

What do we want from the next Prime Minister?



A series of policy ideas for new leadership:
Housing, Energy and Environment

Jack Airey and Benedict McAleenan

Foreword by Sir Lynton Crosby

Introduction by Dean Godson



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Foreword

Sir Lynton Crosby

Is Britain becoming a more divided nation? The polling certainly suggests as much. In 1994, when voters were asked whether immigration was a burden on the country, there was a 25-point gap between supporters of Labour and the Conservatives. By 2014, that gap had grown to 33 points. There has been even more division on display in election results. At the 2017 General Election, Labour beat the Conservatives by a remarkable 52 points among 18 to 24-year-olds. But among people over the age of 65, the Conservatives beat Labour by 29%. Age is one of the great dividing lines in our society and politics. So too is faith. Another country of birth.

Our economic fortune is another key factor. When you look at Brexit, you find that the people who swung the vote feel that the system is not working for them as it once was. Economically, they feel that they are going backwards. They cannot rely on the simple process that if you work hard, play by the rules, better your life, then you can deliver something better for future generations. We live in a prosperous country, but its prosperity has been hidden from too many people. In the year of the EU referendum three years ago, my company asked voters whether they thought their children would be better off financially than they were. Only 24% in the UK said yes. In a developing nation like India, around three quarters of people thought so – it's mainly in the West that we see this kind of pessimism.

Along with a loss of confidence in the economic and social promise of globalisation and technology, any trust indicator one looks at shows constant declines over recent years in the West in relation to institutions. The powers people relied on – religious institutions, financial institutions, political institutions, the media and more – were once the bedrock of trust and the foundation for progress. Now they are increasingly challenged by the community.

It is hard to build a national consensus amid so much polarisation, anger and declining trust. Yet that mission – to find a new national consensus – is exactly the right one and it is wise for Policy Exchange to be focusing on it in its new research on Place, People, Prosperity and Patriotism, especially as a new Prime Minister is chosen. Nothing is more important than unlocking aspiration and providing people with the opportunity to realise their ambitions.

Without finding consensus and building on it, it will be very difficult for the next Prime Minister to deliver on Brexit and so much more. And the good news is there may be more consensus in hidden areas – as Policy Exchange has shown, for instance, in its housing work, which

demonstrates that Nimbyism melts away if you build new homes in ways that are popular with existing local residents and with the wider public.

In my view, the next occupant of Downing Street should set themselves three big tasks. We need a leader of the UK who deals in hope – someone who can give people a sense of optimism about what the future can bring. We need the Government to deliver unifying economic progress – shared prosperity, and a sense of people being able to improve their lives over time. Finally, we need to make sure that politicians are connecting with the people they represent in our democracy and anchoring what they do to in the values that people hold dear. It is time, as Policy Exchange argues, to build a new national consensus.

Introduction

by Dean Godson

Where next? For the last two years, British politics has been stuck in paralysis. There has been a lot of noise and clamour, but no side seems capable of creating consensus and winning broad support. That is not to say that this is a dull time in our national debate – a deep ideological contest is under way for the future of our country. It will reverberate long after Brexit, in whatever form, is complete.

It is often said today that all the intellectual energy is on the Left. But is this true? There are no leaders of the quality of Clement Attlee on the Labour benches. There are no economists or thinkers of the ilk of Anthony Crosland. Thirty years after the fall of the Berlin Wall, we have people aspiring to power in this country who are proud to call themselves Marxists – including the Shadow Chancellor.

The problem is not that there is an absence of ideas on the centre-right. It is that they have yet to coalesce into a coherent vision of national renewal. Policy Exchange, for example, identified the plight of the “just about managing” classes in our country – the JAMs – in 2015. So many in the country would put themselves in this camp. But has enough really been done for them in the four years since? Do they think the state is on their side, or that the political class is fighting for them?

The election of a new Conservative Party leader is the moment – perhaps the last chance – to get this right. One of the greatest mistakes that the Tories could make is to play the only game that Jeremy Corbyn’s Labour Party is capable of – sectional, identity politics that sets different groups of voters against each other.

Last year, Policy Exchange organised a Conservative conference event with the title ‘Can the Conservatives win in Canterbury and in Middlesbrough at the same time?’ But you could ask the same question of Labour. As it stands, the UK risks being treated as if it exists in balkanised sub-electoral, each with niche interests and obsessions. The only way to electoral victory in this model is with temporarily cobbled together coalitions of rival groups.

Yet despite polarisation on Brexit and other issues, there is more agreement – and more consensus – among voters than often appears, and therefore more cause for optimism. This is not a jingoistic nation. Instead, there is a deep tissue of patriotism in the best sense of the word – a fidelity to constitution, citizenship and community – that has too often been dismissed out of hand. Policy Exchange’s polling on the Union revealed that a clear majority of people in the UK say their support for it has remained

constant or has risen in recent years – 78 per cent in England, 60 per cent in Scotland, 69 per cent in Wales, 70 per cent in Northern Ireland.

There is also, among immigrant communities in the UK, a complete rejection of the gatekeeper politics that sees putatively “national” representative organisations claim to speak on behalf of millions without their consent, in the most damaging form of identity politics. Only 20 per cent of British Muslims, for example, saw themselves as represented by such organisations. Fifty-five per cent of British Muslims felt ‘very strongly’ that they belonged to Britain and 38 per cent ‘fairly strongly’ that they belonged to Britain; only seven per cent did not feel a strong sense of belonging to the UK.

Consensus can be found elsewhere. Our work on lawfare – the unfair hounding of British troops through the courts – has had huge cut-through with the British public, whose outcry on the issue has forced our political and legal establishment to wake up.

