offer their land to the community for housing. Even allowing for significant windfall gains such as these, the community remains the biggest beneficiary - gains £7m and £240m respectively.

5.4.15 Community Land Auctions would replace Section 106 agreement for future developments, since the gain that is captured for the community by a section 106 agreement would be encompassed in the more open process of the auction. This increases certainty for the industry, since it gets rid of the time consuming current system of haggling over section 106 agreements. CLAs will also reduce the opportunities for corruption, since all land available, and the prices wanted for it, and the conditions imposed, would be open to inspection by all members of the community.

5.4.16 Liberal Democrats believe CLAs could offer a major new way forward for housing and planning. Using a market-mechanism of auctions to maximise the community's share in the value of granting planning permission, whilst building on what is best in the current system of community led planning, we believe that we can free up the planning system and increase land supply for affordable housing.

5.4.17 Local authorities would be asked to bid to pilot CLAs in their communities, and we would study and consult on the results and the planning reforms needed before making a decision to proceed further.

*This paper has been approved for debate by the Federal Conference by the Federal Policy Committee under the terms of Article 5.4 of the Federal Constitution. Within the policy-making procedure of the Liberal Democrats, the Federal Party determines the policy of the Party in those areas which might reasonably be expected to fall within the remit of the federal institutions in the context of a federal United Kingdom. The Party in England, the Scottish Liberal Democrats, the Welsh Liberal Democrats and the Northern Ireland Local Party determine the policy of the Party on all other issues, except that any or all of them may confer this power upon the Federal Party in any specified area or areas. If approved by Conference, this paper will form the policy of the Federal Party, except in appropriate areas where any national party policy would take precedence.*

*Many of the policy papers published by the Liberal Democrats imply modifications to existing government public expenditure priorities. We recognise that it may not be possible to achieve all these proposals in the lifetime of one Parliament. We intend to publish a costings programme, setting out our priorities across all policy areas, closer to the next general election.*

### **Working Group on Housing**

Cllr Richard Kemp (chair)  
James Allie  
Paul Andrews  
James Blanchard  
David Borchard  
Duncan Clark  
Jonathan Coates  
Brian Copping  
Edward Davey MP  
Tim Dumper  
Suzanne Fletcher  
Emily Gasson  
Matthew Green MP  
Baroness Sally Hamwee  
Matthew Harris

Martin King  
Angela Lawrence  
Dr Tim Leunig  
Baroness Diana Maddock  
John Medway  
David Morton  
Paul Olford  
Maureen Robinson  
Terry Stacy

#### *Staff*

Dr Jonathan Wallace (Policy Unit)  
Rob Banks (LGA Liberal Democrat Office)  
Polly MacKenzie  
(Liberal Democrat Resource Centre)

*Note: Membership of the Working Group should not be taken to indicate that every member necessarily agrees with every statement or every proposal in this Paper.*

Comments on the paper are welcome and should be addressed to:  
Policy Unit, Liberal Democrats, 4 Cowley Street, London SW1P 3NB

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