

Housing Policy into the 21st Century

Policy Paper 32



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Summary

Liberal Democrats aim to ensure that every person has access to safe, affordable and high quality housing. This approach was originally laid out in the 1996 paper *A Home of Your Own* and forms the basis for this paper.

The proposals contained in this paper seek to build upon *A Home of Your Own*. In addition they seek to address the current critical issues of housing benefit reform and the impact of the planned growth in housing.

Getting the Framework Right

Liberal Democrats recognise that owning your own home is a prime ambition for many and can underpin the independence and security of individuals. However, the growth in owner occupation has brought problems with it:

- As the demand for houses increased in the 1980s house prices rocketed. This was followed by a slump leaving many in negative equity. Arguably the house price inflation of the mid 1980s fuelled the general overheating of the economy leading to recession, unemployment and worsening poverty in the early 1990s.
- The rate of economic growth in the South East of England has increased the demand for housing, and inflated house prices in that area. Therefore many people in need of a home are unable to find housing in affordable areas where they can find work.

Our proposals concentrate on:

- Tackling regional inequalities and developing a regional economic policy to complement housing policy.
- Making efficient use of land, including high density housing.
- Making the housing market more efficient through reform of conveyancing.

Combatting Homelessness

Liberal Democrats recognise that homelessness has implications across other policy areas including health, crime and education. Our proposals acknowledge that homelessness can be the result of a variety of causes and deal with prevention as well as cure. We would:

- Provide access to housing and support for people leaving local authority care.
- Strengthen local authority powers to insist that developers include affordable housing in new developments, including those of under 25 units.
- Support British membership of the Euro, subject to approval in a referendum, in order to underpin interest rate stability and guard against sudden mortgage rate hikes.

- Give local authorities greater freedom to invest in new housing and end capping of council budgets.
- Make government departments undergo homelessness audits on all new policy initiatives.

Tackling Disincentives in the Benefits System for Housing

Since 1979 government expenditure on housing benefit has increased compared to expenditure on investing in subsidies for building and refurbishing homes. Liberal Democrats recognise that this situation needs to be addressed and we therefore propose:

- Including an allowance for housing within the Working Families Tax Credit. This would remove the unnecessary distinction between tenants and homebuyers, reduce the complexity of the benefits system and retain an incentive for homebuyers to shop around.
- Retaining Housing Benefit as a top-up for those whose rent is not met by the allowance under the Working Families Tax Credit, and for the unemployed.
- Exploring a more rational basis for setting social rents in the Local Authority and Housing Association sectors.

Housing and Sustainability

Liberal Democrats acknowledge that there is a need to build many new houses in the next decade. We support the principle that as many of these new homes as possible should be built on recycled land. We therefore propose:

- Introducing a Greenfield Development Tax to encourage developers to look for brownfield sites before building on the countryside.
- Devolving to Regional Planning Conferences (and, subsequently, to the elected regional governments that we want introduced as soon as possible) decisions on the number of houses to be provided within each structure plan area and the balance between brownfield and greenfield sites.

Liberal Democrats also recognise that housing policy has a vital part to play in promoting environmental sustainability. We therefore propose:

- A major initiative to upgrade the quality of new homes to bring them up to the best environmental and efficiency standards.
- Reducing VAT on all energy-saving materials to 5%.

Introduction

1.0.1 This paper seeks to build upon, rather than replace, the Party's 1996 Policy Paper 'A Home of Your Own'. In particular, it seeks to provide a policy response to critical current issues, and especially:

- Housing Benefit - indeed the wider subject of housing and land taxes and subsidies generally - and particularly the impact upon incentives / disincentives to work.
- The impact of planned growth in housing of 3.8 million extra units by 2021. In considering this issue we seek to take on board the thinking of the June 1998 Planning discussion paper 'Countryside Under Threat; Cities In Decline'.

