

Decent Homes for All

Policies on Housing

Policy Paper 104



Contents

Executive Summary and Introduction	3
Building More Homes	6
2.1 Encouraging Investment	6
2.2 Local Authorities Investing to Meet Local Housing Needs	7
2.3 Community-led Housing	8
2.4 More Land for Development	9
2.5 Rural Housing	11
Giving Tenants Power and Security	12
3.1 Holding Social Landlords to Account	12
3.2 A Fair Deal for Social Tenants	13
3.3 Cracking Down on Rogue Landlords in the Private Sector	14
3.4 A Fair Deal for Private Sector Tenants	17
Environmental Impact of Housing	19
4.1 Warm Homes for All	19
4.2 Sustainable Water Resources	20
Thriving Neighbourhoods	22
5.1 Local Leadership	22
5.2 Right to Buy	25
5.3 Tackling Empty Homes	25
5.4 Tackling Over-supply	26
5.5 Areas of High Demand	26

Executive Summary and Introduction

1.0.1 The current economic downturn began, in part, with a housing crisis. And housing can play a significant role in helping to end it.

1.0.2 Every £1 spent on building houses results in £2.84 of economic activity and each extra home built each year creates 3-4 jobs.

1.0.3 However, the historic failure of successive governments to create a sustainable housing market does not just have implications for jobs and the economy:

- The failure to build enough houses is making home-ownership increasingly unaffordable as excess demand pushes up prices.
- The rapid increase in rents and the increasing number of people renting privately is putting both families' and welfare budgets under intense pressure.
- More and more families are facing the instability of short-term leases in the private rented sector – and too many tenants are suffering the consequences of bad landlords.
- Poor housing is bad for health, holds back achievement in school and damages communities.

1.0.4 As Liberal Democrats, our focus has been to tackle these problems by giving more power and control to those who have least: those trapped in poor housing and short tenancies; small organisations, cooperatives, companies and individuals wanting to build but held back by corporate land-banking and lack of land and finance; and local communities and councils.

1.0.5 In the time available, we have not attempted to cover every dimension of housing policy, but have made a conscious decision to focus on the most important issues – the areas where we need to make a difference now, and during the next Parliament:

- **Building more homes** – providing environmentally sustainable homes where people need them, creating jobs and kick starting the economy.
- **Giving tenants more power and security** – making social landlords more accountable and improving standards and security in the rapidly growing private rented sector.
- **More local control** – giving local councils, communities and individuals more power and autonomy to create thriving neighbourhoods in the face of the hugely diverse range of challenges that they face.

1.0.6 In this paper, we outline Liberal Democrat policies to deliver on these priorities and put housing on a sustainable footing in the future.

1.0.7 Our proposals to create more environmentally sustainable homes include:

- Launching a major programme of house building, increasing the rate of construction until we reach at least 300,000 houses a year, using untapped sources of finance and giving more freedom to social landlords, local authorities and local communities.
- Taking radical steps to improve land supply, through releasing public land with 'build now, pay later' deals.

Decent Homes for All

- Tackling 'landbanking' through a competition review of the major builders, 'Community Land Auctions' and 'use it or lose it' planning permissions.
- Requiring, wherever possible, all government-owned housing to undergo energy efficiency improvement through the Green Deal by 2018, and all registered providers by 2025, and bringing environmental standards to current levels whenever planning permission is extended.

1.0.8 Our proposals to give tenants more power and security include:

- Greater protection for private tenants, promoting longer tenancies and creating a housing ombudsman service.
- Giving social housing tenants an even stronger role in how their providers are run – with tougher standards of accountability enforced by the Social Housing Regulator. We will also give tenants the power to trigger a vote on whether to move to another housing provider when things go wrong.
- A stronger role for the Social Housing Regulator, giving it the power to proactively cover 'consumer' standards, reintroducing a programme of inspections.

1.0.9 Our proposals for more local control include:

- Giving Local Authorities greater ability to control second homes – not just in rural areas – but also in areas such as central London, where increasing numbers of homes are bought by overseas investors and left empty.
- Greater powers to tackle the blight of empty homes, giving local communities, housing associations and individuals a greater role in refurbishing them and bringing them back into use – and providing loans for private individuals to renovate an empty property, repaid through rent or sale.
- Passing control over Right-to-Buy to Local Authorities, which can vary discounts based on local need and keep all the proceeds, provided they are reinvested in social housing.

1.0.10 We recognise that a subject as important and complex as housing and the homes we live in needed more time than we had available to do it justice, so this paper inevitably cannot cover all the issues.

1.0.11 For this reason, we welcome the upcoming Federal Policy Committee working groups on the subject of A Balanced Working Life, Challenges and Opportunities of an Ageing Population, and Crime and Justice. We ask that in the course of their work, they consider policies to protect the most vulnerable people, who have diverse and interlinking needs that would not be able to be addressed fully in this paper. These include issues of overcrowding, supported housing for people with drink or drug problems, people in sheltered accommodation and the issues of Universal Credit direct payments.

1.0.12 One area meriting particular mention is the relationship between housing and welfare costs.

1.0.13 The primary driver of growing housing benefit and Local Housing Allowance bills has been the shortage of housing, leading to higher rents, and increasing number of people unable either to buy or to access social housing – both of which this paper attempts to address.

1.0.14 At the time of writing, the Welfare Reform Act regulations are still going through Parliament and much of the Act has not yet been implemented, so we are not in a position to make a conclusive response to the proposals.

1.0.15 However there are important concerns about such issues as the impact of benefit caps and their ability to take into account family size; the impact of changes such as the extension of the shared room rate to all single people under 35 (including separated parents and those suffering from health issues); and the impact of rent direct on arrears affecting both tenants and social landlords negatively. This is why FPC has decided to carry out further work on welfare reform policy, including those elements relating to housing cost.

Building More Homes

2.0.1 Britain faces a housing crisis. Just to keep up with rates of household formation we will need between 206,000 and 282,000 additional homes each year between now and 2025.¹ Yet the average number of new homes added to the housing stock each year in England over the last two decades has been just 160,000,² and is currently just 109,000 homes per year.³ Housing demand is not being met, and every indication is that without action this will continue to be the case.

2.0.2 Increasing the supply of housing doesn't just help those in need of housing; investing in housing makes good sense for our economy. Every £1 spent on housing construction results in £2.84 of economic activity, through the direct and indirect multiplier effects associated with construction firms purchasing goods and services, and construction sector wages and profits being spent across the whole economy.⁴

2.0.3 There is capacity within the UK to substantially expand the house-building industry with little displacement of other activity. It has been estimated that housing market changes accounted for one third of the total fall in UK GDP between 2007 and 2009.⁵ Investment in house building can be delivered rapidly, using materials mainly sourced from within the UK, and each extra home built each year creates jobs for 3-4 construction workers and those in associated industries.⁶

2.0.4 Liberal Democrats believe that we should stimulate a major programme of house building to stimulate the economy, with at least 40 per cent of new build social or intermediate tenures. We envisage a systemic change in the operation of the housing market, which will lead to 300,000 new homes created each year, through a number of measures to stimulate financial investment from the private sector, free up local authorities and other housing providers to invest and increase the supply of land.

2.1 Encouraging Investment

2.1.1 There is a strong invest-to-save rationale for government investing in a large-scale programme of social housing immediately. The average weekly cost of housing benefit is around £80/week for social housing tenants (around 2/3 of total housing benefit recipients) and around £120/week for housing benefit recipients living in the private rented sector.⁷ Investment in new social housing may incur a cash cost in the short term, but it will deliver long-term savings on the housing benefit bill.