The same goes for housing, where our research was based on the simple proposition that the way to overcome opposition to building more homes – so-called Nimbyism – is to make sure they are designed in a way that fits the tastes of local communities and makes our country more beautiful. This is a vision with massive support. Traditional terraces with tree-lined streets, for instance, are by far the most popular option for the design and style of new homes. They may be unfashionable among “starchitects” but they are supported by 48 per cent of the public, with some of the strongest support among working-class Ds and Es. And how many want housing developments or estates in a modern style? Just 28 per cent. Our polling shows a clear majority favour traditional design over modern developments. In housing and more, the first job of the new Prime Minister is to come up with a coherent national narrative that restores our sense of direction as a country.

There is the chance for a new Unionism, not just making sure that the individual countries of Scotland, Wales, England and Northern Ireland breathe comfortably within the shared home of the United Kingdom, but also that the Union itself is to an extent reconceptualised – so that we build a union between young and old and address the challenge of generational justice. A union between newer arrivals in Britain and long-established communities, so that suspicions and enmities can be overcome. A union between those whose faith means so much for them, and others for whom faith is vestigial and whose values increasingly shape the public space. In short, we need a new social contract for post-Brexit Britain.

Social care is one concrete policy example. It is increasingly plain to those involved in the care sector that the state should cover almost all of the costs of long-term complex social care, which can involve ruinous costs for individuals and families, particularly for those suffering from dementia in old age. It can lead to the forced sales of family homes and wipe out a lifetime of saving and hard work. This idea – effectively the completion of the Welfare State – was proposed in a recent Policy Exchange research paper and embraced, perhaps surprisingly for someone on the right of the

Conservative Party, by Jacob Rees-Mogg, who argued in the foreword that “It is far better to pool risk and for the taxpayer, where appropriate, to step in and help those who would face ruinous costs on their own, making social care largely free at the point of use.” He is surely right.

Where else could the next Prime Minister discover a quiet majority? On the environment, perhaps, where there are strong arguments to reduce carbon emissions to net zero by 2050 – with support especially high among the young. On investment in R & D and industry, especially in the North East, which could become a leader in the high-value, green economy. Certainly, on protecting British troops from pernicious forms of lawfare, which has high levels of support because of the obvious injustices involved. On education, too, where our polling revealed that poor pupil behaviour is driving teachers from the profession and undermining children’s education – 72 per cent of teachers know a colleague who has “left the teaching profession because of bad behaviour”. On countering extremism online, 74 per cent think that the big internet companies should be more proactive in locating and deleting extremist content, with 66 per cent of people believing that the internet should be a regulated space.

There is more thinking to be done across all policy areas – People, Prosperity, Place and Patriotism, as Policy Exchange’s work is organised – as a new Prime Minister is chosen. With that in mind, we will be publishing a series of proposals under these themes in the forthcoming weeks, which will seek to answer the question: what do we want from the next Prime Minister? We will also be hosting a series of events, including one in partnership with ConservativeHome, on electoral politics, housing, the economy, education, energy and the environment, lawfare and the rise of China. Only by hunting out areas of existing consensus will the next Prime Minister be able to start bringing the country together and healing the divides of last few years.

What do we want from the next Prime Minister?



A series of policy ideas for new leadership:
Housing

Jack Airey



Housing

A policy programme for overcoming the housing crisis – building beautiful homes, new towns, homes suited for older people and a new direction for helping first time-buyers

The next government should

1. Incentivise developers to build beautiful homes and places by objectively defining what is meant by ‘good design’ in the National Planning Policy Framework and giving preferential treatment in the planning system to schemes that best fulfil the criteria
2. Make downsizing a more worthwhile and attractive option for baby boomers by increasing the number of homes purpose-built for older people
3. Support the redevelopment of ‘big box’ brownfield industrial land into new neighbourhoods in town and city centres
4. Announce a strategic review of government support for first time buyers with the purpose of replacing the Help to Buy scheme in the next few years
5. Establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London

The housing market has changed significantly in the past decade. Since the financial crash, rates of home ownership have declined and the proportion of people privately renting has increased. These trends are pronounced for younger households – the rate of home ownership for 25- to 34-year-olds has dropped from 55 per cent in 2006 to 39 per cent in 2016, while the proportion of 25- to 34-year-olds privately renting increased from 25 per cent to 42 per cent. Many more young families now privately rent and many more young people are living at home with their parents.

Changes to the housing market matter because privately renting your home tends to be a very different experience to owning it. You have less security of tenure and little opportunity to make it your own or lay down roots. Renters, for example, say they are less satisfied with the liveability and cost of their home than homeowners. They are also much less likely than homeowners to say they are happy or proud of their home. Some people will rent by choice but home ownership remains the ambition of the large majority of people. Unless someone can draw down from the ‘Bank of Mum and Dad’, it now takes much longer to save for a mortgage deposit than in decades gone by.

As housing tenure was one of the strongest indicators of how people voted in the 2017 General Election, it is no surprise that housing has

become a political priority. It is a priority in terms of supporting younger generations to enjoy the same benefits of home ownership as older generations. And it is a priority in terms of giving everyone the chance to live in a home that they cherish and think is beautiful, whatever their income or circumstance. Any party hoping to govern will need a policy programme that can make the housing market fairer.

We believe a fairer housing market is one with more choice where people can live in the home they dream of and in the place they want to be. To achieve this, more new homes of the sort people want to live in should be built where they are needed. It is as simple as that. The ills of the housing market will not be solved by new supply alone, but building more and better homes that consumers and communities think are beautiful must be a central part of the next Prime Minister's agenda. This necessitates addressing three issues, each of which are linked: the cost and availability of developable land; the over-reaching planning system; and the fact that most new homes are built by a small number of companies operating near-identical business models.