1.0.2 Housing is central to many of our concerns as Liberal Democrats, including:

- Attacking poverty
- Boosting our economy
- Strengthening our communities
- Widening choice
- Fighting crime
- Protecting our countryside
- Beautifying our cities
- Improving health
- Tackling climate change

1.0.3 Boosting job opportunities and the quality of life in northern England and Scotland would ease the housing problems of the South East. Initiatives to give housing opportunities for low-income people close to good schools and good jobs would help create ladders out of poverty. Action to promote a mix of tenures, and hence of people, on a council estate can strengthen a community and help it to fight its way free of squalor and crime.

1.0.4 Housing is an area where many of our concerns intersect. **But it is also a vital concern in itself.** The quality of our housing and its surrounding environment is a vital part of the quality of our lives. For most of us, what we pay for housing is the biggest part of the cost of living.

1.0.5 Over the last 50 years there has been a dramatic change in the numbers of people who own their own homes. In 1945 home ownership represented 26 per cent of all households in Great Britain with the private rented sector at 62 per cent. By 1989 home ownership had reached 66 per cent with a substantially reduced private rented sector. In the rest of Europe with a few exceptions such as Greece and Ireland, there is a greater mix of tenure between the public and private rented sector and home ownership.

1.1 The Challenge Facing Government

1.1.1 The immediate challenge facing government is the question of where and how to accommodate 3.8 million new households by 2016. This is in the context of a society that is changing, resulting in more people living alone, a growing older generation and family breakdown.

1.1.2 Meanwhile there has been a substantial shift in government expenditure on investing in subsidies for building and refurbishing homes, which in 1979 totalled £11 billion and is now down to £3 billion. In a stark reversal, expenditure on housing benefit has increased from £3 billion in 1979 to £11 billion in the mid nineties. The change from bricks and mortar subsidies to individual subsidies is a second major challenge for this government.

1.2 The Liberal Democrat Response

The Liberal Democrats do not pretend that the solutions to these challenges are easy or that there is a single cure-all 'magic bullet' which will solve all the nation's housing problems. Instead we propose a series of practical actions which together adds up to a programme for sustained improvement in housing and these are set out in the paper which follows.

Getting the Framework Right

2.0.1 During the 1980s, house prices rocketed and then slumped. The consequences were misery for thousands of households trapped in "negative equity" or worse, forced to leave their homes after repossession for mortgage arrears. It is also widely argued that the house price inflation of the mid 1980s fuelled the general overheating of the economy leading to recession, unemployment and worsening poverty in the early 1990s.

2.0.2 In the absence of determined action by government at every level, a new housing crisis is likely to develop, particularly in the South East of England. This is because the demand for more housing is rising with an increasing number of households and because lower interest rates are likely to boost house prices. This could again mean that many more people in need of a home will, as happened in the 1980s, find themselves unable to find housing they can afford in areas where they can find work.

2.0.3 The essence of this problem is that land for housing in some parts of Britain is a scarce and precious resource. What land there is needs to be used very efficiently and the price of it needs, somehow, to be kept within the sort of limits that will keep house prices affordable.

2.0.4 This means that housing problems cannot be solved solely by what might be considered as "housing policies". They will remain with us unless and until one or more of the following occur:

- Ways are found to re-balance economic growth in Britain to favour regions other than the south-east of England
- Sufficient land is released for new housing within areas of heightened need

- More effective ways are found to encourage more intensive use of current housing and housing land
- Other ways are found to stabilise housing costs

2.1 Tackling Regional Inequalities

2.1.1 The regional housing market cannot be treated in isolation from the broader regional economies. While there remain wide discrepancies in average incomes and levels of unemployment between different regions, these factors will inevitably make themselves felt in wide differences in housing costs, which in turn inhibit labour mobility and reinforce economic problems.

2.1.2 A vigorous regional economic policy is therefore a necessary complement to housing policy measures narrowly defined. Such a policy goes beyond the scope of this paper, but will be driven by an effective, democratically accountable system of Regional Government in England of the kind Liberal Democrats have long advocated, using and building upon the Regional Development Agencies as their executive arm.