2.1.2 Successive governments have focussed on the short-term cash (and by implication, public sector borrowing) requirements associated with social housing investment. Investment in housing, however, should be seen as a cost-saving measure, which strengthens the Government's financial position. With tangible savings, the business case for investment is solid, and investors in the UK will recognise this. The scale of housing construction, which Liberal Democrats believe is required, demands substantial government investment.

2.1.3 While substantially increasing public sector investment in the present climate may look very difficult, two measures look able to deliver a big impact without damaging control of public borrowing:

- Adopting public borrowing accounting rules commonly used in Europe so that Local Authority borrowing against the Housing Revenue Account does not add to government borrowing figures – potentially releasing some £50bn investment in affordable housing over time.
- The Bank of England extending the scope of the Quantitative Easing programme to include purchase of social housing-issued bonds.

2.1.4 However government and Local Authority borrowing is not the only solution: the amount of private sector investment in housing development depends on a series of interdependent factors, including future expected house prices and rental levels (in part driven by expected housing benefit payments), the availability of land, the planning system, government grants/guarantees and the extent to which existing social housing stock is 'encumbered' with existing borrowing.

2.1.5 The more government supports social housing construction, the more private finance it will be possible to draw into co-investment. Securing private finance is critical to the delivery of the programme Liberal Democrats aspire to, and we are supportive of approaches through which the long-term investment needs of pension funds and insurers can be met through housing.

2.1.6 We will also increase the finance available to housing associations by giving them the power to offer long-term, low interest rate mortgages on the properties they sell.⁸ This would help first time buyers purchase a property and guarantee a steady stream of income for housing associations and local authorities to expand their stock.

2.1.7 Investment in the residential private rented sector (PRS) in the UK is extremely low when compared with investment in the commercial rented sector, or other European economies. The Coalition's decision to cut Stamp Duty Land Tax (SDLT) on bulk purchases will make it less costly for investors in the private rented sector to buy large portfolios on one plot and allow for lower management costs. Economies of scale in the PRS are estimated to kick in only at a portfolio size of at least 2500 properties⁹ and the lack of suitable properties are barriers to investment, however we believe more can be done to encourage development of the PRS, in particular:

- Giving Local Authorities and communities more freedom to have policies on build-to-let in their development plans, in the same way as rural exception affordable housing schemes, to reduce the cost of land for this use and to increase the financial viability of private rented development. We will consider whether further changes to the National Planning Policy Framework are necessary in order to facilitate this.
- Releasing public land suitable for build-to-let investment, which has specific requirements, such as large plots with good transport links.
- Working with our partners in Europe to identify and overcome any barriers that exist to UK developers operating elsewhere in the EU and any barriers to European developers investing in house building in the UK.

2.2 Local Authorities Investing to Meet Local Housing Needs

2.2.1 Social housing waiting lists have grown by 70% over the last ten years.¹⁰ Over 1.7 million families are stranded on housing waiting lists, yet social housing stock fell by 420,000 homes under Labour.¹¹ This country is not building enough social housing – over the last 30 years,

Decent Homes for All

Local Authority new build has declined to an average of 250 completions under Labour¹² – and this volume has not been replaced by homes built by other sectors.

2.2.2 The Coalition Government has increased Local Authority new build to over 2300 in 2011¹³ through schemes such as the New Homes Bonus, the one-for-one replacement condition attached to Right to Buy and a new 'affordable rent' model which will ensure that 170,000 new social and affordable homes are built over the current Spending Review period at a lower per-unit cost than under Labour.

2.2.3 Liberal Democrats will ensure that the total stock of social housing does not fall, as it did under Labour. This will be achieved not through arbitrary top down requirements on Local Authorities but by giving them the freedom they need to raise finance and invest in new stock.

2.2.4 The Coalition Government has taken some significant steps to give Local Authorities more freedom to raise more money in order to invest in their local areas, for example through the New Homes Bonus, Tax Increment Financing and the Community Infrastructure Levy. Reform of the Housing Revenue Account is also important, as it leaves Local Authorities free to determine how housing revenues are invested.

2.2.5 This reform, however, has been accompanied by a 'cap' on borrowing, which prevents Local Authorities borrowing additional amounts against future revenues in order to deliver investment today. This financial constraint imposed by the local government finance settlement serves as a perverse incentive for Local Authorities to consider stock transfers in order to deliver investment. Liberal Democrats are comfortable with the provision of social housing by Local Authorities, mutuals, cooperatives, housing associations, for-profit businesses and others, and are keen to see a diversity of provision. The 'cap' means the playing field is tilted against Local Authorities.

2.2.6 Consistent with our commitment to local accountability, and the importance of local decision making, Liberal Democrats support powers for Local Authorities to borrow from private investors, secured on the Housing Revenue Account, to deliver repairs and new social housing. Liberal Democrats will abolish the 'cap' on Local Authority borrowing for housing investment.¹⁴ Such borrowing may not be underwritten by central government, but only by the relevant Local Authority.

2.2.7 Liberal Democrats will also give Local Authorities the power they need to create large-scale community developments, working with neighbouring Local Authorities and community organisations to meet housing need within their local area.

2.3 Community-led Housing

2.3.1 Many communities have recognised that a lack of affordable housing has put their sustainability at risk, and have responded by seeking to develop their own affordable housing, including through innovative intermediate forms of tenure. In the past, these communities have found it difficult to access government funding and navigate the planning system. In other areas, communities want to take over the management or ownership of their neighbourhood from the Local Authority.

2.3.2 The Coalition Government has taken some steps to put community-led housing on a level playing field with traditional providers through introducing the Community Right to Build,

allocating up to £30 million of the Empty Homes Fund for community-led applications and supporting communities in some areas, such as Byker, Rochdale and Lambeth, to take ownership of their homes in mutual arrangements. The Government has also allowed community-led housing providers such as Community Land Trusts to access the Homes and Communities agency affordable homes programme funding in their own right, or as part of a consortia arrangement. Around £25 million is expected to be allocated to community-led providers over the course of the current programme. 182 Community Land Trust homes have been built, and another 64 are currently under construction.¹⁵

2.3.3 Liberal Democrats recognise the importance of community-led housing development, including that provided by cooperatives or charities and Housing Associations running almshouses. We will:

- Expand the Community Right to Build so it covers urban and non-parished areas.
- Introduce Mutual Home Ownership Trusts, which have potential to become the starter home of first choice for young people in particular.¹⁶

2.4 More Land for Development

2.4.1 Access to land suitable for development is a constraint on new entrants to the housing market, and prevents some existing players from expanding their activities. Both government and the private sector share responsibility for this problem. 40% of previously used land suitable for development sits within public sector land banks,¹⁷ while leading house builders hold significant land banks, many of which have planning permission.¹⁸

2.4.2 The Coalition Government is trialling land auctions and freeing up public land with capacity to deliver up to 100,000 new homes, some with 'build now, pay later' deals.

2.4.3 Liberal Democrats will go further by reforming the way central government land is disposed of in order to encourage more land to be made available more quickly. We will:

- Ensure all departments and agencies publish their land holdings online in an open-source format and use the services of the Homes and Communities Agency when conducting land disposals.
- Trial a requirement for public sector bodies to reflect a cost in their accounts as if they were paying market rent for their land and buildings, which may encourage bodies to more actively manage their holdings.
- Make full use of 'build now, pay later' deals and encourage part payment schemes, where a developer pays for part of the value of the land in exchange for the government or Local Authority holding an equity share in the development.
- Support self-build by ensuring the Homes and Communities Agency includes opportunities for the development of sites by self-builders when conducting land disposals.