A much higher ambition is needed for the built environment. Policy Exchange research shows that the public really care about beautiful buildings and places in their area – both the preservation of old ones and the construction of new ones – but they are rarely afforded a say on what is built around them. There is an opportunity for the next government to capture the public mood on this issue, both by promising more beautiful residential and commercial development; and by raising the quality of the public realm in all parts of the country, from city centres to high streets to village greens.

Building beautiful homes and places

Addressing 'Nimbyism' by building beautiful homes and places

Policy: The next government should incentivise developers to build beautiful homes and places by objectively defining what is meant by 'good design' in the National Planning Policy Framework.

Evidence shows that one of the drivers of 'Nimbyism' – when people oppose new homes being built in their local area – is the perception that what will be built will be poorly designed and ugly. The public generally take a dim view of new developments. They are often described as “soulless”, “cheaply built” and “little boxes”. Just as policymakers require developers to make Section 106 and Community Infrastructure Levy contributions to address people's concerns about the impact of new development on local infrastructure, they should also incentivise better and more beautiful development. That is what the public wants. Extensive public polling commissioned by Policy Exchange, summarised in the box below, reveals what their preferences for the built environment are.

Polling: The homes and places wanted by the public

- People want more of a say in what new homes look like in their area – 3 per cent believe local communities have the most say in how new homes are designed and built compared to 41 per cent who believe they should have the most say
- Across all socioeconomic groups, a large majority of people (74 per cent) agree that newly built homes and properties should fit in with their surroundings – with support among DEs reaching 79 per cent
- 49 percent think poor quality environments are the norm in Britain and just 17 percent disagree – 58 percent of social renters think poor quality environments are normal
- Traditional terraces with tree-lined streets are the most popular option for the design and style of new homes (supported by 48 per cent) compared to housing developments or estates in a modern style (supported by 28 per cent). The more 'Nimby' a person is, the more likely they are to want new homes built as traditional terraces with tree-lined streets and the less likely they are to want new homes built in a modern style. Support for traditional terraces with tree-lined streets is highest among C1 lower middle classes (50 per cent), skilled working classes (50 per cent) and working class and non-working people (49 per cent).
- The public want better quality and better designed buildings and public spaces – 84 per cent believe they improve people's quality of life and happiness

Polling conducted online by Deltapoll and answered by 5,013 respondents from London and the South East

Better and more beautiful building makes sense for a number of reasons. First, addressing public distrust of new building will make development easier and less risky for all types and sizes of developers – a key factor if enough homes are to be built to reduce the country's housing shortage which is thought to be around 4.7 million homes. Second, the built environment has a significant impact on people's happiness and health. Whether the place someone lives is built recently or not, everyone should be able to live somewhere that raises their spirits.

As the *Building Better, Building Beautiful* Commission reports to the Government over the coming months, now is the ideal time for the next Prime Minister to support the building of more beautiful homes and places up and down the country for everyone. It is not enough to focus on 'quality design', as the Royal Institute of British Architects has recommended to the Government's Commission. More ambition is needed. The next government should be confident both in talking about why beautiful buildings and places are important to people and in demanding that new development is more in line with the sort of environment in which the public wants to live.

As recommended in our forthcoming report *Building Beautiful Places*, to engender more beautiful development, the Government should define what is meant by 'good design' in the National Planning Policy Framework.

- Objective criteria should be introduced that proposed development schemes must meet to achieve planning consent. Local authorities should be obliged to define local standards based on local land values and consultation with the local public.

- Planners should give preferential treatment to schemes that best fulfil the criteria, not least when allocating land for development. This will incentivise an industry of ‘place makers’ rather than just house builders.

Nicholas Boys Smith

Interim Chair of the *Building Better, Building Beautiful* Commission and Director of Create Streets writing in a contribution to Policy Exchange's *Building Beautiful* essay collection (January 2019)



In 1987 a young psychologist was conducting an experiment into how repeated exposure to an image changed perceptions of it. A group of volunteer students were shown photographs of unfamiliar people and buildings. They were asked to rate them in terms of attractiveness. Some of the volunteers were architects and some were not. And as the experiment was ongoing a fascinating finding became clear. While everyone had similar views on which people were attractive, the architecture and non-architecture students had diametrically opposed views on what was or was not an attractive building. Correlations were “low or non-significant”. The architecture students’ favourite building was everyone else’s least favourite and vice versa. The disconnect also got worse with experience. The longer architecture students had been studying, the more they disagreed with the general public on what is an attractive building.

The young psychologist was David Halpern and he is now a highly influential man. He runs the British Cabinet Office Behavioural Insights team (often called the ‘Nudge Unit’). Two decades on, he is very clear that “architecture and planning does not have an empirical, evidence-based tradition in the sense that ... sciences would understand. There are very few studies that ever go back to look at whether one type of dwelling or another, or one type of office or another, has a systematic impact on how people behave, or feel, or interact with one another.”

If he is right, then the process of a professionally (not popularly) derived borough plan, of planning consent and of expert design review, is the very worst way imaginable to build our towns and cities. The very act which confers value on a site (the granting of planning permission) is a process whose key players are, empirically, the very worst judges available of what people want or like in the built environment.

Greater housing choice for older people

Supporting baby boomers to live happier and healthier lives by making downsizing a worthwhile and attractive option

Policy: The next government should aim for a significant increase in the number of new homes that are purpose-built for older people each year.

There is a shortage of homes suitable for the health and living requirements of the baby boomer generation, which is increasingly retiring from work. Unlike younger ones, older households rarely move home as their circumstances change – despite the fact that survey evidence shows a significant proportion of older people would like to move home. Data from the Bank of England shows this is largely due to a lack of suitable properties. Much greater choice is therefore needed in the housing market for older people, particularly suited to the aspirations and expectations of the baby boomer generation.