2.1.3 We recognise that there are special housing problems in rural areas. Providing affordable homes for local people to discourage them from leaving their home village should be a priority. All rural District councils should have Rural Housing Policy as part of their Local Plan. Parish Councils need help in order to carry out housing surveys to find out the special needs in their area. Older properties can then be purchased and renovated or new homes built with the help of Housing Associations local councils and the Housing Corporation.

2.2 Efficient Land Use

2.2.1 A restricted supply of land in areas such as London and the South East where there is a high demand for housing contributes powerfully to upward pressure on house price inflation. Many planning restrictions, such as the Green Belt scheme, are fully justified on environmental grounds, and should be defended, but we do need to acknowledge the consequences of these policies on housing costs.

2.2.2 There is scope for using land currently allocated for industrial development for residential use instead, thus releasing some of the pent-up demand for residential land and exerting downward pressure on house prices. Such a shift would also push up the relative cost of industrial land in ‘overheated’ areas, providing an incentive to industrial development in less congested areas.

2.2.3 A further planning-based response to shortages of residential land is greater density. In the Netherlands and Paris, population densities far higher than in Greater London and other British cities are achieved while maintaining a high quality of life for residents. In addition to making the best use of land, high densities also help to support healthy communities with a strong network of local shops and community facilities, which are more viable with larger numbers of local residents. We therefore advocate issuing planning guides on best practice in sensitive intensive development.

2.3 Conveyancing and Other Sale and Purchase Issues

2.3.1 Liberal Democrats believe that a major obstacle to fluidity in the owner-occupier market is the trauma people experience when they decide to move house. In particular:

- The way in which houses and flats are bought and sold in England and Wales whereby buyers and sellers can pull out

right up to the moment of completion, or threaten to do so.

- The near-monopoly still exerted by the legal profession in conveyancing, and the slow speed at which many operate.
- The caveat emptor principle means that the purchasers cannot be certain that the house they are purchasing is sound and correctly described.

We propose:

- A house or flat is the largest single purchase most of us ever make. Making a mistake can seriously disrupt our financial position for years afterwards. Most goods and services we buy have to be of ‘merchantable quality’ and consumers have rights in law. We would introduce this concept into the housing market by seeking to give purchasers more effective redress against surveyors for errors.
- A move towards the Scottish system where a binding commitment for the purchase of a property is made much earlier in the process.
- Encouragement to open up the conveyancing business to greater competition with a ‘CAT’ (Cost, Access, Terms) mark scheme similar to that introduced for Individual Savings Accounts (ISAs) - whereby the government specifies standards of service and speed, and charges, which would attract a CAT mark.

2.4 Leasehold Reform

2.4.1 Whilst there has been a lot of talk over the last 20 years about leasehold reform it is sadly still the case that leasehold owners of flats can be subject to appalling mismanagement of both the fabric of their flats and their service charges, with very little opportunity for redress.

We propose:

- The automatic right of ballot of all leaseholders in a block of flats to determine their ownership status, if petitioned by one-third of leaseholders.
- If a majority of leaseholders then voted in favour, ownership of freehold would transfer to either:
 - i) a company in which each leaseholder held a share; or
 - ii) 'common hold' - a form of tenure touted by both the last government and this but not introduced
- The freeholder would be compensated by being brought out by leaseholders at a price determined by an independent tribunal.
- Where such arrangements do not exist we would strengthen leaseholders' legal rights to take freeholders and/or management agents to court for negligence and/or mismanagement.

Combating Homelessness

3.0.1 The preamble to the Liberal Democrat Constitution states ‘no-one shall be enslaved by poverty’. There can be few forms of poverty more enslaving than having no roof over your head.

3.0.2 All aspects of housing policy have implications across other policy areas. Homelessness and poor housing affect health, crime and education.

3.0.3 If a child grows up in a hostel, that child may move home four times in one year. Education is severely disrupted, demands on the school’s special need support grows. For that child, combating homelessness is not only morally right but economically sound.