2.4.4 Where land is available and has been granted planning permission, developers are often not building. In some cases this is because of cash flow problems, but in others it is due to the rational businesses decision to build later, when house prices will be expected to have increased. The Coalition is taking steps to unlock stalled development and ensure the planning system encourages sustainable development through:

Decent Homes for All

- The £500 million Growing Places Fund, which will kick start stalled infrastructure and housing projects.
- Supporting self-build housing by making £30 million of project finance available, appointing a self-build champion and engaging with Local Authorities to facilitate more self-build.
- Radical reforms of the planning system, introducing neighbourhood planning and the National Planning Policy Framework to support sustainable development.

2.4.5 However, Liberal Democrats believe we need to go further. We want to prevent a market in land, which allows developers to make profit without any actual development, and we will use a stick and carrot approach to shift the balance towards encouraging developers to build now rather than later. Liberal Democrats will:

- Work with willing Local Authorities to pilot 'Community Land Auctions'. The Local Authorities could designate the whole, or part, of their area as suitable and mediate a process of auction, which will capture much of the rise in the value of the land when planning permission is granted.
- Allow for smaller-scale Community Land Auctions, where Local Authorities can approach individual landowners willing to sell land, rather than hold a full auction with several lots.
- Consider a stronger 'use it or lose it' policy on planning, whereby an agreed portion of the development has to have been completed within the time limit, rather than just started, as at present. Alternatively, Local Authorities could be given the power to levy undeveloped land with planning permission or charge council tax or business rates on land with permission for residential property after a certain period of time without development.
- Ensure that, on the renewal of planning permission, a requirement to build to the current standards is automatic. Planning authorities would have the power to override this requirement in appropriate circumstances.
- Ask the Competition Commission to carry out a market investigation into the land banks of the major developers, whether owned or optioned, to determine whether their land holdings restrict or distort the market, thereby adversely affecting competition.
- Streamline the system of Compulsory Purchase Orders (CPOs) and encourage their use if necessary on undeveloped land with planning permission. The plots could be sold on the agreement that development will be brought forward.
- Eliminate the market distortions caused by Stamp Duty Land Tax (SDLT) and encourage the best use of land by abolishing SDLT and making up for the lost revenue with a Land Value Tax (LVT). This would be almost impossible to evade, drive development on under-utilised land, deter speculative land-holding, encourage optimal use of land, balance economic activity towards lower-value areas and would not discourage economic activity (as is the case with other taxes). The LVT would not apply to agricultural land and would be accompanied by provisions relating to equity release after an asset changes ownership to ensure that the tax doesn't cause cash-flow challenges for the asset-wealthy and cash poor.¹⁹

2.5 Rural Housing

2.5.1 The housing problems of rural areas are those of scale and distance. The needs of many communities are small enough to need only a few houses at any time rather than enough to meet ten years' need every decade. Small-scale schemes can entail higher unit costs both to build and manage as social housing. Housing and planning bodies should be encouraged to use and accept standardised designs with local modifications. The smaller scale also provides greater opportunity for local builders and self-builders. Some of the additional cost is down to red tape and bureaucratic obstacles to this should be removed or reduced.

2.5.2 Distance between communities limits the scope for people to downsize. Often the only homes in a village are three bedroom houses. To find a one bedroom house or bungalow might mean moving many miles. This cuts people off from family and friends and the support networks of neighbours, which characterise many rural communities. With the cuts in housing benefits this could pose a real problem. Liberal Democrats will encourage planners to allow for the type of housing needed to enable people to downsize without moving out of their community.

¹ *Ripe or Rotten?*, Jenni Viitanen, 2011, <http://www.insidehousing.co.uk/analysis/in-depth/ripe-or-rotten?/6514141.article>

² *The Good, the Bad and the Ugly: Housing Demand 2025*, K. Schmuecker, IPPR, March 2011

³ *Community Land Trusts Conference and Exhibition 2012*, Presentation from National Housing Federation, May 2012, <http://www.housing.org.uk/events/presentations.aspx>

⁴ *Unfreezing the housing market*, CBI, 2011.

⁵ *The Role of Housing in the Economy*, Regeneris/Oxford Economics, 2010 http://www.homesandcommunities.co.uk/sites/default/files/our-work/housing_investment_and_the_economy.pdf

⁶ *We need to learn from the 1930s*, Tim Leunig, The Telegraph, April 2012, <http://www.telegraph.co.uk/news/politics/9226679/We-need-to-learn-from-the-1930s.html>

⁷ *The Housing Report*, Shelter, 2011

⁸ *A Canny Way to Revive our Moribund Housing Sector*, Tim Besley and Tim Leunig, The Financial Times, June 2012

⁹ *The Barriers to Institutional Investment in Private Rented Homes*, Hamptons International, 2012

¹⁰ *Home Truths 2011 Fixing Our Broken Housing Market*, National Housing Federation, 2011

¹¹ Hansard 6 March 2012 : Column 243WH

¹² DCLG Live Tables

¹³ Ibid.

¹⁴ *Financing and New Housing Supply*, Communities and Local Government Committee, 2012 <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1652/165209.htm>

¹⁵ National CLT Network, Annual Report, April 2012:

<http://www.communitylandtrusts.org.uk/upload/public/Publications/National%20CLT%20Network%20Annual%20Report%20201112%20FINAL.pdf>

¹⁶ Liberal Democrat Policy Paper 69, *Affordable Homes in Safer, Greener Communities*, 2004

¹⁷ *Laying the Foundations: A Housing Strategy for England*, HM Government, November 2011, <http://www.communities.gov.uk/documents/housing/pdf/2033676.pdf>

¹⁸ PlaceShapers submission to DCLG Select Committee, October 2011

<http://www.publications.parliament.uk/pa/cm201012/cmselect/cmcomloc/1652/1652vw21.htm>

¹⁹ *Can equity release help older home-owners improve their quality of life?*, Joseph Rowntree Foundation, 2010

Giving Tenants Power and Security

3.0.1 Liberal Democrats believe that everyone should have the right to live in a home that is safe, warm and meets at least minimum standards. In the private rented sector, as in the public and not-for-profit sectors, we believe that there must be some regulation and where necessary inspection, to ensure that those standards are met and people are protected from unscrupulous or incompetent landlords and managing agents. A great deal of public money is spent on housing people in both social and private rented properties and we have a duty to ensure that the taxpayer gets best value for that money.

3.1 Holding Social Landlords to Account

3.1.1 Liberal Democrats support the concept of an independent Social Housing Regulator (SHR) for the social housing sector. On April 2012, an independent committee within the Homes and Communities Agency took over this function in England from the previous SHR, the Tenant Services Authority. The Tenant Services Authority had in turn replaced the Housing Corporation as SHR in April 2010. In order not to waste even more money and cause further uncertainty within the housing sector and the markets, we intend to retain the current Social Housing Regulator for England.

3.1.2 While broadly accepting the standards with the present Regulatory Framework,¹ Liberal Democrats believe that the SHR should have a more comprehensive remit. Currently the SHR has a statutory duty to minimise interference. It regulates proactively on only three economic standards (governance and financial viability, value for money and rent) that apply to providers which are not Local Authorities. This provides the reassurance of viability and financial competence needed by lenders. The SHR has also set consumer standards that apply to all registered providers, including Local Authorities. However, the SHR has power only to regulate reactively on these consumer standards, intervening only in cases of 'serious detriment' and leaving boards and councillors to oversee the provider's performance. This means in practice that there is no external check on the quality of housing services delivered to tenants and little or no enforcement if the provider is not complying with the standards.

