

# **STRONG FOUNDATIONS** **BUILDING HOMES AND** **COMMUNITIES**

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**Nurturing Responsibility**  
Policy Green Paper No.10



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## Foreword

In the last few months I've been setting out our vision for Britain's economy. Our plan is for an economy where government and citizens can live within their means and everyone has the chance to own their own home. An economy that's better balanced, more productive and more modern. An economy that's greener, more local and more family-friendly.

Since then, in a series of green papers, we have started to set out in detail the policies that will realise this vision. This report outlines our approach to fixing Britain's unstable housing market, putting communities in charge of their development, and giving everyone the chance to own all or some of their own home.

Few policy areas are as central to our lives as housing. We spend more of our hard-earned money on buying our houses than on anything else. We spend more of our free time in our homes than anywhere else. Whether you're devoting your weekends to home improvements, or working long hours so you can afford to move out of your parents' house – homes, or the lack of them, shape all of our lives.

Britain's housing market has been stuck in a vicious spiral of boom and bust. Under Labour we have built too few homes, in the wrong places and of the wrong kind, while the explosion of unregulated household debt has encouraged speculation on the housing market. We have swung from a crisis of affordability to a housing crash in a matter of months, with devastating effects on families, communities and the wider economy.

But houses are not really like every other investment. While houses may have a price, homes have a value. We need to kick our addiction to house price volatility and concentrate on making sure we build enough homes so that every community can meet its housing needs. Crucially, this must be led by communities themselves. I believe that local people – not distant bureaucrats or top-down targets – should be in control of the way their villages, towns and cities develop.

And we need to give people a better chance to work towards a home of their own. Thirty years ago Margaret Thatcher's Right-to-Buy scheme gave millions of families the chance to reduce their dependence on the state and start to build up their own assets. But under Labour social housing has become a drag-anchor on social mobility.

Generations of families are trapped in social housing, denied the chance to break out or to buy their own property. I don't want a child's life-story to be written before they're even born, and a responsible housing policy which helps people up and out of dependency can help re-write that story.

This report explains in detail how Labour have caused this housing crisis, and what a Conservative Government will do to stabilise our housing market, empower our communities, and provide everyone with a high quality home of their own.





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# 1: Executive Summary

## Gordon Brown's 'boom and bust' housing market

The origins of the housing crisis that Britain is now experiencing can be traced to two fundamental errors of judgement made by our current Prime Minister. The consequences of these historic mistakes have been twelve years of boom and bust under Labour, wreaking incredible damage on Britain's families, communities, construction industry and wider economy.

Gordon Brown's first error of judgement was to mask Britain's falling productivity by helping to create an explosion of debt-fuelled growth. The build up of individual, commercial and government debt in the late 1990s and early 21st Century led to years of rampant land value inflation, particularly in the housing market. This error was compounded by the then-Chancellor's reassurance that there would, in his words, 'be no return to boom and bust', a statement that encouraged people to believe that investing in housing was a one way bet. As a result, millions of families were persuaded to take on huge debts which, in many cases, they had no chance of being able to service if the economy turned down or they lost their jobs.

Gordon Brown's second error of judgement was his fervent but erroneous belief that top-down control of the British economy and society would deliver results. Labour's obsession with centralisation and determination to overlay unaccountable bureaucracy on every sphere of British life led to a severe shortage of new housing. Developers found themselves bound in more and more red tape; communities became increasingly hostile to imposed and insensitive building targets; and, Labour's planning rules led to the construction of too many flats and too few family homes. As a consequence, this Government has delivered 24,000 fewer homes a year than the last Conservative Government and house-building has now slumped to historically low levels. The top-down, target-led approach has comprehensively failed to meet Britain's housing needs.

Too much cheaply available debt chasing too few suitable homes. A crisis of affordability, with younger and poorer people priced out of the market and 1.8 million families on waiting lists, followed by a housing crash with tens of thousands of repossessions and one-in-four mortgage-holding homeowners in negative equity. This is the grim reality of Britain's housing market under Gordon Brown.

## Our plans for a more sustainable housing market

### Community-led housing

The seeds of the next housing bubble have already been planted by Labour's persistently low rates of house-building, so unless we make serious changes now, a wasteful and painful boom and bust cycle could happen again. Our first challenge, therefore, is to deliver enough of the homes people want, in the places people want them, in order to meet Britain's unmet housing need. The first thrust of our reform will be to abandon the Government's failed top-down, target-led model of imposing development on communities, which has comprehensively failed to meet this goal. Instead, we will move to a more sustainable system that uses radical new freedoms and powerful incentives to enable communities to deliver the new housing they want and need.

We will:

- Abolish the unsuccessful regional planning system and the counterproductive regional housing targets;
- Incentivise new house-building by matching local authorities' council tax take for each new house built for six years – with special incentives for affordable housing;

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- Allow the creation of entirely new bodies – Local Housing Trusts – with new freedom to develop homes for local people, as long as there is strong community backing;
  - Relax the rules that prevent thousands of habitable empty properties being used to house those on local authority waiting lists; and
  - Broaden access to the government's databases of surplus public sector land and buildings, to enable members of the public to identify vacant government land that should be available for house-building.

### **A planning system that delivers**

Under Labour we have seen a massive centralisation of planning, with regional and central government intervening to ride roughshod over local people's views – especially about their own surroundings. The inherently adversarial nature of the planning system ensures that all parties spend large amounts of time and money fighting each other, rather than seeking an agreed solution. The result is that local communities, in particular, feel that their opinions are being ignored and that they are having development imposed upon them.

In order to unleash a new wave of community-led development, local people need to become part of the solution, rather than being seen as most of the problem. We believe that if communities lead development, local people will take greater ownership and more homes will be built as a result.

We will:

- Ensure that the views of local residents are genuinely taken into account at the start of the planning process, by making pre-application consultations between developers and local people mandatory for major applications;
- Enable councils to revise their current local plans to protect Green Belt land and prevent the imposition of eco-towns against local wishes;
- Reverse the classification of gardens as brownfield land and allow councils to prevent over-development of neighbourhoods and stop 'garden grabbing'; and
- Guarantee that councillors have the freedom to campaign and represent their constituents on planning issues.

### **Social housing that helps not hinders**

Delivering sufficient new housing (both market housing and affordable housing) is only part of the solution to the housing crisis we face. It is also necessary to deal with the problems affecting the existing social housing stock; in particular we have to tackle the effect that long term residence in social housing can have on the prospects of those tenants.

There is well-documented evidence that the inflexibility of our social housing system can have a major and negative impact on people's aspirations and mobility. The chronic lack of turnover in the social sector means that whole generations are growing up, living and dying in the estates where they were born.

We will help the many social tenants who aspire to become owner occupiers to realise their ambitions. And for those that don't want to leave or can't leave the sector, we will increase opportunities for geographical mobility.

We will:

- Pilot 'Right to Move', a scheme which allows good social tenants to demand that their social landlord sell their current property and use the proceeds, minus transaction costs, to buy (and thereby bring into the social rented sector) another property of their choice – anywhere in England;

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- Re-introduce a comprehensive national mobility scheme for those tenants who wish to move to existing social sector properties;
  - Offer good social tenants a 10% equity share in their social rented property, which can be cashed in when they leave the social rented sector;
  - Strengthen shared ownership options by encouraging flexible equity stakes, working to get greater private sector involvement in shared ownership, and ensuring that shared ownership buyers are not treated as sub-prime borrowers;
  - Ensure that tenants moving within the social sector keep their Right to Buy discounts;
  - Instigate a formal review of waiting lists policy to make the system more fair and transparent; and
  - Implement a range of policies to address the problems of homelessness.

## **Housing that contributes to a low carbon economy**

We are determined that Britain becomes a low carbon economy. To achieve this we will not only need to develop the new energy generation technologies of the future, we will also need to reduce emissions from the principal non-energy sources of carbon, including housing.

The most urgent challenge in reducing carbon emissions from housing is to dramatically improve the energy efficiency of existing housing stock. Not only will this lower our carbon emissions but it will help prevent more and more people falling into fuel poverty over coming years.

We want to use incentives to get people to the point where it becomes the norm to make cost-efficient low carbon choices in their existing homes – such as installing low energy light-bulbs and effective roof and cavity wall insulation, as well as saving energy by switching off appliances when they are not being used.

We will:

- Scrap the discredited Home Information Packs (HIPs), liberating Energy Performance Certificates to genuinely help people improve the environmental standing of their property;
- Allow all households to benefit from lower fuel bills with an entitlement to have £6,500 worth of energy efficiency improvements done to their home - the costs being recovered automatically through the household energy bill over a period up to 25 years;
- Permit employers to count carbon reductions they achieve in employees' homes towards their own emissions reduction targets;
- Ensure that every gas and electricity bill contains information which allows each household to compare their energy consumption with average households of a comparable size; and
- Support the 'Merton Rule' which gives local authorities the powers to set renewable and low carbon energy targets for new development.