3.1 Prevention

3.1.1 Homelessness can be the result of a variety of causes. Examples include domestic violence, mental health problems, leaving community care, family breakdown and repossession. At present many homeless people only receive help at crisis point. Early advice when people get behind with their rent or mortgage can prevent eviction or repossession.

3.1.2 When the last government removed the duty of local authorities to find permanent housing for homeless families, originally introduced by Liberal MP Stephen Ross in 1977, they dealt a blow to the prevention of homelessness. This new government promised to “place a new duty on local authorities to protect those who are homeless through no fault of their own and are in priority need” a promise which has not been fulfilled. Liberal Democrats would restore that duty.

3.1.3 We also need to examine that duty and see if it can apply to single homeless people. Currently the most help they are given is a list

of letting agents and bed and breakfast hotels. In some parts of the country where there is a plentiful supply this may mean being offered a council or housing association tenancy furnished for young single people. Some young people may prefer to rent privately, and a local authority can help by maintaining a register of approved landlords and by giving help with the deposit.

3.1.4 Local authorities should prepare a corporate strategic plan for preventing homelessness, drawn up in partnership with the full range of relevant statutory and voluntary agencies.

3.1.5 Young people leaving care are 30 times more at risk of becoming homeless - access to the right kind of housing and the right kind of support are crucial for them to make a transition to independent living.

We support:

- Introducing a targeted Mortgage Benefit for those on low incomes
- Requiring mortgage lenders to put in place effective mortgage rescue packages
- Making health authorities responsible for ensuring that patients being discharged into the community have suitable housing arranged for them and suitably trained helpers to support them.
- Increasing the number of refuges for victims of domestic violence to at least the level recommended by the Home Affairs Select Committee in 1975, and increasing the number of refuges for Under 16s under Section 51 of the Children Act.

- Making government departments undergo homelessness audits on all new policy initiatives.
- Early entry to the Euro, to underpin interest rate stability and guard against the sudden mortgage rate hikes which have in the past undermined the ability of homeowners to manage their finances

3.2 Increasing Supply of Accommodation

3.2.1 The general housing market policies set out in Chapter Two are of course highly relevant. But there are further specific actions which should be taken to ensure an adequate supply of low cost housing, where necessary matching special needs.

3.2.2 To promote new build of affordable housing, we would:

- Give local authorities greater freedom to invest in new housing by ending ‘capping’ of council budgets, and allowing councils to raise money directly for long-term investment (see finance Chapter of Policy Paper 30 *Re-inventing Local Government* (1999) for more detail).
- Introduce greater flexibility to Housing Corporation Total Cost Indicators to allow for variance within a district, thereby making more acquisition programmes viable
- Strengthen local authority powers to insist that developers include affordable housing for local people in new developments - the requirement for affordable housing should apply to all developments including those of under 25 units
- Place obligations on Housing Associations to make properties built with government subsidised finance available for social housing for a minimum of ten years of use

- Figures for affordable housing and ‘supported housing’ should be included in Local Plans or Part II of Unitary Development Plans

3.2.3 To make empty or under-used properties available we would:

- Strengthen compulsory purchase powers for local authorities on properties left empty for over 12 months without reasonable cause, changing the restrictions on data use so that Housing Departments can access Council Tax and Revenue Department data within the same authority to identify owners of empty properties.
- Reinstate mandatory improvement grants for unfit houses; this would be subject to the property remaining in tenanted occupation at least three years after the grant is given.
- Allow councils to remove the council tax rebate for second homes
- Where ownership of second homes is squeezing out local home-buyers and causing other social and economic problems, we would permit councils to introduce a premium of up to 100% on the council tax or a flat-rate tax on second homes, and also allow councils to require change of use planning consent for the transfer of a full-time residence to be used as a second home

3.2.4 Right to Buy has been a ladder into home ownership for many, and we welcome that. It also plays a part in building mixed communities. However, local authorities and Housing Associations frequently have to sell properties at such generously discounted prices that they are unable to afford to replace them. It is the type of housing that Social Landlords already have the greatest shortage of that are most frequently sold, and Right to Buy exacerbates the shortage.