3.1.3 We believe that social housing tenants need and deserve more protection than this as their social landlords are effectively monopoly providers. We will:

- Remove the obligation on the SHR to 'minimise interference' and amend the Regulatory Framework to include proactive regulation of the consumer standards.
- Bring Local Authorities fully within the Regulatory Framework so that there is consistency of regulation across the sector.

3.1.4 We will also reintroduce a programme of inspections by the SHR, or by agents appointed to act on its behalf, recognising that the previous inspection regime drove up standards of housing management within the social sector. Providers will, as before, pay for these inspections and the reports will be published to encourage sharing of good practice.

3.1.5 Having set out the principle of greater protection for tenants in the social housing sector, we will consult providers, tenants and other stakeholders on the detail.

3.1.6 As recipients of taxpayers' money, social housing landlords are accountable for the stewardship of the assets they own and the value they generate for their communities. Under the Coalition Government, the Homes and Communities Agency has been charged with assessing the value for money delivered by social landlords, but this regime does not include Local Authorities.²

3.1.7 While there is no single measure of 'success', it is nevertheless important that tenants, Local Authorities and Central Government are able to compare the effectiveness, business risk and asset deployment of different social landlords.

3.1.8 Liberal Democrats propose a regime of value for money accountability that empowers successful social housing providers and provides clear information, which can be used to improve under-performance. We would expect the value for money regulatory regime to encompass all social housing providers, including Local Authorities, and to report value for money performance data on a transparent, timely and consistent basis.

3.1.9 Due to the limited stock in social housing, tenants frequently do not have a choice over their social landlord and do not always have the information to hold them to account. For example, although many housing associations have tenants on their boards this is not a statutory obligation, nor do tenants necessarily have the right to attend board meetings as observers.

3.1.10 Liberal Democrats will redress the balance through ensuring that public funding only goes to providers that can demonstrate that they are fully accountable to their tenants. This would include compliance with the co-regulatory principles set out in the Regulatory Framework, and guaranteed involvement of tenants in decisions about services, for example through allowing tenant representation on governing bodies and giving tenants access to meetings at which decisions are made about the housing service (with the usual exclusions for matters of staff or commercial confidentiality).

3.1.11 We will also give tenants the right to trigger a vote on whether to move to another housing provider when things go wrong. Tenants would choose their preferred manager, subject to approval from the Housing Ombudsman.

3.1.12 In order to ensure that there is accountability where there is public subsidy in housing, Liberal Democrats will bring all Registered Providers within the scope of the Freedom of Information Act.

3.2 A Fair Deal for Social Tenants

3.2.1 Social housing tenants usually pay subsidised rents below market levels. Whilst homes have been built as social housing, it is the individual or family living in the home who are in receipt of the social housing subsidy, and it is important to ensure that the subsidy provided by the social housing sector is received by those in need of it.

3.2.2 It is entirely unfair that one family can be earning substantial sums and benefitting from subsidised rents while another family on a low income may be living in inadequate private rented accommodation, waiting and waiting for social housing to become free.

3.2.3 We welcome the Coalition Government's consultation on the proposition that higher income households should pay a higher rent³ and we support the principle that those who can pay more should pay more. The Government is also introducing some measures to restrict access to social housing for those who do not require subsidy, including fixed-term tenancies and a household earnings cap of £100,000. These are blunt instruments: fixed-term tenancies necessarily mean less security for tenants, and the uprooting of communities as families have to move home as circumstances change.

3.2.4 Liberal Democrats will put in place measures to allow social housing providers (including Local Authorities) to vary rents based on a tenants' ability to pay, on a sliding scale up to market rent levels for those on the highest incomes. As a tenant's income increases, there would be a tapered withdrawal of their implicit housing subsidy to make sure there is no 'cliff-edge' that provides a disincentive to work.

3.2.5 Increasing the rents for social housing tenants will in some cases free up social housing homes for those on the waiting list, and in some cases will increase rental income for social housing landlords, thereby allowing them to subsidise new social housing. We would ring fence all additional revenue to be reinvested in social housing or return money back to Local Authorities or registered providers.

3.2.6 We would also give tenants the opportunity to contribute towards savings bonds held by their social landlord, with a simple deposit mechanism, for example paid at the same time as rent. The bond would be released on them leaving social housing and could be spent on a deposit for a property to rent or purchase. In the interim, the social landlord would be able to use the money for further development. Both the tenant and social landlord would benefit from the scheme and it could provide a means by which young people and families could get onto the first rung of the housing ladder.

3.3 Cracking Down on Rogue Landlords in the Private Sector

3.3.1 The reduction of social housing stock through the Right to Buy and the failure of previous governments to build enough new homes to meet the increasing need for social housing households has led to a dramatic increase in the number of households in the private rented sector (PRS), as they are priced out of home ownership. Numbers living in privately rented homes now equal the number living in social housing and are set to overtake the public sector by 2020.

3.3.2 Just as we believe social tenants need and deserve protection from poor quality accommodation and management, we are concerned that there should be safeguards for tenants in the private sector. This is particularly important when people accepted as statutorily homeless are housed by private landlords. Many of these households have had difficult experiences and are extremely vulnerable; society has a responsibility to protect them from further housing-related distress.

3.3.3 At present a minority of bad landlords and lettings agents are a blight on the sector, threatening the health and well-being of their tenants and bringing the PRS into disrepute. Provisions for Local Authority oversight of the PRS are largely in place but are either not being fully used or may only be used under unduly restrictive circumstances.

3.3.4 Liberal Democrats therefore propose a series of measures that will afford tenants in the PRS more protection and security, while not putting undue burdens on good landlords. Some of the measures are concerned with making more effective use of powers already in place, others are new.

OPTION A

3.3.5 Currently, there is a mandatory licensing regime for HMOs with three floors or more, occupied by five or more persons and forming two or more households. Local Authorities can also introduce additional licensing systems, requiring landlords or managing agents and the properties themselves to meet local and national requirements, passing a 'fit and proper person' test. Local Authorities may add specific requirements local to their area for landlords or managing agents, for example insisting landlords or managing agents obtain accreditation, have a responsible lettings policy or the properties meet environmental requirements. Failure by landlords or managing agents to meet the requirements can result in fines, repayment of rent to tenants, increased security for tenants and criminal sentences for landlords or managing agents.

3.3.6 However Local Authorities can only set up these additional licensing schemes in areas of low housing demand or where there is significant anti-social behaviour or other challenging housing problems. The scheme lasts for five-year renewable terms and can only be introduced after a consultation process of at least 10 weeks. The costs of running the system are covered by fees set locally and payable by the landlords, and Local Authorities are required to keep a list of all licensed landlords and properties in their areas.

3.3.7 Liberal Democrats will instead enable Local Authorities to exercise their own local knowledge and judgment in pin-pointing and tackling areas in need of additional licensing. We would reduce the restrictions on the implementation of licensing systems, giving councils the freedom to introduce licensing in any area, provided the scheme fits in with the local housing strategy. We would also work to reduce the bureaucracy in setting up a licensing regime, giving local authorities full confidence in their ability to monitor and manage the private rented sector in their area.

3.3.8 We will monitor the effectiveness of these measures over a period of time. Should there be evidence that they do not go far enough we will reconsider the case for a licensing scheme for all landlords in the private rented sector.