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## 2. Labour's failure: housing boom and bust

Gordon Brown's mismanagement of our economy has left Britain almost uniquely exposed among developed countries to the major economic crisis currently afflicting the world. We lurched into recession with one of the biggest budget deficits in the world and Gordon Brown is now borrowing at record levels to finance his spending. Public net debt will hit more than £1 trillion by 2012.<sup>1</sup>

One of the worst aspects of this irresponsible approach to debt has been its impact on people's own finances. Gordon Brown has still refused to acknowledge the dangerous asset bubble that emerged in the housing market, partially as a result of his own regulatory changes which meant that neither the Bank of England, the Financial Services Authority or the Treasury were in a position to 'call time' on mortgage lenders who unreasonably strained their balance sheets. All the warnings over high-risk credit and lending were ignored by the Government, leading to personal and private debt reaching historic levels. A debt-fuelled boom was followed inevitably by bust, the consequences of which are hitting families hard.

The collapse of our housing market is both a cause and a consequence of the severity of our present recession. The latest European Commission analysis shows worse is coming for the UK economy, with a further contraction of 2.8 per cent predicted for 2009. This is a poorer economic forecast than that for the US, Japan and all EU countries save for Latvia, Lithuania, Estonia and Ireland.<sup>2</sup> Unemployment is rising sharply and predicted to peak at over 3 million. The homes of millions of families are now at risk.

### 2.1 Unstable Foundations

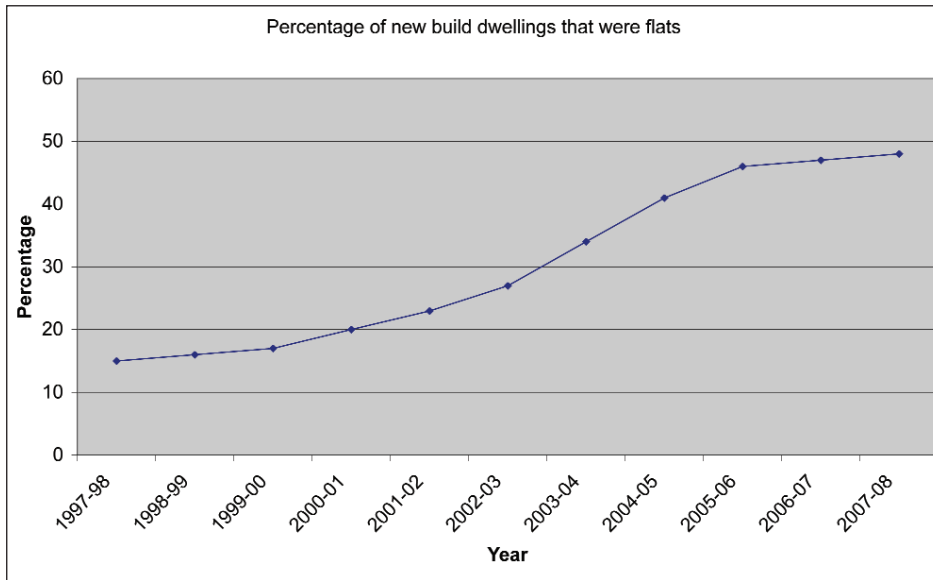
#### 2.1.1 The failure to build

In addition to stoking the debt-fuelled housing boom, Labour has overseen another failure: a sustained shortfall in housing development over the last 12 years. The number of households in England has increased from 19.9 million in 1997 to 21.5 million in 2006, and is projected to be 22.7 million by 2011 and 25.4 million ten years after that. Part of this upwards trend is due to basic demographics – with people living longer – but is also affected by our high rates of family breakdown.

Yet, despite the clear and pressing need for more homes to meet growing demand, the rate of house building since Labour has been in office has dropped by almost 24,000 homes a year – to around 147,000 – compared to the levels under the previous Conservative government.<sup>3</sup> And, as Gordon Brown's recession bites, the situation is getting worse – the rate of new housing development has dropped to levels not seen since 1946,<sup>4</sup> with predictions that it could fall next year to its lowest level since 1921.<sup>5</sup> This is in spite of Labour's army of Whitehall bureaucrats armed with a succession of grand plans for housing, and the Government's endless trumpeting of their 'bold' target to build three million new homes by 2020.<sup>6</sup>

But there has not just been a desperate lack of homes built. Thanks to Labour's top-down Whitehall targets which constrain housing choice, too few of the properties that were built are of the kind that people actually want. In particular, 48 per cent of all new completed dwellings in England in 2007-08 were flats – a proportion that has more than trebled over the last decade.<sup>7</sup>

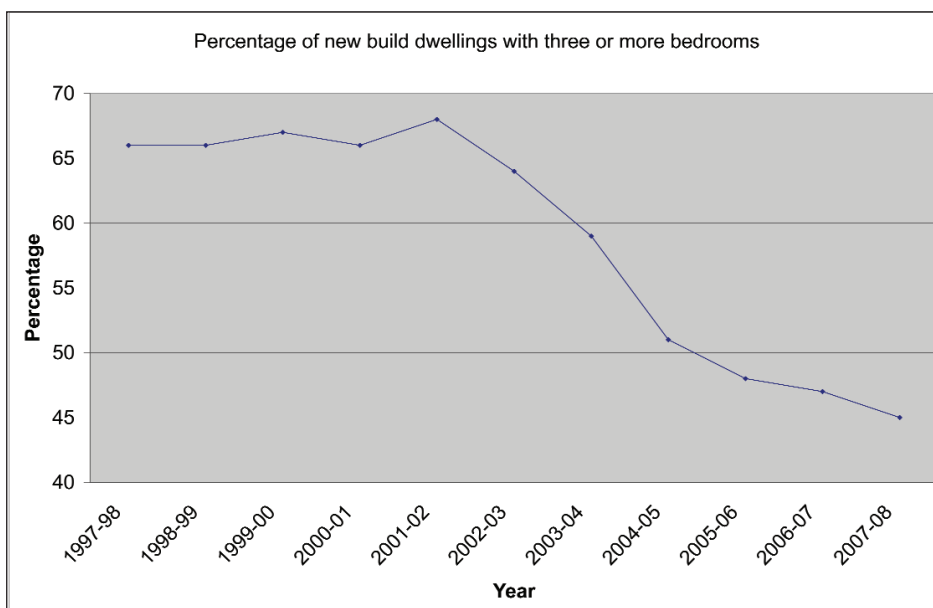
This huge expansion in the number of flats built is demonstrably not a market reaction to public demand. A 2005 MORI poll, carried out on behalf of the Commission for Architecture and the Built Environment (CABE), found that half of those questioned favoured a detached house, 22 per cent a bungalow, 14 per cent a semi-detached house, and 7 per cent a terraced house. Just 2 per cent wanted a low-rise flat and 1 per cent a flat in a high-rise block.<sup>8</sup>



Source – DCLG live tables, table 254.

Instead, the developers building these flats have been responding to changes to planning rules made by John Prescott. Under Labour planning rules imposed in 2000, gardens around homes are no longer protected from being classified as brownfield land. In addition, councils have been required to follow rigid Whitehall guidelines on housing density – forcing new developments to cram in as many buildings as possible. The combination of the land definition and the density requirements has resulted in a significant increase in inappropriate suburban and infill development that is out of keeping with the character of local neighbourhoods. As a result, suburban gardens have been ripped up and the plots replaced with blocks of flats – the ‘garden grab’.

As well as too many flats, these planning changes have meant that too few family homes are being built – the proportion of new properties with three or more bedrooms has fallen from two thirds to under half since Labour came to power<sup>9</sup> – so prices for family properties have risen at an even faster rate than the market in general.



Source – DCLG live tables, table 254.