As well as supporting baby boomers to live healthily and happily for longer, this policy would free up more family homes to younger aspiring homeowners. The aim should be bringing about a societal change in attitude towards downsizing.

As recommended in Policy Exchange's report *Building for the Baby Boomers*, the Government should aim for a significant increase in the number of new homes that are purpose-built for older people each year.

- The Government should bring forward a legal and regulatory platform that enables new models of retirement housing, a new tier of innovative providers to emerge and an intermediate market to develop (one that better serves older people who cannot afford the higher end of the housing market and who are ineligible for social housing).
- The Government should remove the 2 per cent stamp duty band – which is levied on those buying homes between £125,000 and £250,000 – for older homeowners looking to move home.
- Local authorities should be flexible in requiring Affordable Housing when schemes provide a suitable amount of homes for the intermediate retirement market.

Lord Best OBE

Co-Chair, All Party Parliamentary Group on Housing and Care for Older People, writing the foreword to *Building for the Baby Boomers*



Policy Exchange's report, *Building for the Baby Boomers*, underlines the importance of far more homes being built that will attract people of my generation to downsize – to “right size”. But it also highlights the barriers to this happening and suggests ways forward. There are so many gains from a programme of new housing specifically aimed at those of us now in our “extended middle age”. Manageable, accessible, warm homes with low running costs and less risk of falls and accidents, means sustaining our independence, seeing our income go further, and keeping out of hospital or residential care.

For many older people, purpose-built accommodation also brings a social life that protects against isolation and loneliness. And, for some, it also means releasing capital to make life easier in retirement. Meanwhile, the building of new homes for the older generation means tens of thousands of family properties, mostly with gardens, becoming available to buy or rent, for the younger generation.

But despite the statistics reported by Policy Exchange demonstrating huge demand for tailor-made, high quality, “age-friendly” homes, the supply is just not there. As their work makes clear, it is the lack of suitable properties that is the biggest obstacle to older people moving home. It is clear that the major house-builders are not going to shift from their lucrative business model of volume construction of flats and small houses for younger households, subsidised by the Help to Buy scheme – which is not available to downsizers. Their market also benefits from relief from Stamp Duty for first-time buyers – but not for last-time buyers. (The APPG on Housing and Care for Older People is keen to see a Stamp Duty exemption for those over pension age: this would remove one barrier to downsizing and, surprisingly would bring in extra revenue for HM Treasury from the chain of transactions that follow when one older person makes a move.)

In increasing the supply of new homes – and helping government toward its target of 300,000 homes p.a. – the housing associations could do a lot more for this age group. However, it is clear we also need new players – specialist developers, institutional investors, SMEs and entrepreneurs – who can see the scale of the opportunity. These may also bring imaginative ideas for using modern methods of construction and for deploying new technologies to enhance our connectedness in older age. I congratulate Policy Exchange's important contribution: I hope it will help the UK toward the tipping point when all of us baby boomers see downsizing as a positive, natural progression in life.

Building on 'boxland'

Turning 'big box' industrial land into new mixed-use neighbourhoods

Policy: The next government should support the redevelopment of 'big box' brownfield industrial land into new neighbourhoods in town and city centres.

There are too many plots of land in UK cities which are dominated by industrial and retail uses in the shape of 'big box', single storey sheds. Policy Exchange has dubbed this 'Boxland'. In London there are 1,220 relevant sites with a total area of 6,122 hectares on which there are single storey big box 'sheds' accommodating a range of commercial uses.

These sorts of sites could be redeveloped as mixed use, retaining all existing commercial uses (and perhaps adding more) whilst accommodating between 250,000 to 300,000 new homes, forming an urban pattern of largely medium-rise 'London-like neighbourhoods'.

As recommended in Better Brownfield, Boxland should be used more efficiently by combining commercial and residential uses in a more efficient manner in traditional street patterns.

- City-region and local government should be encouraged to champion the redevelopment of Boxland sites.

Richard Blakeway

Chief Adviser to Policy Exchange's Housing and Urban Regeneration Unit, former Deputy Mayor for Housing, Land and Property at the Greater London Authority and former special adviser in the Prime Minister's policy unit



In all UK cities, it will be necessary for local planning authorities to look again at how land in their area is used. Trends in the economy, lifestyles and employment mean that demands on the built environment are changing quite rapidly. Local land use policies should support that, not get in the way.

For instance as Policy Exchange has argued in *Better Brownfield*, London boroughs need to review whether certain plots of employment land are being used productively. Too much space in the capital is wasted on sites currently occupied by single-storey big-box retail, surface car-parking and industrial sheds. Each of these sites could be rebuilt as mixed-use traditional style neighbourhoods, delivering beautiful and high-density housing while retaining or expanding employment space. The report focuses on London but is relevant to all urban areas where demand for housing is high.

More profoundly, the changing demands on the built environment mean that we need to look again at how urban growth is managed by policymakers. London's labour market, for instance, goes well beyond the city's outer boundary – and yet as Policy Exchange's *Tomorrow's Places* report shows there is limited interaction between local authorities on the edge of the capital and the Greater London Authority.

This example focuses on the capital and its commuter belt, but the question of how the state can best support urban growth is pertinent to all parts of the country: a root and branch review of planning policy and practice is needed that better supports people of all circumstances, the provision of good jobs, greater flexibility in how buildings are used; and, a healthier built and natural environment.

Replacing Help to Buy

A strategic review of how the Government supports first-time buyers

Policy: The next government should announce a strategic review of government support for first time buyers with the purpose of replacing the Help to Buy scheme in the next few years.