OPTION B

3.3.5 Currently, mandatory licensing applies only to landlords of HMOs with three floors or more, occupied by five or more persons and forming two or more households. Additional licensing systems only apply in areas of low housing demand or where there is significant anti-social behaviour or other challenging housing problems. The previous Government planned to introduce a national system of landlord licensing; we believe a more local approach is needed to improve standards in the private rented sector.

3.3.6 Liberal Democrats will require all private landlords to obtain a license from their Local Authority, with certain exemptions, such as landlords who live in the same property as their tenant or lodger. To obtain a license, landlords would need to pass a 'fit and proper person' test, ensuring they and their properties meet certain minimum standards, such as full payment of tax or having a safety certificate for gas and electrical installations. If these standards are repeatedly

not met, landlords could have their license removed, with protection for their tenants, be liable for fines or repayment of rent to tenants.

3.3.7 In addition to the minimum standards, we would enable Local Authorities to exercise their own local knowledge and judgment by giving them the freedom to introduce additional licensing requirements, provided they fitted in with their local housing strategy. These 'bells and whistles' would be at the Local Authority's discretion and could, for example, include a voluntary accreditation system or additional requirements on environmental standards.

3.3.8 The aim of the licensing system is to provide protection for tenants without unduly impacting on the landlords. It would allow tenants to view and compare prospective landlords in a local area and improve information about the quality of service they provide. Crucially, a licensing system would enable Local Authorities to monitor rent increases across the borough, ensure certain standards are met, particularly where a tenant receives housing benefit, and approach specific landlords who own properties in areas important for housing benefit recipients, for example near jobcentres or good public transport links. Local Authorities would be able to charge a small fee for licensing, which must be transparent and designed only to cover the costs of the licensing system. We would also carry out a consultation process at government level, lowering the costs for Local Authorities, who currently need to carry out their own consultation processes in order to introduce additional licensing.

Please see consequential changes in paragraphs 3.3.12 and 3.4.6

3.3.9 In cases where there is an individual landlord causing a problem, councils can take over the management of a privately let property through Management Orders. Liberal Democrats will also widen the application of Management Orders so Local Authorities can target individual bad landlords and so tenants can report problems if their landlord or managing agent has failed to address their concerns. Local Authorities would continue to be able to recover their costs of taking action and managing the properties through receiving the rent from the property, subject to the management order.

3.3.10 The Housing Act 2004 introduced the Housing Health and Safety Rating System (HHSRS), which applies to all non-local authority owned social housing, privately owned and privately rented properties. The HHSRS provides Local Authorities with a means of inspecting private properties and assessing the risks, caused by the state of properties, to occupiers of and visitors to the properties. Where risks are found action can be taken without the need for lengthy litigation. Inspections can be triggered by tenants, parish and community councils but relatively few inspections take place.

3.3.11 Liberal Democrats will promote the use of the HHSRS, in particular encouraging councillors to use their powers to drive up housing standards in their area. We will also encourage Local Authorities to work with their local health boards and fire services to coordinate inspections, reducing costs and maintaining safety.

OPTION A

3.3.12 Liberal Democrats are strongly committed to tackling tax evasion. There is evidence that some private sector landlords fail to declare their property-related income and capital gains for tax purposes, either deliberately or through error. We will therefore give HMRC the right to search the Land Registry database to identify individuals with property portfolios who have declared disproportionately low income from property.

OPTION B

3.3.12 Liberal Democrats are strongly committed to tackling tax evasion. There is evidence that some private sector landlords fail to declare their property-related income and capital gains for tax purposes, either deliberately or through error. We will therefore give HMRC the right to search the registers of landlords held by Local Authorities and identify individuals who appear not to be declaring their full expected income.

3.4 A Fair Deal for Private Sector Tenants

3.4.1 Tenants in the social housing sector have access to a Housing Ombudsman if they have complaints about their landlord but private sector tenants have no equivalent right. Arguably, the need is even greater in the unaccountable, less-regulated PRS. Liberal Democrats will therefore establish a housing ombudsman service for tenants in the private rented sector, giving them a similar measure of protection to that available to social tenants.

3.4.2 Some of the problems in the PRS are caused not by landlords but by incompetent or unscrupulous managing agents. Although Local Authorities may operate managing agent licensing schemes, this tends only to cover HMOs subject to mandatory licensing (three floors or more with two or more households). Liberal Democrats will require all letting/managing agents to be on a national register and will strongly encourage Local Authorities to enforce the existing rules and duties which give PRS tenants some degree of protection from bad management practices. In consultation with Local Authorities and the sector, we will set up a mechanism whereby bad agents may be removed and therefore prevented from practising.

3.4.3 The assured shorthold tenancy with its market rent and limited security of tenure has brought more properties into the private rented market and the flexibility suits many tenants and landlords. However, the insecurity of tenure can be damaging to employment prospects and particularly difficult for families who need continuity of access to education, health and other services. Although tenants already have the right to negotiate a longer tenancy term than the standard six months, this is not widely known and in any case depends upon the landlord or agent agreeing an extension.

3.4.4 Liberal Democrats will encourage a new form of tenure; a 'mini-lease'. This would have a probationary period of 6 months to a year to give the landlord/agent an opportunity to assess the reliability of the tenant, followed by an agreed fixed term of at least three years. It would be possible for landlord and tenant to agree reduced landlord responsibilities (for example, for day-to-day repairs) in return for a lower rent.

3.4.5 Currently some lending institutions and some insurance companies are discriminating against tenants and especially tenants in receipt of benefits. Two manifestations of this are mortgage providers refusing to allow buy-to-let landlords offer tenancies of more than 12 months and the problems that some tenants have in insuring their household contents. We will take steps to end this discrimination.

OPTION A

3.4.6 We are also concerned that many tenants in the PRS are not aware of their rights. The best landlords and agents provide informative material to prospective and new tenants and

some people are able to make use of the internet, housing advice centres and other sources. However, this does not apply to all tenants. To make sure that all tenants have easy access to reliable information on their key rights and responsibilities we will require the managers of rent deposit schemes to post to the tenant a standard information leaflet with the deposit receipt acknowledgement.

OPTION B

3.4.6 We are also concerned that many tenants in the PRS are not aware of their rights. The best landlords and agents provide informative material to prospective and new tenants and some people are able to make use of the internet, housing advice centres and other sources. However, this does not apply to all tenants. To make sure that all tenants have easy access to reliable information on their key rights and responsibilities we will work with Local Authorities to ensure all tenants are informed of their rights, for example through a standard information leaflet posted to tenants in properties registered for private rent.

3.4.7 County Courts are overloaded with cases. Many rent possession cases in the social sector are undefended yet highly trained, highly skilled District Judges are expected to hear these cases, adding to the pressure in the courts and increasing court costs for the tenant in debt. We will introduce a system of Court Manager interviews in rent arrears cases to establish the tenant's ability to pay, as is currently done with debtors subject to attachment to earnings orders. If the tenant kept to the repayment scheme set by the Court Manager they could pay a reduced court fee. We would introduce an option of faster case resolution through court manager-led mediation in disrepair cases. This would release the District Judges for more complex cases and reduce the cost of going to court for tenants who already carry a burden of debt. In the long term, in keeping with Policy Paper 69, *Affordable Homes in Safer, Greener Communities* (2005), we would introduce housing courts.