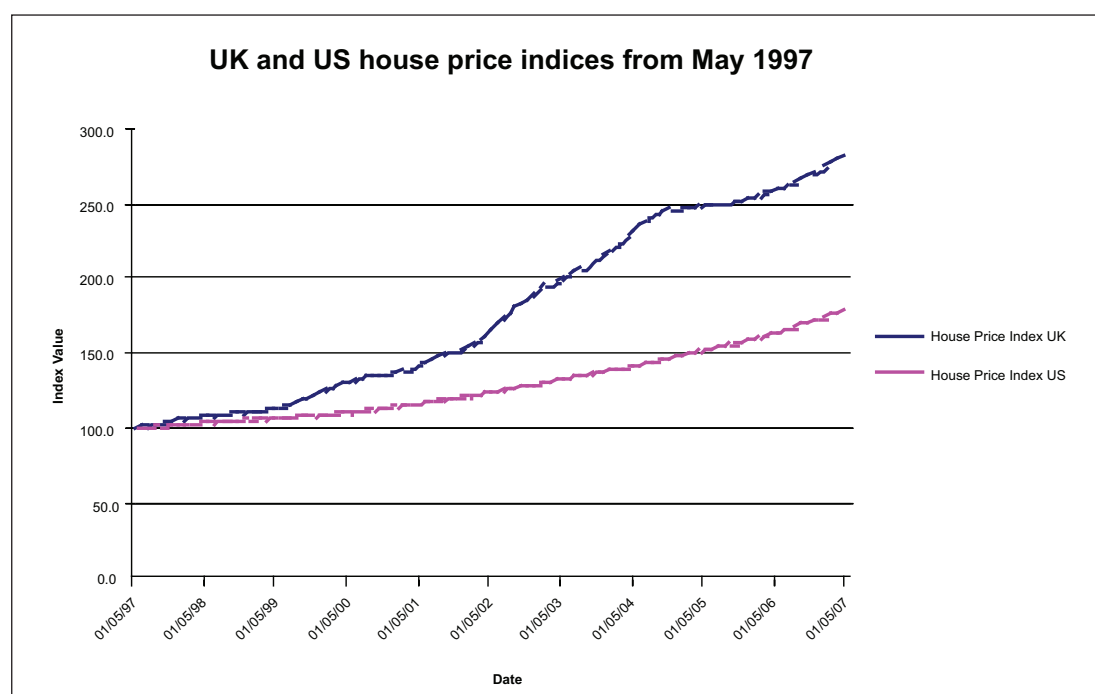
The over-supply of flats and small homes has helped fuel a remorseless surge in the number of vacant properties. The number of empty homes in England has risen year-on-year from 723,000 in 2005<sup>10</sup> to 763,000 in 2007<sup>11</sup>.

But the official statistics lag well behind the situation on the ground and it is widely predicted that the total will top 800,000 by the end of the year.<sup>12</sup> Unoccupied properties are not just a waste of a scarce resource; they often act as a magnet for crime and anti-social behaviour and so can have a negative impact on local neighbourhoods and undermine community spirit.

## 2.1.2 Rocketing house prices

Labour's failure to create the necessary conditions to ensure that the housing market delivered enough of the right type of homes in the right places has put extreme pressure on housing demand. And this increase in demand was spurred on by a government that encouraged people to believe that cyclical economic downturns would no longer happen under Labour. Gordon Brown repeatedly claimed this, even making a specific proclamation before Parliament that 'we will not return to boom and bust.'<sup>13</sup>

The combination of an under-supply of new housing and over-supply of credit, meant that house prices began to rise sharply – faster even than in the United States – creating an unsustainable asset bubble.



Source – Land Registry, house price index; United States Office of Federal Housing Enterprise Oversight, house price index – both rebased to May 1997.

Fears over the sustainability of the housing market grew, but Gordon Brown told us there was nothing to worry about, proclaiming that, "in any other decade, a house price bubble would have pushed Britain from boom to bust ... Labour is the natural party for economic strength in our country today."<sup>16</sup> Gordon Brown had clearly deluded even himself that we would see no end to rising house prices and no slowdown in the economy.

## 2.1.3 People priced out of the housing market

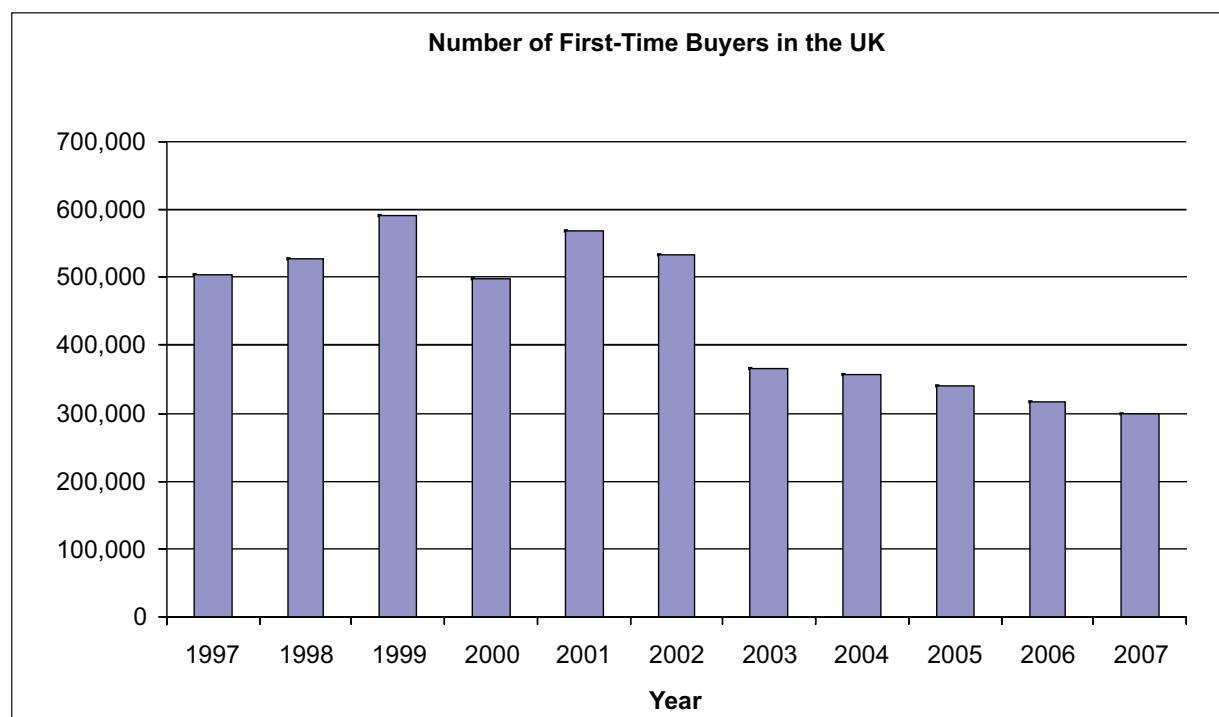
As house prices went up and up, the number of people who could afford to climb onto the housing ladder dwindled. By 2007, government statistics were showing that home ownership was falling for the first time since records began with total owner occupation dropping from its high point of 14,791,000 households in 2005 to 14,628,000 in 2008.<sup>17</sup> This decline in home-ownership is not a result of changing attitudes – recent figures show that 88 per cent of people think that owning their own home is a sensible investment for the future.<sup>18</sup>

Instead, it is largely because potential first time buyers have found it increasingly difficult to meet the financial requirements for owning a home. Recent figures show a typical first-time buyer in the UK being unable to afford an average house in 86 per cent of local authority areas.<sup>19</sup>

In the face of rapidly rising house prices, people trying to get a foot on the housing ladder have been further disadvantaged by unfair Labour taxes. The average first-time buyer was asked to pay no stamp duty at all when Labour came to office in 1997. But a decade later, because Gordon Brown did not keep stamp duty thresholds in line with house price inflation, average first time buyers paid £1,675 in stamp duty.<sup>20</sup>

In addition to failing to index the Stamp Duty threshold in line with house-price inflation, Gordon Brown also introduced additional Stamp Duty rates ensuring that the Stamp Duty tax became a major cash cow for the Treasury. In 1997 the Treasury received £745m from stamp duty receipts in England, but by 2007 the figure was estimated at £6.1bn.<sup>21</sup>

Inevitably these factors have resulted in a slump in first-time buyers; the number in 2007 – an estimated 300,000 – was the lowest annual total since 1980. By contrast, in 1997 there were 503,000 first-time buyers.<sup>22</sup> This is why we have proposed using some of the proceeds from an annual levy on non-domiciled workers to exempt first-time buyers from paying stamp duty on homes under £250,000 – meaning nine out of every ten first-time buyers will pay no stamp duty.



Source – Halifax, Annual First-time Buyer Review, 30 December 2006; Halifax, press release, 22 December 2007.

## 2.2 The crash

Not only did the regulatory and policy frameworks that Gordon Brown created as Chancellor of the Exchequer allow the housing market to inflate to bursting point, but they also allowed it to implode. Following the collapse of the unsustainable bubble in late 2007, the housing market has gone into freefall and the results have been devastating.

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## 2.2.1 Collapsing prices and sales

On average across the country, 5 per cent of homes for sale in 2008 remained unsold for the whole year.<sup>23</sup> House prices fell around 16 per cent over the same period, their biggest fall on record, outstripping the annual drop seen in 1990, and even that of 1932 during the global depression.<sup>24</sup> At the close of the year, house sales were at their lowest level since industry surveys began in 1978.<sup>25</sup> Leading financial market experts, Global Insight, predict a further fall of 15 per cent over 2009.<sup>26</sup> These figures represent the biggest collapse in house prices for a generation – outstripping those of previous crashes in the 1980s and 90s.<sup>27</sup>

And it is the surplus of unwanted flats resulting from Labour's disastrous target culture that are bearing the brunt of house price falls. Research has shown that city centre areas with a lot of new-build flats have experienced the sharpest falls in house prices over the last year,<sup>28</sup> demonstrating the disconnect between Labour's top down housing targets and the actual needs – often family homes – of local communities.