Successive governments have intervened in the housing market to support home ownership, usually by creating a product for first-time buyers to use. Government funding for the most significant variant of this in recent years, the Help to Buy Equity Loan scheme, is set to end in 2023. The scheme has helped a great many first-time buyers to purchase their home sooner than would have been otherwise possible. With the overwhelming majority using the scheme to buy new build homes, it has also supported supply.

However Help to Buy has not been without problems or complications. For instance, it is thought that the scheme has inflated prices in the new build housing market. There are also concerns about the dependence of house builders on selling homes to consumers who use a scheme which is reliant on state support. Both of these concerns are especially important after the widespread public anger over the £75 million bonus that was paid to the former Chief Executive of a house builder who sold around 60 per cent of its private homes using the scheme last year and made £66,265 per home sold (which had an average value of £216,000).

As Help to Buy draws to a close, the next government should urgently look again at how it helps first-time buyers and consider a new programme of assistance that goes beyond mortgage financing.

The next government should announce a strategic review of how it supports first-time buyers.

- This review should consider all aspects of housing policy, not least policy tools related to land, planning and government funding.
- The strategic review should explore new forms of capital products, for instance models that use Peer-to-Peer lending platforms.

Sir Robin Wales

Senior Adviser at Policy Exchange on Local Government, Skills and Housing and former Mayor of Newham



There is a crisis in housing affordability. Its epicentre is London, but it also extends into the South East and to regional city centres. We think of this crisis as a consumer issue, with many people believing they are spending too much of their income on housing. We also tend to think of it as a political issue, with political parties of all stripes promising to 'solve the housing crisis'. But it is also an issue for businesses, with survey after survey showing that they are increasingly concerned about the impact of the housing market on their capacity to operate.

The CBI, for instance, has recently warned that a lack of affordable homes is hitting productivity by undermining businesses' ability to recruit and retain staff. A Grant Thornton survey also found that 84 per cent of businesses in London believe the capital's high housing costs and housing shortage pose a risk to the capital's economic growth. Some businesses have gone as far as warning that they might need to relocate their business to cope with these pressures.

For public sector workers, the state as an employer has attempted to directly address their housing issues through schemes such as 'Key Worker Housing'. In the early 2000s the Government began an initiative that targeted affordable housing allocations towards particular workers, for instance nurses and teachers. Although there were questions around the definition of a 'Key Worker' and the stock of homes reserved for them is today relatively low, the initiative spurred some public sector employers like NHS Trusts to develop homes for their staff themselves.

For private sector employees, however, there is precious little support to deal with escalating housing costs. There are examples of companies helping staff with financial support such as commuting costs or tenancy deposit schemes. Starbucks, for instance, provide Tenancy Deposit Loan Schemes to their employees. A very limited number of companies are providing housing themselves, Deloitte being the most notable. Yet these examples are few and far between: private employers rarely intervene in the housing market.

Historically this hasn't always been the case. Examples abound of companies directly intervening in the local housing market to support their employees. Largely driven by the religious impulse of individual company owners, Bournville, Port Sunlight and Saltaire stand as testament to private companies taking their fiduciary relationship seriously.

In an age where more and more people can work remotely, company housing provided along Victorian lines is unlikely to be suitable to a modern economy and society. The labour market is too fluid and flexible. Businesses mostly provide services rather than goods, so people tend to work in offices rather than factories.

Yet as workers struggle with the challenges of rising housing costs and not enough affordable homes are built where they are needed by traditional house builders, new solutions are needed. The next government must ask: who are the private sector companies prepared to build 21st Century company housing, and how can we support them?

A modern generation of beautiful new towns

Building 15 new places in the areas where the housing shortage is most acute

Policy: The next government should establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London.

The system by which new homes are planned for in and around the capital has failed to deliver enough homes. London is the epicentre of the UK's housing shortage. This is likely to continue because the Mayor of London's draft new London Plan struggles to identify enough land for enough new homes to be built on and accommodate the other growth needs of London, while new 'Garden Communities' supported by the Government are too far from London. Many of them might not be built at all. Furthermore, local planning policy barely functions in local authorities on the edge of London. Very few have up-to-date or legally-compliant local plans.

As recommended in Policy Exchange's report *Tomorrow's Places*, the Government should establish a Department for Growth with responsibility for delivering 15 beautiful new towns on the edge of London.

- 15 new towns should be built along the major transport routes extending out of London.
- Development Corporations should be established where appropriate, to lead the delivery of each new town, with responsibility for land assembly, local planning and securing partnerships with the private sector.
- It is essential that each new town is beautiful with quality controlled through the development's masterplan and design code.
- The level of and access to Green Belt land can be protected when swapping land uses in the local area.

The Lord Wolfson of Aspley Guise

Chief Executive of Next and founder of the Wolfson Prize, writing the foreword to *Tomorrow's Places*



The 2014 Wolfson Economics Prize asked how a new Garden City could be delivered that is visionary, economically viable and popular. We received an astonishing 279 ideas, of which we shortlisted five finalists. The winner, an idea by the urban designer David Rudlin to double the size of 40 towns and cities, was quite brilliant. I felt sure we had unearthed policy proposals that could begin to address this country's longstanding undersupply of new homes, of the sort that are popular with the public and in the places where they want to live.

It was a heartfelt disappointment to me that within hours of the winning entry being announced, the then Department for Communities and Local Government had rejected our ideas. The proposals were labelled as "urban sprawl", from which the country would be protected – this is despite the same government promising a couple of years earlier to "think big" on garden cities.