¹ *The Regulatory Framework for Social Housing in England from April 2012*, HCA, March 2012 and *Regulating the Standards*, HCA, May 2012

² *New Economic Regulation of Social Housing Will Have More Bite Than Bark*, Peter Hall, The Guardian, 20 April 2012, <http://www.guardian.co.uk/housing-network/2012/apr/20/economic-regulation-housing-hca>

³ *High Income Social Tenants: pay to stay consultation paper*, DCLG, June 2012, <http://www.communities.gov.uk/documents/housing/pdf/2160581.pdf>

Environmental Impact of Housing

4.1 Warm Homes for All

4.1.1 Housing is a major source of UK carbon emissions, with the sector accounting for 27% of total emissions each year. Yet in Sweden, where the average temperature is 7 degrees below ours, the housing sector accounts for just 4.8%. The Climate Change Act 2008 commits the UK to reducing greenhouse gas emissions by at least 34% by 2020 and by 80% by 2050, relative to 1990 levels. Meanwhile, energy bills are soaring, over 5 million people are living in fuel poverty and it is estimated that the NHS spends £192m each year treating illnesses caused by people living in cold homes.¹ None of these problems can be fixed without addressing the backlog of poor sustainability in the existing housing stock, whilst also guaranteeing we build new homes to be zero carbon.

4.1.2 The previous Labour Government attempted to address these problems by focussing almost exclusively on new build. Whilst low-carbon new homes are important, new build accounts for less than 1% of the housing stock in any one year. 75% of the existing housing stock will still be in use in 2050 and 4.4 million of those homes will have been built before 1914.²

4.1.3 The Coalition's decision to introduce the Liberal Democrats' Green Deal is a big and welcome step in the right direction. It will provide a mechanism for landlords and householders to upgrade the energy efficiency of their homes at no upfront cost, leading to warmer homes and lower bills.

4.1.4 However, while the Green Deal will provide the tools for people to upgrade the energy efficiency of their homes, Liberal Democrats believe strong regulation will also be required in the system to ensure that we meet our CO₂ and Fuel Poverty targets, and provide Green Deal installers with a stable and guaranteed work stream. The Coalition has already taken steps in the right direction. From 2018, landlords in the private rented sector will be banned from renting out properties rated F and G.³ Proposals have also been put forward to introduce 'consequential improvements', requiring energy efficiency upgrades if major extension or loft conversion work is undertaken.⁴ Liberal Democrats want to go further by ensuring more work is done to upgrade homes in the social rented sector, and dwellings owned by government departments and their agencies.

4.1.5 A high proportion of rural homes do not have access to mains gas (the cheapest source of heating) and have to rely on liquefied gas, oil or coal which have higher and more volatile prices. For these more than others high thermal efficiency of housing is important and provision for the special needs of older housing off-the-mains should be included in the Green Deal. Also small scale alternative energy sources like ground and air source heat pumps are more practicable in rural areas and should be encouraged and supported by more friendly planning policies and a system of enhanced grants for such areas.

4.1.6 We also remain committed to delivering Zero Carbon Homes by 2016, and will support measures to make it easier for builders to achieve this target. Building new homes to greener, low-carbon standards is getting cheaper every year, with the average costs to build a home to Code for Sustainable Homes Level 3 falling by almost three quarters in the last three years.⁵ However, we recognise there is no guarantee that homes are being built to mandated energy

Decent Homes for All

efficiency standards. A 2010 study by the Joseph Rowntree Foundation showed that the Elm Tree Mews Zero Carbon Development in York wasn't performing as it should – losing 54% more heat than designed. The report concluded that many processes and cultures within the industry and its supply chain need to change if we are to achieve truly 'Zero Carbon Homes'.⁶

4.1.7 For existing homes, Liberal Democrats will:

- Ensure that all government-owned housing undergoes a Green Deal upgrade by 2018.
- Require all registered providers, wherever possible, to upgrade the energy efficiency of their housing stock through the Green Deal by 2025.
- Introduce minimum energy efficiency standards for the Private Rented Sector in 2016, two years earlier than planned. We will look to increase the minimum standards over time. Renting out F and G-rated properties will be banned from 2016, with E-rated properties banned from 2020.
- Introduce 'Consequential Improvements' through the Building Regulations to require mandatory energy efficiency upgrades of any home undergoing an extension, loft conversion, installing a new boiler or replacing all windows. Households will only be required to upgrade if they qualify for the Green Deal to ensure there is no additional upfront cost.
- Increase the size of the Energy Company Obligation (ECO) subsidy, which will accompany the Green Deal for low-income households and those living in hard-to-insulate homes (e.g. those with solid rather than cavity walls). The Green Deal will work where householders can repay the cost of the initial investment out of the lower energy bills that will result, but this is generally impossible for most of those living in fuel poverty, who will take the improvements in energy efficiency that will result in the form of better standards of heat rather than lower bills.

4.1.8 For new build homes, Liberal Democrats will:

- Introduce Zero Carbon standards for new homes from 2016.
- Introduce a list of "allowable solutions" to enable any carbon emissions not mitigated on site to be dealt with through a series of off-site measures.
- Introduce random spot checks of new homes as they are constructed and use pressure testing and other techniques to assess insulation of homes undergoing the Green Deal. Levels of funding, staffing and training of Building Control would also be reviewed.

4.2 Sustainable Water Resources

4.2.1 In Britain we have historically and ruefully assumed there is plenty of rain, so our water needs will always be satisfied, but water has become a resource under pressure from several directions.

4.2.2 Over the last twenty years, there has been an increase in the number of households, especially in the driest parts of the country, and each household has increased its water usage.

4.2.3 More importantly, the rain has become less reliable. The effects of climate change are unpredictable but hotter summers, resulting in more evaporation from surface reservoirs, drier

winters, and a higher proportion of rain coming in storms, which doesn't seep down to the underground aquifers, appear to be part of the pattern.

4.2.4 All this adds up to a potential crisis unless we start to change the assumption that there is no water problem in Britain.

4.2.5 Liberal Democrats will:

- Legislate so that all new build houses have 'grey water'.
- Legislate so that all new developments have sustainable urban drainage (SUDs) put in place so that storm runs-offs are contained within the site and do not overwhelm sites downstream.

¹ *The health costs of cold dwellings*, BRE and CIEH, April 2011

² *Climate Change Starts At Home*, Stunell & Huhne 2007 Spokesperson's Paper

³ Hansard 10 May 2011: Column 1063

⁴ *Andrew Stunell: Government Takes New Steps On Zero Carbon Homes*, DCLG, 31 January 2012, <http://www.communities.gov.uk/news/newsroom/2077970>

⁵ *Building Greener Homes Costing Less Each Year*, DCLG, August 2011, <http://www.communities.gov.uk/news/newsroom/1973349>

⁶ Low Carbon Housing, Lessons from Elm Tree Mews, November 2010, JRF, <http://www.jrf.org.uk/sites/files/jrf/low-carbon-housing-full.pdf>

Thriving Neighbourhoods

5.0.1 For too long planners, developers and architects have often concentrated on the physical fabric of what is built rather than the social context in which housing needs to be placed.

5.0.2 This has created ghettoised cities and towns in which young are separated from old; in which rich are separated from poor; and in which a post code lottery discriminates against people in both the education and jobs markets. People who let or sell property in both public and private sectors know that it is easier to sell/let poor property in a 'good area' than good property in a 'poor area'.