3.2.5 We believe that Right to Buy should be reformed because the rate of repossession among Right to Buyers seems disturbingly high

and would suggest that tenants are tempted into home ownership when they don't have sufficient security to maintain it. The most distressing aspect of this is the disruption to the family. Once the owners are repossessed they lose the home that was secure while they remained tenants. The dilemma facing a local authority or Housing Association who may be able to buy back the house through their acquisition programme is that they cannot necessarily justify re-allocating it to the dispossessed family when they have a list of very needy families who have been waiting a long time for just such a house. In fairness any newly acquired property should be offered to those at the top of the list. The dispossessed family must join the queue.

We therefore propose:

- Limiting the maximum discount under Right to Buy to 25% of the value of the property.

3.3 Improving Access

3.3.1 There is a need to make housing easier to access for homeless people. Confusion and injustice in the benefits system and reluctance among landlords to accept homeless tenants are important barriers to re-housing. To tackle them we would:

- End payment of housing benefit in arrears, to re-assure landlords that rent will be paid
- Restore benefits to 16 and 17 year olds
- End the Single Room Rent restrictions on Under 25s
- Streamline and make more understandable the benefits system by administering all benefits through a network of personal caseworkers

- Legislate to ensure that assessment of homeless families should take no more than 28 days, and move-on to suitable permanent accommodation ideally within 12 months but certainly no more than 2 years.
- Treat refugees and asylum seekers with humanity while their cases are assessed, and when accepted give Local Authorities the power and resources to offer housing. We would repeal the benefits and housing clauses of the 1996 Asylum Act.

3.3.2 In addition to the measures proposed above, there are many specific projects for tackling homelessness which could be employed at the discretion of Housing Authorities. We would issue a Good Practice Guide to local authorities, which would cover:

- Rent Deposit Guarantee Schemes, which enable single homeless people to get over the initial hurdle of finding a deposit on a repayable basis
- Gateway projects which provide accommodation for young people with attached visiting social workers to help young people to learn to live independently
- Foyer schemes to provide accommodation with employment training for young people
- Supported Lodging Schemes where the landlord/landlady starts in a fostering role while gradually encouraging the tenant to become more independent.
- Guidance on writing Housing Benefit forms in plain English

3.3.3 Local Authorities would also be encouraged to recognise the role of the voluntary sector in helping to fulfil the above and in sometimes providing an independent body to run such schemes.

Tackling Disincentives in the Benefits System for Housing

4.1 Introduction

4.1.1 In considering the patchwork quilt of government subsidies for housing, we should ask what purpose we mean them to serve.

- They should meet need.
- Need is both human and economic. It is the State's responsibility as protector to ensure that people have a roof over their heads. It is government's responsibility to the economy to remember that those who are not housed cannot work.
- If need is to be met, the gap must be closed between the lowest sum for which builders or landlords can provide housing, and the highest sum potential occupiers can pay. Subsidies are not the only way of doing this, but one of a number of essential tools.

4.1.2 We now have a flexible labour market, in which for many employment is intermittent and its hours variable. This clearly sits uneasily with a housing market whose costs are fixed and continuing. This goes with a growing number of households and a supply of housing which does not increase in proportion.

4.1.3 Such imbalance can be addressed by higher pay, as in the minimum wage. It can be addressed by measures to change the balance between supply and demand, such as more building or changes in the taxation regime. It is clearly utopian to imagine that the gap can be totally closed within the medium term. While this is so, low cost housing will not work without subsidy. This follows from the nature of markets. They measure demand in pounds, not in people. To expect markets in low cost housing to work efficiently is to expect them not to be markets.