It was no coincidence that a general election was taking place nine months later, in May 2015. This narrow-minded approach to dealing with the country's housing crisis is depressing and unfortunately all too familiar. Although some progress has been made by this Government in developing garden communities, these developments are currently too small and their number too few to have a significant impact on housing numbers. The Government's garden communities programme supports 23 places to deliver around 200,000 homes by 2050.

In contrast, David Rudlin's winning entry from 2014 set out plans to provide homes for 150,000 extra people in each of the 40 towns and cities. London's strategy for dealing with the lack of homes is equally deficient. It sets a target of building 66,000 new homes per year but does not identify enough land for them to be built on: too many of the sites where people actually want live have been closed off. I fear that London's plight reflects an all too common theme – the homes we need sacrificed at the altar of short-term political gain. It is another chapter in the tragedy of British home building; our planning system is simply not delivering enough homes and our leaders dare not change the status quo.

Despite the abundant rhetoric nothing changes, inertia slowly robs the next generation of the homes it deserves. Much greater ambition is needed by all levels of government in dealing with the undersupply of homes in London and the South East – and Policy Exchange has provided a plan for doing that. It builds on the vision and principles the Wolfson Economics Prize promoted in 2014 and outlines a strategy that can be supported by central government and the Mayor of London.

Political leaders who want to win the support of young millennial renters should read Policy Exchange report, *Tomorrow's Places*, and act on it.

What do we want from the next Prime Minister?



A series of policy ideas for new leadership:
Energy and Environment

Benedict McAleenan



Energy and Environment

A policy programme to enhance the environment, tackle climate change, protect consumers and spread regional prosperity

Raising the UK's ambition on climate

Policy: Commit to a net zero greenhouse gas emissions target by 2050, in line with the recent advice of the Committee on Climate Change - subject to further detailed investigation of the costs, technical feasibility, and policies required to meet this target.

The next government should:

1. Aim for a target of net zero greenhouse gas emissions by 2050
2. Reduce the cost of electric vehicles to achieve mass adoption, as well as invest in the necessary charging infrastructure.
3. Undertake far more detailed analyses to understand the costs and practicalities of getting to net zero, and the policies required to drive this transition whilst minimising the cost to consumers and taxpayers
4. Consider a carbon border tariff to reduce emissions, support British industry and distribute the proceeds on a progressive basis to protect low-income consumers
5. Establish a commission to bring together various environmental and conservation agencies, promoting a 'natural capital' strategy for each river basin and better co-ordinate protection and sustainability

Over the last thirty years, the UK has been one of the leading advocates globally for more ambitious action to address climate change by reducing greenhouse gas emissions (GHGs). Margaret Thatcher famously highlighted the risk of climate change in a speech to the UN General Assembly in 1989 – one of the first heads of state to make such a public statement on the issue. She emphasised the need for coordinated international action on climate. The subsequent Rio Earth Summit in 1992 led to the creation of the UN Framework Convention on Climate Change.

Fast forward to 2008 and through the Climate Change Act, the UK set in legislation the most ambitious set of emissions targets of its time – to reduce GHGs emissions by 80% by 2050, relative to 1990 levels. The UK has since made great progress against these targets – reducing GHG emissions by 43% compared to 1990 levels as of 2018. The vast majority

of these emissions reductions have come in the power sector, through the phase out of coal and development of renewables. In 2015 the Government committed to phasing out coal completely by 2025 at the latest. In Spring 2019 Britain saw an 18-day stint with no coal generation in the power system at all – the longest period without coal power since 1882.

Global ambition has also ramped up in recent years – with the ratification of the Paris Agreement in 2016, which set a goal to limit global warming to well below 2 degrees above pre-industrial levels, and an aspirational goal to limit warming to 1.5 degrees. Hitting the 2 degree target requires global emissions to fall rapidly and hit net zero by 2075, with developed nations reaching this threshold by around 2050.

In this context, the UK's Committee on Climate Change recently advised the UK Government that based on the Paris Agreement and latest science, the UK should aim for a target of net zero greenhouse gas emissions by 2050. In doing so, the UK would be amongst the first nations to set a net zero target. The CCC undertook a review of the feasibility, costs and benefits of meeting this target – concluding that this is feasible, and the resource costs would be in the order of 1-2% of GDP per annum (this cost is partially or fully offset by co-benefits such as improved air pollution and health). That it not to say that delivering net zero is easy: it will require a concerted and sustained effort to transform our energy system and wider economy, at significant capital cost.

Whilst decarbonising the power sector to date has been relatively straightforward, this is not the case for other major sources of emissions such as transport, heating, and industry. Our previous report, *Too Hot to Handle*, highlights the difficulties involved in decarbonising heating – for example switching 80% of households to low carbon heat sources could cost in the region of £200-300 billion in capital costs alone. Our subsequent report, *Driving Down Emissions*, highlights the challenges of decarbonising road transport – in particular the need for further reductions in the cost of electric vehicles to achieve mass adoption, as well as investment in the necessary charging infrastructure. Decarbonising transport will also create significant fiscal challenges: the UK Treasury currently raises around £30 billion per annum through fuel duty and road taxes, but these receipts will decline rapidly as we move to low carbon forms of transport, leaving a large gap in public finances.

Beyond setting the net zero target itself, there is a need for more detailed investigation of how it can be delivered. Over the next 1-2 years the Government and its advisors (such as the CCC, Ofgem and Energy Systems Catapult) should undertake far more detailed analyses to understand the costs and practicalities of getting to net zero, and the policies required to drive this transition whilst minimising the cost to consumers and taxpayers. The Government needs to develop a plan for how this can be delivered on the basis of conservative, centre-right values. This is about using market-based incentives, well-designed regulation, innovation policy, and joined up institutional frameworks within Government to encourage companies to invest in the energy transition – delivering profits and environmental

benefits at the same time. An innovative, pro-growth green narrative.