The Financial Services Authority (FSA) forecast that, by the end of 2009, house prices could have fallen by 30 per cent from their 2007 peak, which would result in two million residential mortgage holders moving into negative equity this year, as well as 500,000 buy-to-let mortgage holders.<sup>29</sup> There are currently eight million homeowners with a mortgage on their primary home<sup>30</sup>, and one million with a buy-to-let mortgage.<sup>31</sup> This means that one in four home owners with mortgages will be in negative equity and one in two people with a buy-to-let mortgage.

## 2.2.2 Soaring repossessions

Tragically, but predictably, the crisis in the housing market has led to a sharp rise in mortgage repayment problems. The latest data from the FSA shows that 46,750 mortgaged properties were repossessed in 2008 – an increase of 68 per cent on the figure for the year before.<sup>32</sup> The Council of Mortgage Lenders expects the total number of repossessions in 2009 to be around 75,000.<sup>33</sup>

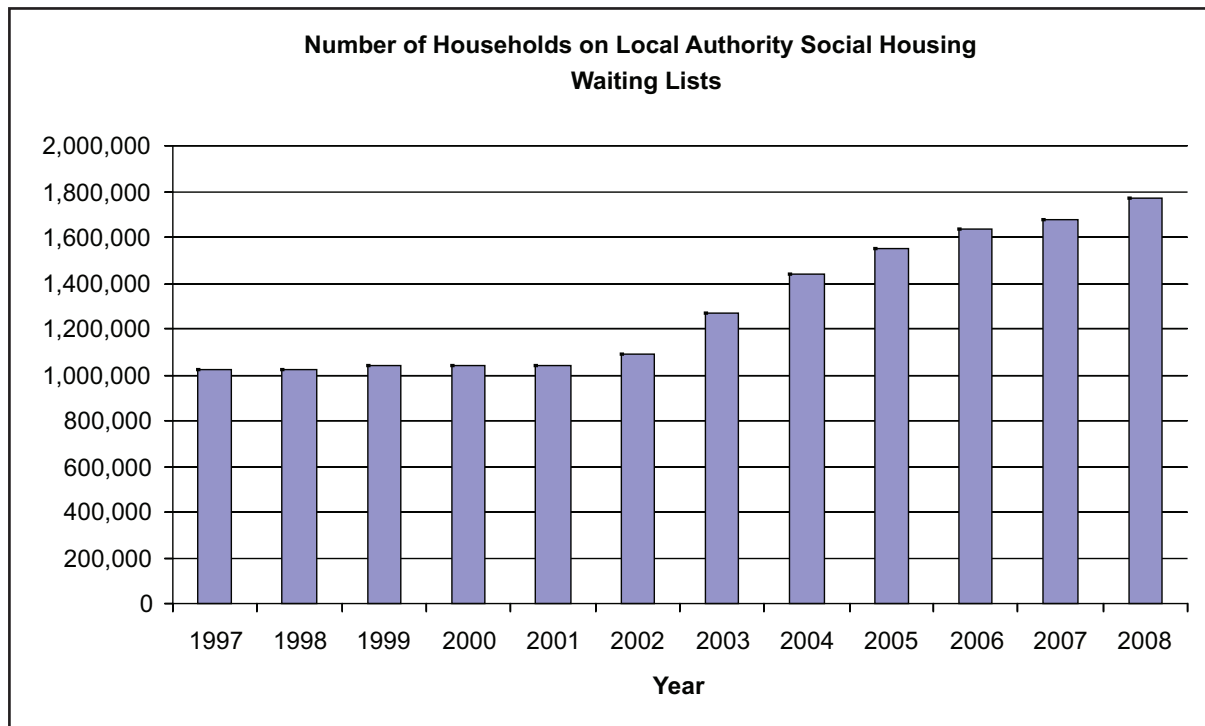
Current regulations fail to prevent mortgage lenders acting too swiftly to repossess struggling homeowners' homes, rather than taking repossession when all other reasonable options have been exhausted. The FSA's own mortgage lending research has found that some lenders focus too strongly on recovering arrears, are too ready to take court action, and have failed to train staff to deal with arrears cases.<sup>34</sup>

## 2.2.3 Huge pressure on social housing

With not enough homes being built over a period of rocketing house prices, people on the lowest incomes have suffered most. Since 1997 there has been a massive failure of supply. Excepting 2008, less social rented housing has been built in every year under Labour than in any year under the last Conservative Government (1979-1996). An average of 18,430 social rented homes a year has been built under this Government, compared with 40,538 a year under the last Government.<sup>35</sup>

This shortage of new social housing has pushed the number of households on local authority waiting lists for social housing in England from a million when Labour took over in 1997 to 1.8 million in the most recent figures released (which show the total in April 2008)<sup>36</sup> – this equates to more than 4.5 million people. Given the housing market crash in the last year, this figure is likely to be even higher by now.

The result has been an explosion in the number of people living in temporary accommodation – 72,000 at the latest count, a 75 per cent increase on the number in 1997.<sup>37</sup>



Source – DCLG live tables, table 600.

Some of the more severe cases on social housing waiting lists result in homelessness. The official figures for the number of people sleeping rough on the nation’s streets – estimated currently to be 483 – are artificially low because of bracketing-down and other counting errors. The homeless charity Crisis estimates that a staggering 400,000 people are part of this country’s so-called hidden homeless.<sup>38</sup> Even based on official Government statistics, there were 130,000 homeless children living in England and Wales at Christmas 2007, twice that of 10 years earlier.<sup>39</sup>

## 2.2.4 Shattered ownership aspirations

In addition to the shortfall in new social housing units, another key reason for the extraordinary rise in the number of households on the waiting list is the lack of mobility in the social sector. Of those who pay their social housing rent on time, 70 per cent want to own their own home.<sup>40</sup> Yet Labour has made it harder for people to meet their aspirations.

One example of the Government’s malfunctioning approach is ‘Social Homebuy’, a scheme to allow social tenants to own or part-own their rented home. When Social Homebuy was launched in April 2006 it was supposed to help 5,000 households a year into home ownership.<sup>41</sup> But statistics released in February 2009 show that there have been a total of just 293 completed sales under the scheme, a pitiful fraction of the target.<sup>42</sup> Figures also show that only 10 local authorities and 69 housing associations of the 2,000 across the country were offering Social Homebuy.<sup>43</sup>

One of the most successful housing policies in modern British history was Right to Buy, introduced by Margaret Thatcher’s Government in 1980, which has allowed countless social housing tenants to realise their dreams and become homeowners. To date, there have been 1.9 million Right to Buy sales in England, however the number of annual sales has been falling rapidly, from 84,100 in 2003-04 to just 15,110 in 2007-08.<sup>44</sup>

This is thanks to Labour’s deliberate policy of reducing Right to Buy discounts and restricting eligibility criteria for council house tenants, which makes it much harder for them to get the finance necessary to buy their homes. The average Right to Buy discount, as a percentage of the market value of the property, has fallen from 50 per cent in 1998-99 to 24 per cent in 2007-08.<sup>45</sup>

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## 2.3 Labour's failure of economic management

### 2.3.1 Failure of the regulators

By July 2006, when many housing experts were warning of an impending crash, the Bank of England was drawing attention to major vulnerabilities in international financial markets from 'unusually low premia for bearing risk'.<sup>46</sup> This should have signalled to the Government and their financial regulators to take action to help dampen the credit boom. But nothing was done.

### 2.3.2 An economy built on debt

The succession of financial earthquakes set off by the inability of high-risk-taking Northern Rock to meet its mortgage liabilities has sparked a full-blown financial crisis. But this series of events was not recognised by the FSA, which was criticised by the Treasury Select Committee for having 'failed in its duty as a regulator... and this failure contributed significantly to the difficulties and risks to the public purse that have followed'.<sup>47</sup>

In fact, high-risk borrowing and lending in the mortgage market had become endemic. In the FSA's own research, published in 2007, it was revealed that more than 50 per cent of so-called 'sub-prime' customers had 'self-certified' their income – a process meant for the self-employed, even though the vast majority were likely to be salaried employees.<sup>48</sup>

Around the same time, research from the Institute of Payroll Professionals exposed websites offering people fake payslips to use when applying for mortgages, allowing people to borrow far more money than they could afford to pay back.<sup>49</sup>

The result of this lax approach to lending was a large group of homeowners with an exceptionally high risk of defaulting on their mortgages. In addition, many of them went into the housing crash with negative equity, having taken out mortgages worth more than their houses. This has dealt the housing markets, and consequently the other credit markets using products derived from these mortgages, a hammer blow that is bringing unprecedented problems to our economy.