4.2 The Need for Reform

4.2.1 If some form of subsidy is essential, we must identify its objectives. They are:

- To meet need.
- In case of conflict of objectives, this must be the priority. The effects of failure to meet it stretch deep into the fields of the economy and health, as well as housing.
- To control costs, and especially to avoid inflating those costs the subsidy is intended to meet. In judging this objective, it is essential to assess the elasticity of the market in which the subsidy is being spent.
- To avoid poverty traps. People who succeed in getting work should have a reasonable expectation of being better off as a result.
- To create a level playing field, in which people are as far as possible free to choose for themselves which form of housing tenure they prefer. It is not the State's business to dictate to people whether they should rent or own their own homes, but it can be argued that it is the State's business to ensure that we retain the choice. For this reason among others, treatment of owners and of tenants should be more even handed than it has been.

4.2.2 The main example of a subsidy inflating the costs it is intended to meet has been MIRAS, now happily on its way out. This is because the owner-occupied market is very elastic. At the upper end, it has an apparently inexhaustible capacity to rise. At the bottom, the 'fire sale' to cut losses means the floor is as permeable as the ceiling. It is a market particularly easily distorted by subsidy.

4.2.3 The same is not true of the bottom end of the rental market in low cost housing. There is an impermeable floor set to this market by the costs, notably those of administration and repairs. There is also an escape hatch created by the landlord's ability to sell the property and live on the interest of the proceeds. Attempts to cap the amount paid in Housing Benefit, notably the Single Room Rent, have led to landlords doing one of three things. They expect the tenant to pay the element of rent Housing Benefit does not cover, if need be out of Income Support, they stop letting to benefit claimants, or they sell the property. Hardly ever do they reduce the rent to the level covered by Housing Benefit. This evidence does not suggest that any reasonable reform to Housing Benefit will lower rent levels.

4.2.4 Nevertheless, it is hard to argue that Housing Benefit works particularly well in its present form. It is plagued by delay, and constantly strained by the endless changes of circumstance incident to the flexible labour market. It creates substantial poverty traps, and while there is little evidence that this deters people from looking for work, it does deny them the rewards of work to which they ought to be entitled. The operation of the Single Room Rent and the Local Reference Rent give little reason to suppose that tenants would be able, if they had the incentive, to shop around for a lower rent. The imbalance between supply and demand makes this a sellers' market, but were the market imbalance to be addressed, this could become a problem.

4.2.5 Nor is Income Support for Mortgage Interest working particularly well. The use of interest rates as an economic regulator creates a plague of changes of circumstance which often leave the owner-occupier struggling to pay the surplus interest out of Income Support, and often being evicted for failure to do so. The nine months not covered at the start of unemployment ensures that the mortgage holder begins their period of unemployment by accumulating substantial arrears. It is a classic case of conflict between the housing market and

the labour market. In addition, insurance companies cherry-pick by excluding from cover anyone with a genetic disorder in their ancestry, so that those who have, for example, a grandparent with Huntington's Chorea may be almost unable to own a home. It is a case in which markets are unsuited to providing a universal service.

4.3 Possible Way Forward

4.3.1 We should remove the arbitrary distinction between tenants and homebuyers. This would imply two main changes.

- Unemployed homebuyers would get the whole of their mortgage interest paid within a short period of becoming unemployed, just as unemployed renters usually get full rebates. We would disagree with the Government that private insurance is an acceptable response to this problem.
- Low-paid homebuyers would be entitled to similar support to tenants on similar wages and living in similar accommodation; this implies that the support paid to low-paid homebuyers should broadly reflect the quantity of housing services which a household of that size and composition would need to consume.

4.3.2 The main advantage of using this approach (rather than paying the actual mortgage interest costs for those in work) is that it would be administratively simple to deliver, and would not require detailed information about the claimant's actual mortgage payments. Claimants who had chosen to buy luxurious accommodation would have to either meet the additional costs themselves, or else trade down. While shopping around incentives for renters are unlikely to work, for homebuyers (above a figure which would need regular uprating for inflation) it is a different story.