There is broad public and political support for a net zero target. Recent polling suggests that nearly 60% of people support the idea of setting a net zero target for 2050, with fewer than 10% opposing it.¹ Younger people in particular are demanding more action on climate – as exemplified by the recent school climate change protests. A recent YouGov poll found that the number of people naming climate change among the country's top three issues has recently surged to its highest level in at least a decade. A majority of MPs recently supported a motion for the UK to declare a climate and environmental emergency.²

Richard Howard

Former Director of Development and Head of Energy and Environment at Policy Exchange



The next Prime Minister and administration needs to grasp the nettle and commit to bold action on climate – setting a net zero greenhouse gas target for 2050. This should be followed by further investigation of the costs, feasibility and policies required to meet this target at the lowest possible cost to consumers and taxpayers. The centre-right needs to develop and articulate a positive pro-growth climate narrative, and set of market-based approaches and policies to deliver this bold ambition.

Reducing carbon in the economy

Implementing an independent carbon tariff with dividends in the UK

Policy: To reduce carbon emission, level the playing field for British industry and protect low-income households, the UK should examine the introduction of a carbon tariff at the UK border and distribute the proceeds UK citizens on a progressive basis.

A economy-wide carbon tax paid by both domestic and international producers would prevent carbon leakage, level the playing field for Britain's heavy industry, fund a dividend to be paid to taxpayers and tackle climate change, as set out in Policy Exchange's report, *The Future of Carbon Pricing: Implementing an independent carbon tax with dividends in the UK*. A better approach would reduce the cost of decarbonisation, prevent the offshoring of emissions and make carbon pricing more popular.

The UK is already a world leader in climate action and should build on our track record to implement a system of carbon pricing that really works, overcoming a market failure that does great harm to the environment. Although Brexit makes it likely the UK will leave initiatives overseen by the ECJ such as the EU's Emissions Trading Scheme, the UK should remain a member of the ETS until the end of the third trading period at the start of 2021. At this point, Policy Exchange recommends that the UK should take the opportunity to innovate in carbon pricing with an independent carbon tax which would:

1. <https://www.independent.co.uk/news/uk/politics/climate-change-greenhouse-gasses-public-support-poll-greta-thunberg-a8909641.html>
2. <https://www.theguardian.com/environment/2019/may/01/declare-formal-climate-emergency-before-its-too-late-corbyn-warns>

- Be steadily rising and economy-wide, paid by companies that sell fossil fuels in the UK (though ordinary citizens will be protected from price rises through the recycling of tax revenue back into their pockets). The tax would initially continue at the level at which the UK leaves the EU ETS in 2021, and steadily rise at a rate set by an independent body such as the Climate Change Committee to give the policy institutional certainty and bankability.
- Be structured around border carbon adjustments, to create a level playing field for domestic and international producers so that companies which export carbon intensive products into the UK will be subject to the same level of carbon tax as domestic producers, helping industries like the British steel sector. The Climate Change Committee recently said this concept should be examined as part of measures for the UK to reach 'Net Zero' by 2050 and is one of the options outlined in the live Government consultation 'The future of carbon pricing'.
- Fund dividends from carbon taxation that are returned directly to the public in an annual lump sum, to lock in political and public support for fighting climate change. People would be able to borrow against their future dividend payments for investments in energy efficiency.
- Allow a rationalisation of environment regulations without reducing environmental protection, as an economy-wide carbon tax will make a number of existing carbon taxes and policies redundant. Eventually at least 10 direct carbon taxes would be rationalised into a single unified price paid for emitting carbon dioxide and other greenhouse gases in the UK. For example, we would no longer need the Climate Change Levy, but we should continue with energy efficiency standards and energy labelling.

Alistair Darling and William Hague



The UK has consistently led the world in responding to the threat of dangerous global warming. By signing into law the Climate Change Act in 2008, with cross-party support, we were the first country to set legally binding targets for reductions in greenhouse gas emissions.

"However many challenges remain, most notably that of carbon leakage whereby energy intensive industries move abroad to avoid environmental taxes. Cleaning up our own energy system will mean little if we simply outsource our emissions. In the absence of a unified global carbon tax, border carbon adjustments are essential to ensure that British businesses are operating on a level playing field with those that are foreign-based. This is a clear plan for how this would work in practice.

"In our drive to decarbonise the economy, it is important that we take people with us. If carbon taxes are seen to unduly punish that average citizen, they will fail. That is why Policy Exchange's idea of recycling the revenue from carbon taxation back to the people in the form of a 'carbon dividend' is worth exploring. It would make a carbon tax both progressive and popular.

Hydrogen

Encouraging cleaner energies while supporting regional economies

Policy: The Government should coordinate the funding of R&D to reduce the cost of producing hydrogen-based fuel and focus on Scotland and the North East of England as the places best placed to realise the gains of hydrogen-based fuels.

Scotland and North East England offer the best opportunities for successful hydrogen production hubs, while investment in cost-effective hydrogen production technologies – such as electrolysis – would open up export opportunities and address both the Industrial and Clean Growth strategies, according to Policy Exchange’s *Fuelling the Future*.