# 3: The underlying problems

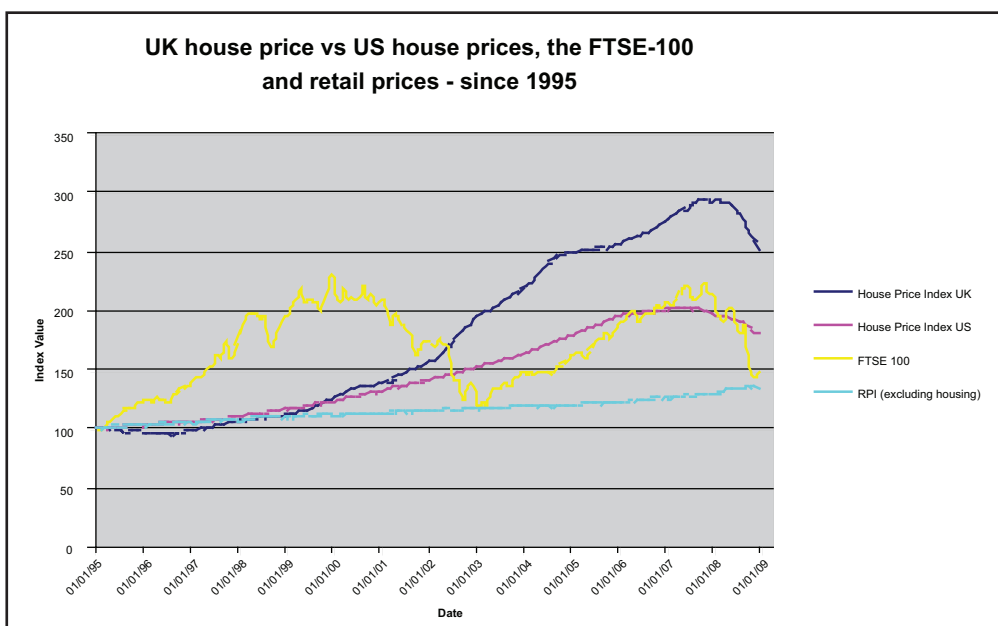
## 3.1 The over-reliance on housing of the UK economy

All the elements of our present housing crisis can be linked directly or indirectly to the fact that our economy has become unbalanced and that our finances have been too dependent on ever-rising house-prices.

In a well functioning economy, the housing market plays a less prominent role because housing can be obtained at a cost that is comfortably affordable for most people, leaving adequate room for other household expenditure and investment. Of course, property will always be a valuable investment for people, and it is to be expected that the home will often constitute the most significant part of someone’s personal wealth. In a balanced economy, however, housing is not so dominant an asset that it crowds out people’s ability either to put money aside in pensions and savings, or to invest in other asset classes, such as equities, which are essential for supporting business growth.

### 3.1.1 Exacerbating the boom-bust cycle

Britain’s housing market is now strongly pro-cyclical – that is, fluctuations in house-prices help drive fluctuations in the wider economy, exacerbating boom-bust cycles. While pro-cyclicality has been a fairly long-term trend in the UK, the last decade has seen this become a major problem, with house-price rises both encouraging, and being encouraged by, ballooning personal debt. The market became particularly overheated after 2001, as shown below, with average prices rising twice as fast as they did in the United States and far outstripping share prices.



Source – Land Registry, house price index; United States Office of Federal Housing Enterprise Oversight, house price index; Yahoo finance website; National Statistics online, dataset rpi1m - all rebased to January 1995.

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### 3.1.2 Rising housing costs

This economic imbalance also meant that house prices in the UK became too high for first-time buyers to afford comfortably – forcing them to take on huge amounts of debt to get themselves on to the housing ladder, and putting further pressure on personal finances and expenditure patterns. One consequence is that people now need to spend more of their income to cover housing costs, especially people paying mortgages. Statistics on the proportion of household income spent on housing costs are collected by the Department for Communities and Local Government, going back to the year 2001/2, and the latest data are for 2006/7. In just that short time, the amount mortgage payers had to spend on housing increased significantly, from 24 per cent to 29 per cent of household income.<sup>50</sup>

### 3.1.3 Crowding out other investment

The rising cost of housing has had a dramatic effect on the proportion of income saved in banks, pensions or other asset classes. The decline in saving has been stark – in 1997, the proportion of their incomes that people saved averaged at around 10 per cent, now it is less than two per cent.<sup>51</sup> The resulting low savings ratios have reduced the supply of low-cost capital for British industry, so inhibiting the growth of the economy.

Pensions have also suffered hugely. Despite the fact that employment was rising from 1997 – continuing a trend from 1992 – the proportion of people who were in work but failed to put any money into a pension scheme of any sort actually rose. The latest data show that in 1997, 40 per cent of workers did not pay into a pension. By 2007, this had risen to 46 per cent, equal to around a million extra non-savers.<sup>52</sup>

Of course, another key reason why fewer people are paying into pensions is Gordon Brown's introduction, in his very first Budget, of a £5 billion a year tax on pension funds. The impact of this short-sighted stealth tax has been to put additional pressure on many pension schemes that were already straining to stay viable. Over 70,000 occupational pension schemes have been wound up, or have begun the process of winding up, since Labour took office in 1997,<sup>53</sup> with very many people losing savings as a result. But there can be little doubt that the sharp rises in house-prices also contributed to diminished long-term pension saving, as people began to think that their homes would serve as their pensions.

A further impact of Britain's excessive mortgage-borrowing has been to make borrowers anxious. Millions of people live in fear of losing their job and toppling off the housing ladder; and this constant threat reduces their quality of life. It also makes them risk averse – with people unwilling to move to new jobs (thus impeding labour mobility) or to start up new businesses (thus reducing entrepreneurial activity) – with knock-on negative impacts on the economy.

## 3.2 Labour's top-down mismanagement of the planning system

Housing and planning are inextricably linked. Before the first sod of turf is turned on any housing development in England, planning approval for the development must have been sought and obtained from one of the 368 local planning authorities.

As we have shown in Chapter 2, under Labour there has been a comprehensive inability to deliver the housing that the country so desperately needs. A large part of this failure has been due to the Government's outdated insistence on using targets to try and force communities to build housing against their wishes.

Under Labour we have seen a massive centralisation of planning, with regional and central government intervening to ride roughshod over local people's views – especially about their own surroundings.

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This central control has been accompanied by a tidal wave of bureaucracy – with the Government issuing more than 3,200 pages of national planning guidance since 2005.<sup>54</sup>

There is an acute and growing need for the restoration of public confidence in planning. This can be achieved only by making decision-making on spatial planning issues, as well as individual planning applications, as local and democratically accountable as is practicably possible.

### **3.2.1 Centralisation and regionalisation of planning decisions**

The system in England is a plan-led system; that is, one where the presumption is that planning decisions should be made in accordance with adopted development plans.

Currently, there are two principal development plans for any area. The first of these is a Regional Spatial Strategy which attempts to set the overall context (often to a detailed level) of how a region will develop, right down to imposing building targets for individual local authorities. To date, these plans have been produced by unelected Regional Assemblies, although this responsibility will shortly pass to the appointed quangos Regional Development Agencies. While Regional Spatial Strategies are subject to a notional consultation process, it is one in which it has been difficult for individuals to participate, and all too frequently the end result has ignored local democratic decisions – for example, about the extent to which Green Belt is being deleted from above through the regional plans, despite Gordon Brown’s pledge to ‘robustly’ protect it.<sup>55</sup> The fact that the Secretary of State publishes the final version illustrates how they are a centralising tool.

The second type of development plan is the Local Development Framework (LDF) – the successor to the Local Plan – which sets out the detailed development policies for a specific local planning authority, usually a borough or district council. The LDF has to comply with the policies set out in the relevant regional spatial strategy, and must establish the level of development which best matches the needs of the local area as a whole.

LDFs are subject to local consultation and individuals are encouraged to participate. However, the original consultation process imposed by the Government was confusing and excessively detailed, and the proposed new consultation process is best characterised as too little, too late. Although they are locally-led, the requirement that LDFs must comply with the regional spatial strategies, combined with interference from the Government Offices for the Regions and planning inspectors, severely limits the extent to which these local plans can be truly reflective of local opinion.

### **3.2.2 Diminished democratic control**

The decision on whether to approve an application should be taken in the first instance by local councillors who are democratically accountable. However, under Labour, local councillors have found their role in the planning process more and more neutered.

The Government has introduced increasingly draconian rules on how planning decisions are reached, with the balance shifting to emphasise the quasi-judicial role of councillors rather than their democratic role. This has led to absurd situations where councillors who have been overwhelmingly elected, perhaps on a pledge to help shape the look and feel of their local community, are subsequently excluded from all consideration of that issue within their council because their position is regarded as prejudiced and their judgement fettered.

The electorate is, unsurprisingly, unimpressed by this and has become cynical about politics and politicians. What is the point in voting for someone who ends up having no power over the matters they were elected to resolve?

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### 3.2.3 Target-driven approach

In addition, local councils, driven by the need to meet Government targets on the completion rates of planning applications, have adopted systems which take more and more power away from elected councillors and place it in the hands of planning officers as ‘delegated powers’.

The dice have been further loaded against locally agreed development by making it increasingly difficult for councillors to challenge the recommendations made by officers.