4.3.3 The vehicle for delivering this approach is to hand. It is the Working Families Tax Credit, and its proposed cousin for childless

people. This could easily contain an additional allowance for consumption of housing services which is independent of tenure and which simply reflects size and composition. The advantages of this approach are:

- It removes the arbitrary distinction between homebuyers and renters, whilst retaining a shopping around incentive for homebuyers.
- It reduces the number of people who need to claim multiple in work benefits; this saves on administration costs, is easier for claimants, and ends the absurdity of 90% plus marginal withdrawal rates.
- Any extra help given to renters through this mechanism is concentrated on those in low paid employment, and therefore targets exclusively those for whom work incentives may be a problem.

4.3.4 It is essential, in the light of the history of capital limits in Social Security since 1988, that there should be provision in primary legislation for this sum to be uprated annually for inflation.

4.3.5 This system would not abolish Housing Benefit. By definition, the Working Families Tax Credit helps only those in work. Housing Benefit would be unaffected for the unemployed, pensioners, and those unable to work because of a disability. The mechanism for paying it would remain.

4.3.6 This enables us to address the problem of those for whom the Housing Allowance in the Working Families Tax Credit did not meet the whole of the cost. For owners, it would be essential that the sum should be set high enough to enable them to trade down if they were occupying a property where it did not meet the cost. If the Treasury insisted on setting it at a figure too low to make this possible, it should not be introduced at all.

4.3.7 For tenants, the case for ‘shopping around’ is inapplicable: there is very rarely property available which makes this possible. Tenants who do not get the full rent met by Housing Benefit normally end up paying the residue out of Income Support. We reaffirm the principle of the 1986 Act that Income Support is not intended to meet rent. It is hard enough to get an adequate diet on Income Support without trying to pay rent out of it as well.

4.3.8 We must therefore retain a Housing Benefit top-up for those whose rent is not met by the allowance under the Working Families Tax Credit. This can be done under the existing system, and the existence of the right would serve as a ratchet to ensure that the allowance under WFTC was adequately uprated. The alternative is to leave large numbers of tenants to choose between hunger and homelessness, and we find that alternative unacceptable. For that reason, we have rejected any system of flat-rate support for tenants which is without a top-up.

4.3.9 We have decided not to go down the route of reducing Housing Benefit tapers. Such reductions are expensive, poorly targeted and not cost-effective. They extend Housing Benefit at the upper end into the denser parts of the earnings distribution, and create new overlaps with other in-work benefits.

4.3.10 We are, on the other hand, interested in exploring a more rational basis for setting social rents in the Local Authority and Housing Association sectors. This might involve accepting Professor Peter Kemp’s suggestion of linking rents to the capital value of the property. This proposal, though, in its very nature, could not apply to the private rented sector, though it might have a knock-on effect on it.

4.4 Conclusion

4.4.1 There is no ‘perfect solution’ to problems which have defeated every Government since Asquith’s. We hope we have found measures which will alleviate the problem in some ways without making it worse in others. In the long run, a genuine choice of housing tenure at costs people can afford can only come from changes in the basic essentials of a market: supply, demand, cost and

purchasing power. These essentials may be addressed by some of the measures in other chapters of this paper, but they must also be considered all the way across government policy, and must be taken into account in measures affecting taxation, wages and the labour market. This is a very long term programme. In the meantime, these proposals will significantly improve the situation.

Housing and Sustainability

5.1 A Devolved Approach to Housing Growth

5.1.1 We do not doubt that there is a need to build a great many new houses in the next decade if we are to meet the demands of newly-formed households and provide decent homes for the hundreds of thousands of families currently living in over-crowded and sometimes squalid conditions. We also support the principle that as many of these new homes as possible should be built on recycled land and that the open countryside should be conserved as far as is possible. That is why we have long campaigned for a Greenfield Development Tax, as referred to in Section 2.5.9, to encourage developers to look for brownfield sites before taking the easy option of building in the countryside.