5.0.3 In many areas this ghettoisation was forced by 'slum' clearance in which large areas of densely packed 'courts' and 'terraces' were replaced by new build, often concrete, solutions. Many of these solutions developed post-war have turned out to be new problems with massive clearance programmes for 1950s and 1960s properties surpassing those for pre-1919 properties. Now it is the market, which creates the ghettos. Areas with high land values attract only private development of property types which are most attractive to developers. Areas with low land values are often the only places in which reasonable quantities of social or other low-priced housing can be afforded.

5.0.4 This ghettoisation has created a wide range of social and economic problems. Families have been and are forced apart; social mobility is reduced; the concentration of people with problems in some areas creates problem areas in which stigmatised individuals suffer from poor physical and mental health and poor education and employment prospects within stigmatised communities.

5.1 Local Leadership

5.1.1 For more than a decade local councils have been considered to be the 'Strategic Housing Authority' even where they have no stock but have, in practice, been delivery agents for central government quangos delivering central government policies.

5.1.2 Implementation of a localist agenda would transfer power for a housing strategy from the Homes and Communities Agency to local councils. In developing their housing strategies councils would need to have regard to housing demand, both high and low and housing need. In partnership with the Local Enterprise Partnerships they would link housing strategies to other major strategies, particularly those relating to transport and economic development.

5.1.3 The transfer of authority to local councils would then enable effective community by community decisions about:

- What stock is outdated and in need of replacement. Councils would retain compulsory purchase powers to deal with both physical and market problems of stock within their area.
- What stock is empty and could/should be brought back into use. The neighbourhood development plan would be able to trigger Empty Homes Management Orders where houses will be brought back into use by housing associations if not renovated within reasonable timescales by their owners.

- What new stock is required. With the planning system being more prescriptive about the property types required for development to enable the creation of genuine mixed communities.

5.1.4 The new duty on councils to cooperate will encourage councils to work together to deal with housing market issues which, like transport, education and employment strategies do not recognise Local Authority boundaries.

5.1.5 The Government's Localism Act makes three areas of activity possible.

5.1.6 Firstly, through the neighbourhood planning framework local communities are being empowered to answer a simple question, "What sort of neighbourhood do you want to live in?" Over time this approach will convert planning from being a developer's charter to one in which a more human scale of development decision is made. Most of us do not want to live on an estate but within a community. Most of us want to live in a mixed community where different generations can live in reasonable proximity to each other; where there is a mix of property type, size and tenure, which provides a community for people to live in. Our community also needs a mix of facilities such as shops and recreation facilities within it but access through good transport networks to employment and wider scale recreation facilities.

5.1.7 The neighbourhood planning framework will enable each neighbourhood to decide for itself how it wants to develop. When confronted with the need to make a decision rather than an opportunity to object to someone else's decision most communities will look at issues in a very different way. Letting people make key decisions about housing development and supplying them with all the information needed to make planning decisions will lead to a much more inclusive approach than the 'nimbyism' of the present confrontational system.

5.1.8 These neighbourhood plans can then be joined by the council into a more strategic planning framework in which the overall needs of the entire area can be physically brought together.

5.1.9 Secondly, the Localism Act not only returns power for large swathes of service delivery to councils but through councils to communities. In many areas the public realm is let down by poor cleansing, tatty parks or poor schools. The Act empowers willing communities to take a greater responsibility for either taking over services or scrutinising. Neighbourhood management is not a new approach. The last Labour Government introduced the National Strategy for Neighbourhood Renewal and this Government is experimenting with community budgeting. But no government, central or local, of any party has allowed services to be joined up in communities by decision-making bodies led by local residents. People who really know what the problems and opportunities are because they live through them rather than receive a report about them.

5.1.10 There is now a clear opportunity to develop new governance systems. These could be created by large-scale social landlords developing neighbourhood management structures; devolved committees of the council; recognition of councillors as 'cabinet member' for their ward, and other methods. In extremis, all areas of England are now able to create statutory town councils to enable local decision-making and asset control within a democratic and accountable structure.

Decent Homes for All

5.1.11 Culture change is badly needed to make changes in law move from legislative desire to deliver good practice. We recommend that the Government funds training activity within the civil service; councils and communities to enable full advantage to be taken of the freedoms being given by the Localism and other Acts of Parliament. The role of central government is not its traditional one of more legislation; the setting of Key Performance Indicators and targets; or the creating of centrally led funding streams. It has become one in which it leads investment in culture change; training and other support for the areas of activity outlined below:

- Professions such as housing, town and development planning and architecture need to be radically changed from a narrow professional qualification to one in which their professionalism is encompassed within a wider community understanding.
- Councils and other public sector partners have to be encouraged to 'let go of power' and develop rapidly both the neighbourhood planning framework and the desire to release service delivery into community hands.
- Housing Associations should be supported, where they are not already, in adopting a wider community development and management role for the areas in which they are the predominant property and land owners, either alone or in partnership with other associations. They should be as concerned about the provision of good shops and schools as they are for good housing.
- We should build housing need into health and care planning via joint strategic needs assessment and improve integration between housing, health and social care, especially around adaptations and home improvement.
- The third, voluntary and community sectors need to up-skill in order to take advantage of the opportunities as well as the threats created by localism.
- Consideration needs to be given towards the provision of specialist housing for older and disabled people so they can live in a suitable home within their community.

5.1.12 Large-scale legislation is not needed to deal with these issues but a culture change is required in which the social aspects of housing attract equal weight to the physical aspects. In this approach a more long-term view can be created which looks at the role of housing in answering social problems can be considered over the lifetime of the properties. What we build today and who we build it for will have consequences on the communities being developed for decades to come.

5.1.13 One area where legislation could be required relates to the need to control incremental changes in an area, such as by different uses of residential properties, which can damage the neighbourhood's character. A family of 5 creates different living patterns than the same house being used as a House of Multiple Occupation by five adults. By themselves individual changes make little difference but when many houses change the nature of their users major changes can be made to the feel of an area and its consequent usage. Legislation is required to ensure that in each area the neighbourhood plan can include a cumulative impact assessment (modelled on existing legislation for licensed premises) which lays down a maximum level of change of occupation in residential areas.

5.1.14 Liberal Democrats will also give Local Authorities the power to make optional use of the use classes, for example for second homes or private rented accommodation. This would allow them to tailor planning policy to meet the specific needs of the community.

5.2 Right to Buy

5.2.1 The Government has increased the scale of the discounts available to Local Authority tenants who purchase the homes they rent. While there may be a liberal case to be made for Local Authorities passing public assets to tenants, we absolutely reject the notion that this can be nationally controlled.

5.2.2 Liberal Democrats will therefore pass control over Right to Buy to Local Authorities, who can vary discounts based on local need and keep all the proceeds, provided they are reinvested in social housing.¹ At the same time we would allow social housing providers to give tenants a right to invest in their homes, which can then be used to purchase a home of their own in future.² Policy Paper 69, *Affordable homes in Safer, Greener Communities* (2004), proposed giving council and housing association tenants the right to invest by giving the tenant an opportunity to purchase shares in their home over time.

5.3 Tackling Empty Homes

5.3.1 There are 720,000 empty homes in England, with 279,000 of these considered long-term empty properties – vacant for more than six months.³ This is two-years supply of house building at current levels standing idle for more than six months, equivalent in size to the city of Leeds. Estimates suggest there are a further 266,000 empty commercial units.⁴

5.3.2 Under the last Labour Government there was no dedicated source of central government funding to tackle empty homes.