The result is often that councillors are unable to respond adequately to the democratic demands surrounding planning applications and run the risk of costly appeals from developers where they seek to reject the applications.

Planning appeals are decided by Planning Inspectors, who are experts in planning law but have only passing knowledge of the locality. Developers typically have the money to hire legal experts to fight their case, whereas councils are generally represented by their planning and legal officers, because they are wary of using scarce local council tax funds to buy in expert legal representation.

The end result is that a significant proportion of planning applications that have been initially turned down are accepted on appeal.<sup>56</sup> While this result is in accordance with planning law, the inherently adversarial nature of the system ensures that all parties spend large amounts of time and money fighting each other, rather than seeking an agreed solution. Local communities, in particular, feel that their views are being ignored and that they are having development imposed upon them.

### 3.2.4 Complexity and constantly changing rules

It has been clear for some years that the planning system in England has not operated as it should and that it is harming our economy. In 2004, the Labour Government introduced changes to the planning system in the Planning and Compulsory Purchase Act which were designed to make it more flexible and responsive. By 2008, and before many of the 2004 Act’s provisions had been fully worked through, much of what it proposed had to be substantially revised as a result of the confusion and complexity it had introduced. For instance, local planning authorities found themselves submitting their new local plans – Local Development Frameworks – to Planning Inspectors on the advice of government, only to find that they were rejected.

The results of Labour’s meddling are clear for all to see. The World Bank’s ‘Doing Business’ report ranks countries on how painless it is to operate a business, looking at various regulatory and legal factors. While the UK is ranked 6th worldwide overall, when it comes to securing planning permission our ranking plunges to 61st – well below all our major economic competitors.<sup>57</sup>

## 3.3 Many people locked into social housing

While we are determined to reverse Labour’s failure to deliver sufficient new housing (both market housing and affordable housing), this will only ever be part of the solution to the housing crisis we face. It is absolutely crucial that we deal also with the problems affecting the existing social housing stock; in particular, we have to tackle the effect that long-term residence in social housing can have on the prospects of those tenants.

Our vision for social housing is that it should lift those in greatest need out of dependency and provide the opportunity to allow social tenants to continue on their journey towards other forms of tenure, including home ownership. We believe that a refocus of government policy is required, and that enabling tenant mobility (both geographically and between tenures) is the key to improving the social rented sector.

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More new affordable housing, and more sensible use of the existing social housing stock, will help to free-up supply, build mixed tenure communities, and ensure that tenants are not trapped into a cycle of deprivation with no ‘exit’ opportunities.

### **3.3.1 Social housing and deprivation**

There is well-documented evidence that present trends in social housing can play a part in stifling aspiration: the Centre for Social Justice reports “nearly 25 per cent of social housing is in areas with poor quality environments. Nearly 20 per cent have upkeep problems. Both figures are significantly higher than those for private rented or owner occupied housing”.<sup>58</sup>

All too often, the result is dependency. As Professor Hills, in his comprehensive report on social housing effectively summarised, “the chance of someone in social housing having both of their nearest working age social tenant neighbours in full time work had fallen from just under half [in 1981] to one in nine [in 2006]”.<sup>59</sup> The slide towards increased deprivation in social housing areas is particularly marked as a result.

Worryingly, studies comparing the birth cohorts of 1958 and 1970 have demonstrated that growing up in social housing can contribute to adverse adult outcomes and, strikingly, that the magnitude of the disadvantage is increasing.<sup>60</sup> Children growing up in social housing are, on average, twice as likely to end up with no qualifications by the age of 30 as those growing up in owned homes, 1.5-1.7 times more likely to be low earners, and over twice as likely to be unemployed.<sup>61</sup> As an illustration of what this means in practice, there is only a 1 in 100 chance that a social housing tenant and their neighbours on either side are in full-time work.<sup>62</sup> Yet these problems do not merely extend to opportunity: there is strong evidence that the quality of housing is linked to poor health. Indeed, the Public Health Report 2004 estimated that the annual cost to the NHS of treating ill-health as a result of sub-standard housing was £2.4 billion.<sup>63</sup>

### **3.3.2 Social housing and the lack of mobility**

The chronic lack of turnover in the social sector means that whole generations are growing up, living and dying in the estates where they were born. This is despite the fact that 46 per cent of current council tenants and 45 per cent of Housing Association tenants want to become owner occupiers.<sup>64</sup>

The calcifying effect of the social sector is illustrated by the fact that, of those living in social housing in 2004, 82 per cent had been in social tenure ten years before.<sup>65</sup> This lack of movement out of social housing reflects a greater need for more dynamic use of social housing as a stepping stone to owner occupancy.

And, whereas a third of private tenants in 2005-06 had moved in that year to a new property, only one in twenty social tenants had moved within the sector.<sup>66</sup> The lack of economic mobility available in the social rented sector also limits employment opportunities. Tenants are essentially unable to leave the property they live in and move to another area to pursue employment due to the shortage of social housing across the country and the consequent fear that they would not get housed in the new area (because they would have to reapply through the waiting list).

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## 4: New community driven housing

### 4.1 Local control, local incentives

#### 4.1.1 Ending the regional planning system

Under Labour, a coalition of Whitehall mandarins and regional bureaucrats have been responsible for overseeing a regional planning system that imposes individual house-building targets on every local authority, which must then be included in councils' local development plans. By contrast, we believe that decisions on house building numbers should start with locally elected people, as the direct effect of the projects is on their residents.

In order to ensure that the right balance of development takes place, we will introduce a system of compelling incentives that mean that existing communities will genuinely benefit when they decide to develop.

**A Conservative Government will abolish the regional planning system and revoke regional spatial strategies (including regional building targets), replacing them with incentives to develop.**

In London, the democratically elected Mayor of London and GLA will exercise this function via the London Plan to help provide strategic planning guidance to the London Boroughs.

A Conservative planning system will be built upwards on the wishes of local residents, with clear democratic accountability and decisions being made from the bottom up. People will have greater control over the size, shape and 'look and feel' of their community, so they will be more supportive of new developments.

#### 4.1.2 Locally-led development

There is a role for central government to provide a steer on genuine national policy. This is achieved through Planning Policy Guidance – now called Planning Policy Statements. However, the guidance has proliferated under the current Government, losing the original focus of the guidance and adding to paperwork.

**We will review and slim down this guidance at a national level, to strengthen local decision making, avoid confusion and make the planning system easier to understand and navigate.** We will describe in more detail our proposals for revising the national planning system in a further green paper later this year. This additional green paper will also address regeneration and city governance.

In this context, we would want to see Local Development Frameworks become more flexible and to be more principle-based than rule-based. **We will enable councils to revise, in whole or in part, their existing Local Development Frameworks to take account of the abolition of Regional Spatial Strategies. This will allow councils to protect land, such as Green Belt, which the Regional Spatial Strategies have zoned for development, and also those areas that have been designated as eco-towns against local wishes. We will also reverse the classification of gardens as brownfield land and allow councils to prevent over-development of neighbourhoods and stop 'garden grabbing'.**

The role of central government inspectors in relation to these local plans will be drastically reduced. Instead of having the power to ride roughshod over local sentiment by effectively re-writing these plans (as at present), the inspectorate will be asked to report to the Secretary of State on any direct breaches of national planning guidance,

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to ensure that the plan has been produced within the statutory framework and to ensure that the plans are genuinely spatial i.e. they take neighbouring plans in to account so that, for example, developments which straddle local government boundaries are consistent between plans. All other issues will be left for local determination.

Patterns of economic and social activity are never going to fit exactly with administrative boundaries, so it is important that the planning system encourages strategic planning guidance and co-operation across neighbouring boundaries. We will work with planning authorities, either on their own or in association with neighbouring authorities, to provide a broader geographic and co-ordinated view especially in relation to infrastructure in the wider locale.

### 4.1.3 Local incentives to reward development

‘Control Shift: Returning Power To Local Communities’, our recent localism green paper, describes how a future Conservative government will make the system for allocating central government funding for local government both objective and transparent. Once an open and de-politicised grant system is in place, it will become possible to address one of the key underlying flaws of the current local government financial framework (and planning framework) – its failure to encourage the provision of new housing.

As we have shown above, Labour’s approach to housing has not just been ineffective but counter-productive: it is out of touch with the particular concerns of local people across the country. Indeed, because it is a system disconnected from local needs, it has led to perverse consequences. For instance, one consequence of the Government’s target driven approach has been a huge rise in the number of flats built – the proportion of new homes built that are flats having more than trebled from 15 per cent in 1997-8 to 47 per cent in 2007-8.<sup>67</sup> Yet research has shown that city centre areas with a lot of new-build flats have experienced the sharpest falls in house prices over the last year, demonstrating the disconnect between Labour’s top-down housing targets and the actual needs – often family homes – of local communities.<sup>68</sup>

Labour’s top-down system has also proved slower at delivering a vision for housing because the controversy created by Regional Spatial Strategies has meant the process is open to significant delay and dispute by local authorities. For example, Hertfordshire County Council challenged the East of England Regional Plan, with its centrally imposed top-down housing targets, nearly a year ago and the Plan has been stuck in judicial review ever since.