- The hydrogen economy offers big opportunities to decarbonise (as noted by the recent report of the Climate Change Committee), but without coordinated leadership from industry and central government (targeted at lowering the cost of sustainable production) we will not benefit as we should.
- As part of the Industrial Strategy Challenge Fund, investment should be focused on R&D to lower the cost of hydrogen production via methods like electrolysis, which has the potential to provide flexible services to help balance intermittent renewable energy.
- In the short term, long distance freight offers the best opportunities for implementing hydrogen use at scale, and national and local government should work with the private sector to invest in the necessary refuelling network as well as innovation grants for pilot programmes.
- Hydrogen production using electrolyzers and ‘spare’ curtailed wind can replace less than 1% of the gas used in domestic heating, while production using fossil fuels is incompatible with domestic decarbonisation targets without carbon capture and storage (CCS). Scotland and the North East of England are the best places in the country for decarbonised hydrogen production hubs using renewable energy and/or CCS so the Government should consider targeting investment there.

Ben Houchen

Tees Valley Mayor



Hydrogen has been used industrially for generations, but a new era presents us with new opportunities. It can play a leading role in heating and powering our lives and can reduce the environmental impact of doing so.

Tees Valley currently produces 50% of the UK's hydrogen. We have a strong base from which we can do more. As policy develops we need informed debate. It is important to understand the wide range of opportunities, from home heating to fuel cell vehicles, and to carefully consider how best to pursue them.

The UK is well placed to be a world leader. We have strong clusters of relevant industry and production. We have a significant domestic demand and the potential to meet it. We should grasp the opportunities that the hydrogen economy represents.

I want the UK, and Tees Valley, to lead the way in developing the hydrogen economy, creating jobs and reducing environmental impact. Informed debate is needed as we set off down this path. It seems likely hydrogen will be an even larger part of our future than it has our past. It is right that we plan for it now.

Nuclear

An important low carbon technology which the UK must continue to back alongside renewables and Carbon Capture and Storage (CCS) if the UK is to meet the net zero target

Policy: The Government should ensure any continued support of nuclear in the UK includes a 'twin track' approach of deploying third and fourth generation technologies alongside large-scale reactors. In the near term at least one Small Modular Reactor (SMR), based on well-known light water reactor technology, should be deployed with an aim to demonstrate the technology and reduce cost, whilst more advanced designs should be supported through R&D funding. Government should work towards a nuclear sector deal with investments made to maximise exports of British skills and IP.

The electrification of our energy system, in particular the switch to electric vehicles and heating, means we need to significantly expand low carbon sources of electricity to replace existing capacity and meet rising future demands for power. The variable nature of solar and wind means that we cannot rely on them to meet our power needs 100% of the time – even with significant volumes of storage.

Buying electricity through interconnectors from other Western European nations will be increasingly challenging as our neighbours also turn to renewables which may be correlated with our own. Renewables can be backed up with storage technologies such as batteries and hydro, but only at present for periods of hours, not days. We do not yet have the low carbon technologies to back up renewables over longer periods such as inter-seasonally.

Our previous report *Small Modular Reactors: The next big thing in energy?* suggests that nuclear should continue to play a role as part of our low carbon mix. In particular it recommends:

- Use SMRs as part of our energy mix to reduce the system costs of decarbonisation, thereby reducing consumer bills in the long term.
- The Government should proceed swiftly with the development of at least one third generation (Gen III) small modular reactor design
- Develop the technology to create hydrogen using nuclear power – such that this hydrogen can be used to decarbonise heating and transport.
- Commission polling of populations closest to potential sites for SMRs to inform decisions on where they are located.

Dr Matt Rooney

Former Research Fellow in the Energy and Environment Unit at Policy Exchange



In the next decades, we are going to need previously unthinkable levels of new low carbon electricity capacity for charging electric vehicles and to replace coal and gas. Whilst the cost reductions of solar and wind power have been impressive, their very nature means we can't rely on them 100% of the time without investing huge amounts in storage technology.

There is no other low carbon energy which can match nuclear power for scale and reliability, as well as the potential to use it for other services like district heating and hydrogen production. The development of nuclear, including small modular reactors, should continue to be a key pillar of government energy policy.

Environment

A range of environmental principles need to be ingrained in a new institutional system if we are going to reverse natural decline

Policy: a commission should be created with the responsibility of creating natural capital improvement strategies for each river basin. These strategies should become the framework within which 'net gain' and payments for ecosystem services (PES) are made.

Shifting from the EU's CAP presents a major opportunity to reward improvements in our natural environment. DEFRA's adoption of the 'net gain' principle reflects Policy Exchange's recommendations in its 2012 *Nurturing Nature* report. The report also highlighted a lack of transparency in offsetting mechanisms and a need for market-based approaches that achieve better ecological outcomes through the CAP's Pillar II. Our *Farming Tomorrow* report highlighted the many opportunities for Payments for Environmental Services in a post-Brexit British Agricultural Policy.

To bring these policies together

- Government should create a new commissioning body, a Natural Capital Commission, with the remit of creating a natural capital improvement strategy for each major river basin, similar to a local authority's Local Plan. These strategies would provide a more transparent framework for implementing and monitoring 'net gain' offsetting projects under the NPPF, a new home for a streamlined afforestation grants system and a mechanism for making Payments for Ecosystem services.
- Funding from various sources (e.g. carbon taxes, pollution penalties, 'net gain' developer payments) could be paid out in an auction system that reflects the strategic objectives in each river basin. This would allow a wide range of stakeholders, from farmers to wildlife charities, to receive payments for natural capital improvements through a cost-effective, market-based mechanism.
- DEFRA's proposed 'Office for Environment Protection' could then hold the Natural Capital Commission to account for its delivery of these strategies.



What do we want from the next Prime Minister? New ideas for the UK's future are plentiful. Brexit has increased the number of potential futures for our country. But as yet a new national consensus – a governing philosophy with a broad basis of support and an exciting policy agenda to match – has proved elusive.

Policy Exchange believes that such a consensus is within our grasp and is the only basis for a process of national renewal. This publication forms part of a complete set of policy ideas on these issues and more.

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