5.3.3 The Coalition Government has established a £100 million empty homes fund to bring problematic empty homes back into use as affordable housing, alongside a separate £60 million fund to tackle large clusters of empty homes. The money allocated by the two schemes is set to bring 11,200 empty homes back into use by 2015. The Government has also ensured the New Homes Bonus is also paid when empty homes are brought back into use and set out powers to give Local Authorities more control over council tax levels on empty and second homes. This includes the Liberal Democrat idea of an Empty Homes Premium – giving councils the option to charge extra council tax on properties vacant for two years or more.

5.3.4 Where practical, Liberal Democrats prefer renovation over demolition, although we recognise the important role that Local Authorities play in making these sorts of decisions. In order to bring more empty homes back into use, we will:

- Make the Empty Homes Fund a regular and predictable feature of the affordable housing programme, making better use of existing stock, and ensuring that Local Authorities and housing providers build and retain expertise in this area.
- Expand the proportion of the Empty Homes Fund that is open to community groups, building on the successful allocation of £30 million to community groups in the current round.
- Encourage the use of empty commercial and agricultural properties for housing. We see a particular opportunity to make better use of space above shops and other disused premises in town and city centres, and would be prepared to consider changes to the Use Classes Order to facilitate this if necessary.

Decent Homes for All

- Allow Housing Associations or community groups to take a lease on an empty property. Grant money could be used to redevelop the property, with the property owner repaying the grant to the Housing Association or community group through rent, allowing for management costs.
- Encourage homesteading – where empty homes are sold cheaply to buyers on the condition they renovate them and bring them back into use - to deal with empty homes in appropriate cases.
- Further streamline Empty Dwelling Management Orders (EDMOs) and allow for a ‘community right to object to empty homes’, which would be able to trigger EDMOs.

5.3.5 In line with existing Liberal Democrat policy, we will also:

- Introduce a ‘Repair and Renewal’ loan scheme to allow owners of long-term empty properties to borrow the funds needed to bring the homes back into use, on the provision that the property could be used by a social housing provider for social housing for five years.
- Reduce VAT on construction to 5% where a property has been empty for 6 months or more, as opposed to the existing two years, and work with our partners in Europe to move towards zero rating for maintenance and refurbishment.

5.4 Tackling Over-supply

5.4.1 In some areas of the country, changing employment patterns have left neighbourhoods where there is an over-supply of housing. This has led to market failure. Previous attempts to ‘reconnect’ these areas with the rest of the housing market have produced mixed results.

5.4.2 The Coalition Government has provided a £35million rescue package for the areas worst affected. Liberal Democrats believe more must be done to support Local Authorities tackle market failure in these areas.

5.4.3 We will work with Local Authorities to agree a series of tailored ‘housing deals’ that will enable integrated, locally-led responses to over-supply. Communities will be expected to develop a sustainable neighbourhood plan for the area concerned. In return, Government must work with them to enable scheme viability. This will mean considering a range of funding options, including more radical options such as tax incentives or credits for development within designated areas.

5.5 Areas of High Demand

5.5.1 Areas of high demand show the problems caused by the failure to keep up with demand in exaggerated form. These areas are also areas, which for the most part, though not immune, have not been badly hit by the recession, so there are jobs and the hope of jobs. The population is, if anything, expanding and the problem becoming worse. Also, the imbalance of house prices between these areas and others in the country, could endanger the health of the economy by preventing the free movement of people in search of work.

5.5.2 The sale of market housing slowed when the recession first hit and prices ceased to rise and even dropped slightly. That phase has passed and prices are beginning to rise again in many

areas. Prices demanded for a small terraced or town house with a tiny patio would buy a detached house in a sizable garden in many places elsewhere in the country. In London (though less in other high demand areas) price rises are also stoked up by foreign buyers seeking a safe haven for their wealth. The high prices are to the advantage of those moving out of such areas but a real problem to those wishing to move in.

5.5.3 New entrants to the market find prices well out of reach. The generally accepted proportion of income that ought to be spent on housing is 25-30% but average prices in these areas can be more than nine times the average salary.

5.5.4 The private rented sector is much larger in these areas than the average for the country. In spite of this, there is high demand for rented property, both for single households and shared accommodation, therefore rents are high. There is no incentive for landlords to join Accreditation Schemes or improve their properties. Standard Assessment Procedure (SAP) ratings for the private rented sector average levels are well below all other tenures, meaning heating bills are also high.

5.5.5 The previous Government's decision that the Local Housing Allowance (LHA) should reflect a Broad Market Rental Area (BMRA) has been disastrous for those claiming Housing Benefit in high demand areas surrounded by areas where rents are lower. Instead of the standard 30% of private rented accommodation being available, it is 3% or nil. Moving out means moving away from the places where there is work, often also to an area of sparse public transport. The problems of the BMRA were recognised by a report from the Work and Pension Committee of the House of Commons in March 2010.

5.5.6 Areas of high demand have ever-expanding numbers on the Needs Register waiting for social rented housing. People hope for social housing to avoid the high rents, overcrowding, poor conditions, insecurity and arbitrary, unpredictable or neglectful landlords in the private rented sector. Or, having had to move away because of the LHA, they want to come back to find work once more.

5.5.7 Once allocated social housing, there is even less incentive to move out of it than in the rest of the country. Turnover is therefore slow, which has the advantage that communities are built and sustained. However, slow turnover means that social housing goes only to the most needy, who are also the most demanding of management time. This 'residualisation' has the danger of making management more costly and difficult and estates less able to be true communities.

5.5.8 Liberal Democrats will change the basis of the Local Housing Allowance from the Broad Market Rental Area to Local Authority District, Unitary or Metropolitan Borough boundaries so that those needing housing benefit are not forced to leave the areas where there is work.

¹ Liberal Democrat Policy Paper 69, *Affordable Homes in Safer, Greener Communities*, 2004

² Ibid.

³ *Empty Housing*, House of Commons Library, SN/SP/3012, 23 January 2012 www.parliament.uk/briefing-papers/SN03012.pdf

⁴ *More Homes, Fewer Empty Buildings*, Policy Exchange, March 2011

<http://www.policyexchange.org.uk/images/publications/more%20homes%20fewer%20empty%20buildings%20-%20mar%2011.pdf>

Decent Homes for All

Decent Homes for All - Policy Paper 104

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. The Party in England has chosen to pass up policy-making to the Federal level. If approved by Conference, this paper will therefore form the policy of the Federal Party on federal issues and the Party in England on English issues. In appropriate policy areas, Scottish, Welsh and Northern Ireland 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

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.

Richard Kemp (Co-chair)

Martin Tod (Co-chair)

Annette Brooke MP

Stan Collins (drafting team)

Wyn Evans

Sue Farrant (drafting team)

Emily Gasson (drafting team)

Stephen Gilbert MP

Susan Heinrich

Jacqueline Howe

Heather Kidd

Chris Naylor

Thomas Paul (drafting team)

Brian Robson (drafting team)

Catherine Smart (drafting team)

Terry Stacy

Mike Tuffrey

Staff:

Bess Mayhew

Jamie Saddler

Comments on the paper are welcome and should be addressed to:

Policy Unit, Liberal Democrats, 8-10 Great George Street, London, SW1P 3AE

ISBN: 978-1-907046-48-3 © Aug 2012

Further copies of this paper may be obtained, price £5 from:

Liberal Democrat Image, PO BOX 443, Farnborough, Hampshire, GU14 4DA

Tel: 01252 510 005 Email: libdemimage@ldimage.demon.co.uk

Printed by Sarum Colourview, 23-24 Henrietta Street, London WC2E 8ND

Cover design by Mike Cooper

FSC Symbol Here