We can meet the housing challenge only if we acknowledge that local support for new development is the crucial missing element. The solution lies in giving local councils incentives for house building, not targets. By creating a real and substantial financial incentive to reward communities that accept house building, we guarantee that those directly affected by development are those that benefit.

For example, under the current system, when families move into newly built houses, the local authority receives additional council tax receipts from these properties. However, in addition to having to fund the extra services and infrastructure for these new residents, local authorities that acquire larger council tax bases as a result of house-building in their areas will, in many cases, find that the amount of formula grant they receive from central government is reduced by the equalisation process.

**To help tackle this anomaly, we will match the additional council tax raised by each council for each new house built for each of the six years after that house is built.** As a result of this measure alone, councils will get an automatic, six-year, 100 per cent increase in the amount of revenue derived from each new house built in their areas. This policy is a cost-neutral reallocation of existing government funding, to be paid for by scrapping the Government’s bureaucratic and inefficient Housing and Planning Delivery Grant and by top-slicing a proportion of annual increases in formula grant for councils.

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We want to ensure a good balance of market and affordable housing. **We will therefore consult on how to build on and augment our council tax incentive scheme in order to increase the incentive for councils to deliver affordable houses.** One option would be greater than one-to-one matching for affordable houses, with the magnitude of the matching ratio perhaps influenced by the size of the local authority waiting list as a proportion of the local population. This enhanced incentive will also promote the delivery of much needed larger family affordable housing units, as well as tackling the current record council housing waiting lists.

As a result of providing incentives, local councils and local voters will know that by allowing more homes to be built in their area they will get more money either to pay for the increased services that will be required, or to hold down council tax, or both.

This will be a permanent, simple, transparent incentive for local government and local people to encourage, rather than resist, new housing – of types and in places that are sensitive to local concerns and with which local communities are, therefore, content.

**In addition, we will look at the complex array of existing levies on development, for example, Section 106 agreements and the proposed Community Infrastructure Levy. We will examine how these levies can be simplified and localised so that both individuals and communities affected by new development are not only properly compensated for any loss of amenity, but benefit from genuinely improved places to live post-development. We will also consider how to ensure that the cumulative burden of these levies does not undermine the economic viability of regeneration and development.**

## 4.2 Community housing

Even before this recession, house-building had declined dramatically under Labour and local people were routinely characterised as the primary block to more development.

Rather than appreciating that local communities might be best placed to understand local housing need, the Government has opted use housing targets as a yet bigger stick with which to beat them. The result has been even more resistance to growth and less housing delivered.

Yet there are three good reasons why local communities are resistant to new development:

1. Lack of control – the centralisation of housing and planning powers means that communities have no real control over the way in which they develop;
2. Lack of reward – there is often a loss of amenity to local communities associated with development, for which they are notadequately compensated; and
3. Lack of community housing – new homes that are built are often out of the price range of local families and can be purchased by anyone, regardless of local housing need.

Our proposals to remove regional control of housing and planning and restore control to local authorities go a long way to dealing with the first problem, and the introduction of financial incentives via matched council tax revenues mitigate the impact of the second. However, we need to find a way in which communities are able to develop homes that can, in the first instance, be set aside for local families and individuals in need.

We understand that in order to generate dynamic new development, local people need to become part of the solution, rather than being seen as most of the problem. And we believe that if communities lead development, local people will take ownership and more homes will be built.

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## 4.2.1 Community Land Trusts

Community Land Trusts are an existing, yet still largely experimental, way for local communities to work together to build sustainable communities which benefit local people. Community Land Trusts can not only provide housing that is affordable for local people to rent or to buy, and remains so for future generations in that area, but also deliver space for key services and facilities, such as offices for local businesses, local shops, community buildings and green spaces.

For instance, in High Bickington, Devon, a partnership between the villagers, the county, parish and district councils, and a variety of other bodies, has established 'The High Bickington Community Property Trust' to build 56 new homes (a mixture of those for open market sale; for rent; for shared ownership; and self-build), a new employment/retail space, a 'Rural Primary School of the Future' and a new community woodland and sports field.

Community Land Trusts operate by acquiring fixed assets and, crucially, holding them in perpetuity for local use. Ownership of the land is separated from anything that takes place on it, such as buildings, structures, and activities. The value of the land, subsidies, planning gain and other equity benefits are therefore permanently locked in by the Trust on behalf of present and future occupiers. Any gains are reinvested for the benefit of local people. The transfer of assets becomes the foundation of strong, sustainable, locally-led communities.

We are strongly in favour of Community Land Trusts and last year forced the Government to insert a clause in the Housing and Regeneration Bill which created a legal definition of Community Land Trusts to make it easier for them to find funding.

Furthermore, **in December 2008 we launched our Community Land Trust Taskforce designed to increase the use of Community Land Trusts across the country.** The Taskforce is headed up by Dr Karl Dayson, the Senior Lecturer in Sociology and Community Finance Solutions at the University of Salford. It will examine the current difficulties with setting up Trusts and suggest solutions which will make the process simpler and easier, encouraging more communities to get together and build affordable housing for people in their areas.

## 4.2.2 New community-led housing – Local Housing Trusts

Despite the success of the Community Land Trust model, many smaller communities continue to be told by bureaucrats that their own expansion doesn't fit with their plans and is simply off-limits. The enduring weakness of the Trust model is that it still requires permission from the planning authorities, and, where that has not been provided for within local or regional plans then the likelihood is that a Community Land Trust will not get planning permission. As a consequence, many communities are unable to develop the homes they desperately need.

We believe that these restrictions should be lifted – if a community wishes to propose its own expansion then it should be able to enjoy unique powers to provide itself with the planning permission required.

**We will therefore legislate to allow the creation of new bodies – to be called Local Housing Trusts – for those villages and towns which wish to develop new housing to benefit their community. These bodies will have unparalleled power to develop new homes and other space for community use, subject only to the agreement of local people.**

Under our Local Housing scheme, any community which wishes to benefit from development could essentially provide themselves with permission to expand, as long as they can demonstrate that they have met various standard criteria. In particular they will have to demonstrate strong local approval for their planned development – with no more than 10 per cent opposition in a community referendum. The community in this case is defined as residents on the electoral register within the relevant parish or town council. Any Local Housing Trust development will also have to be 'in keeping' with the area's existing architectural style.

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The type and quantity of housing to be built will be for the Local Housing Trust to decide. We anticipate that communities might wish to build 5-10 properties, which could be a mixture of market housing for sale, affordable housing for rent, sheltered housing for elderly local residents, or low cost starter homes for young local families struggling to get on the housing ladder. As well as building homes for existing local residents, Trusts may well also wish to advertise housing to attract new residents to move to the area. This is particularly important in rural areas where shrinking populations threaten the continued existence of local services like post offices, GP surgeries and schools.

Having consulted on the details of their plans and polled to secure their community mandate, the Trust will present a dossier on their proposed development to their local planning authority. The role of the council will be to check if the necessary criteria have been met. We will legislate to ensure that if the criteria have been met, planning permission is automatically granted; if not, then the decision will revert to the local planning authority and be treated as any other planning application.

In other words, provided a community can agree on the size and type of housing development that it wants, it will get a mandatory presumption in favour of the development from the local planning authority. This will provide genuine local democratic control over the delivery of new housing, as well as significantly speeding up development. And because so many of the communities that will benefit from Local Housing Trusts have spent years being stifled by top-down plans, the new housing they deliver will be in addition to, rather than in place of, development elsewhere.

**As well as housing, Local Housing Trusts will be allowed to assist the community by providing other services for the benefit of local people.** For instance, they might offer long-term low rent commercial accommodation for a village shop on a serviced tenancy, a community hall, or a sports facility.

Crucially the constitution of a Local Housing Trust will ensure that the benefits of development will remain within the community in perpetuity. So any affordable housing that is sold at below market rates to local residents cannot be subsequently sold on the open market, but can only be sold back to the Trust and therefore recycled within the community.

**In order to prevent overdevelopment, Local Housing Trusts will be able to expand the size of the community by a maximum of 10 per cent over any 10 year period.** This will ensure that local infrastructure can cope with the number of new residents, although, as mentioned above, new development may actually be necessary to protect the viability of local amenities.

Local Housing Trusts will be required to undergo extensive consultation with the local community regarding their development plans. As part of this consultation process, **we will permit Local Housing Trusts to increase or decrease the number of houses proposed depending on the number of interested parties. Provided a Trust has not exceeded the 10 per cent expansion limit, we will allow individuals to seek to ‘bolt on’ additional new housing units to the development. Such individuals will have to demonstrate that they can borrow the money necessary to build a new dwelling and, as before, their applications will be subject to an approval threshold from the community (no more than 10 per cent opposition).** They will also have to agree to be bound by the same constraints on benefit as the rest of the Local Housing Trusts, including being ‘in keeping’ with the area’s existing architectural style.