5.1.2 We also acknowledge the extra demands per person made for fuel and water which such expansion brings. Smaller households use more resources proportionately than larger households.

5.1.3 We do not think that decisions on the numbers and siting of houses to be built in any one area should be taken in Whitehall. The circumstances in Surrey or Berkshire are very different from those in Cumbria or Lincolnshire. We will therefore devolve to Regional Planning Conferences (and, subsequently, to the elected regional governments that we want introduced as soon as possible) decisions on the number of houses to be provided within each structure plan area and the balance between brownfield and greenfield sites.

5.1.4 This new responsibility for the regions will include an obligation to provide for the expected housing need in their areas and ensure that development is as sustainable as possible.

Structure and local plans will have to contain policies that will achieve both these objectives.

5.2 Sustainable Housing

5.2.1 The vast majority of housing being built in the UK today damages the environment almost as much as housing built thirty years ago. Our housing stock is responsible for 35% of emissions of the main gas, carbon dioxide. Homes are a prime contributor to climate change and use scarce water and other resources inefficiently. Worse, most of these homes will still be damaging the environment in fifty or a hundred years time unless considerable money is spent to upgrade them.

5.2.2 Yet the technology and practice of designing and building homes that make a minimal impact on climate change and other environmental impacts is now well known. What is more, such homes need cost little more to build and are considerably cheaper to run than the inefficient homes on offer from Britain's builders today.

5.2.3 We propose a major initiative to upgrade the quality of new homes to bring them up to the best environmental and efficiency standards. We will considerably strengthen the building regulations in terms of energy and water conservation. We also propose a major National Homes Insulation Programme covering up to half a million households a year, to improve levels of domestic energy efficiency. Revenue would be raised through a regulatory requirement on the energy supply companies to offer energy conservation work in their customers' homes, and an obligation to provide funding for Energy Saving Trust-directed investment in the poorest and worse insulated households.

5.2.4 But sustainable housing goes beyond the design of the individual homes themselves,

with layout, orientation, sewerage, water supplies, transport and other factors all being important. There is also a need to promote ‘building for life’ - designing homes so that they remain usable for people if they become disabled or infirm. We will therefore modify the planning system to oblige planning authorities to draw up their own local design guides for sustainable housing and ensure that future local plans identify certain sites that would have to be developed to meet the design guide standards. For an initial period, sites identified for sustainable design guide standards may, if the local authority so chooses, be confined to greenfield sites and would also be exempted from the Greenfield Development Tax in recognition of the learning curve that builders and buyers may have to go through before the benefits to everyone of sustainably-designed homes become apparent to all.

5.2.5 Sustainability also means the most effective use of land and the integration of land use and transport. The density of housing development should therefore be greater where there is good access to public transport or local shopping and other facilities. We would expect a sequential approach to be taken when deciding where housing should be located.

5.3 Fiscal Measures

5.3.1 At present VAT is charged on repair and improvement work but not on new buildings. This is a strange anomaly. We believe that VAT treatment should not favour one over the other. We therefore recommend:

- VAT on new build and repair work to be set at an equal level

5.3.3 At present VAT on energy conservation is over three times the rate of VAT on energy consumption. This sends the wrong signal to householders. We propose:

- Encouraging energy efficient improvements through reducing VAT on all energy-saving materials to 5%

5.3.4 At present only 56% of development takes place on brownfield sites. We would raise this towards a target of 75% helped by our ‘Greenfield Development Tax’, three quarters of which would be used to clean up brownfield sites and the remainder of which would be for the general benefit of the local community.

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 and the Welsh Liberal Democrats 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 Policy

Martin Pierce (Chair)

Sylvia Abbott

Paul Burrall

Peter Freitag

Olly Grender

Susan Heinrich

Cllr Angela Lawrence

Dr Tim Leunig

John Medway

Conrad Russell

Adrian Sanders MP

Professor Steve Webb MP

Staff:

Helen Belcher

Karla Hatrick

Christian Moon

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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