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Existing legislation allows for Exception Sites to be developed on the edge of small rural settlements to provide affordable housing. We will use this legislation as a starting point for the legal framework to provide for the creation of Local Housing Trusts, with a broader definition of an eligible community and without some of the limitations that apply to the development of Exception Sites.

In order to assist with the provision of the technical skills required to start a Local Housing Trust, **we will help establish a voluntary body representing Local Housing Trusts across the country, funded by subscription by those who participate in the scheme, to pool knowledge and experience to help provide assistance and guidance to newly formed Trusts.**

The creation of Local Housing Trusts will also help to support and retain vital construction skills at the local level. The construction industry has an excellent record in training young people and in running high-quality apprenticeships, and the industry's Sector Skills Council recently established the first clearing-house to support apprenticeships laid off in the recession. But, despite this impressive record, there is enormous unmet demand from young people who want to gain high-quality skills in construction and related industries. Before the recession, there were around 50,000 applications each year for construction industry apprenticeships but only 9,000 places.<sup>69</sup>

This is, to a large degree, a reflection of the bureaucracy involved in offering apprenticeships and it needs to be tackled at a national level. That is why we have outlined a number of proposals to make it easier for employers to offer apprenticeships.<sup>70</sup> However, there is also scope for local apprenticeship initiatives linked to Local Housing Trusts, as well as local apprenticeship schemes arising from some of the other policies that we set out in this green paper. For example, community-based organisations could commit to training young people as part of a local housing development project. Or local authorities could specify a local training element in some housing developments in their area. These would reinforce the national apprenticeships initiatives we have already proposed.

### 4.3 Genuine community involvement in planning

Although removing the distorting culture of targets from the planning system, and incentivising local authorities to pursue new development, is crucial, we also need to change the adversarial culture of planning. In particular, we need to develop an approach to planning that allows for much greater collaboration between the various parties. By properly canvassing all the various stakeholder interests in a site, and reflecting these in the scheme as it emerges, support for it is created between all parties and the result is co-operation rather than confrontation.

#### 4.3.1 Strengthening community consultation

There are two levels at which this needs to be done. First, in preparing Local Development Frameworks, **local planning authorities will continue to be required to undertake consultations and to place great emphasis on their quality.** We would expect them to use a range of techniques for these consultations appropriate to each specific locality. We also expect that local councillors, as community leaders, will play a key role in this consultation process, particularly at the level of their own ward.

Second, **at the level of an individual major planning application (i.e. where the application is above a certain size), we will legislate to make pre-application consultations between the developer, local people and other local stakeholders mandatory.** And we will continue to put emphasis on the quality of the consultation as a material planning consideration in deciding on the application. Local people need to have confidence that developers will consult them and that that consultation will be genuine and taken seriously. Developers will find that this makes the application process quicker and less contentious.

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We want to get local communities involved in the process at the outset, working in concert with developers to decide the details of any development before an application is made. For housing projects, this would include the quantity and type of housing that is needed in each area.

**We will therefore encourage and facilitate the use of planning approaches which genuinely involve local people in helping to create the vision for the development of their local area.** We believe that providing residents with a direct planning stake in the development of their own community is the best way to encourage ‘buy in’ from those who will, after all, be living with the results of the development process long after the planners have left.

**In addition, we will seek to work with the development consultation industry to build on the existing approaches such as Enquiry by Design or innovative ideas like Charrettes.** These are both highly participative, cross-disciplinary processes for defining detailed spatial plans, masterplans and regeneration frameworks which are driven by those with a specific local interest. They can also help to inform and drive the Local Development Framework process.

### 4.3.2 Changing pre-determination rules

We believe that elected, accountable local authorities aided by the active pursuit of public participation should be at the heart of all planning policy.

The interpretation of ‘pre-determination’ rules is a perfect illustration of the confusion between technical decisions and value judgements. Where there are technical decisions to be made these are naturally the province of independent judges or inspectors, who must not predetermine outcomes. Where value judgements must be made, this is a job for elected representatives – in which case, having expressed a view of a particular outcome is the very essence of their campaign. Certainly, it would be wrong for councillors to make decisions on issues where they or their family will personally or financially benefit.

**We will legislate to ensure that councillors (while being properly prevented from advancing personal interests) have the freedom to campaign and represent their constituents, and then speak and vote on those issues without fear of breaking the rules of ‘pre-determination’.**

### 4.4 Speed up release of surplus public sector land

There is a large amount of public sector land that could be used for housing development but is currently lying unused, held captive in a bureaucratic quagmire. We will ensure that much more is done to dispose of surplus public sector land and buildings. Selling off this land to developers will raise much needed funds for the Exchequer that can be invested elsewhere, as well as help to deliver new homes.

Recent figures show that, at the end of October 2008, there were almost 300,000 square metres (68 acres) of empty space across the buildings of Whitehall and its quangos, according to the Government’s electronic property database (so-called “e-PIMS”).<sup>71</sup> Unlike the Government, **we think that the e-PIMS database should be extended to cover all centrally funded executive agencies, non-departmental public bodies, police authorities, fire authorities, local authorities and NHS trusts, with the data being published online. Similarly, we believe that the Government’s Register of Surplus Public Sector Land should be expanded, so that land holdings can easily be identified, and published online in a searchable format.**

Although this will impose a small administrative burden on the authorities, requiring such proper records will increase the likelihood of public bodies disposing of unnecessary brownfield land, freeing up additional resources in the long-term.

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The Local Government, Planning and Land Act 1980 gives members of the public the power to request that empty public sector land owned by local authorities and a limited number of other public bodies is sold off. In a little known and little used power, any citizen can make what is called a ‘public request to order disposal’ (PROD).<sup>72</sup> Having received a request, the Secretary of State for Communities and Local Government is required to publish a report either instructing the authority to dispose of the land, or justifying why it should be kept.

**We will extend the power to issue these PRODs to all empty or unused public sector brownfield land, including all government departments and quangos, and we will increase publicity about the rights of the public to use these powers.** In conjunction with the public access to data from the e-PIMS database and Register of Surplus Public Sector Land, we believe people power will serve to increase the amount of public sector land which is freed for better uses, to the benefit of the taxpayer and the local environment.<sup>73</sup>

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## 5. Social housing: more supply, more mobility

### 5.1 Empty Property Rescue scheme

The cost of Labour's recession is repossessions climbing to record levels and a record 1.8 million families languishing on social housing waiting lists. And these trends will only get worse as the economic situation deteriorates. At the same time, nearly 800,000 in England properties lie empty – a shocking waste of much-needed potential housing.

In February 2009, we announced our Empty Property Rescue scheme to address this shocking mismatch of need and resources. This scheme will relax the regulations which currently make it difficult for the affordable housing sector to bring some of this existing housing (i.e. not unsold new units) into use. We consider the plight of the 4.5 million people on the housing waiting list to be of such great concern that a temporary suspension of the sometimes restrictive rules is urgently required. **We therefore propose the implementation of special temporary arrangements to ensure that some of the many thousands of habitable empty properties are put to good use to house those on the waiting lists.** The Conservative Mayor of London has already made a commitment to take similar action in London.

Because the standard of some of the properties purchased may not be as high as new build, it may therefore only be suitable for a certain proportion of those on the social housing waiting lists. For this reason, **we will give housing associations the flexibility to allocate the properties acquired as they see fit, i.e. they will not be bound by the overarching national criteria for assessment of need, but will be allowed to exercise their own nomination rights.** The Empty Property Rescue programme is therefore likely to provide a way of helping those who might not otherwise benefit from affordable housing.

Having obtained these properties, housing associations will manage these properties and set rents as usual. As the quality may not be good enough for housing associations to wish to retain these properties as part of their long term stock, we will permit them to offer this housing on non-lifetime tenures, so allowing the possibility of selling this housing in the future, when prices have risen. When any such properties are sold, we will ensure that a proportion of the capital receipt is returned to the Homes and Communities Agency and used to fund future affordable house building.

This policy requires no new funding – it will use National Affordable Housing Programme money already allocated to the existing Homes and Communities Agency budget in order to help housing associations access funding to assist with the purchase of empty properties, and cover renovation costs where necessary, as well as technical and professional fees. However, in some circumstances, housing associations might opt to leave the properties in the hands of a developer for new build or the current owner for existing empty properties and simply rent the house.

At the moment, local authorities are charged with taking the lead in bringing empty properties back into use. It is therefore crucial that housing associations work closely in concert with local government to ensure that they do not simply displace funding streams that are already in place. The success of Local Space housing association in Newham has demonstrated how a 'purchase and repair' model, operated in conjunction with the local authority, can procure a considerable number of properties for social rent without distorting the local housing market.

In order that local authorities have a reason to engage with housing associations on this, empty existing homes brought back into use will count towards new supply in performance indicators. In addition, this proposal will allow people on the social housing waiting list – but who are not in priority need – to complete renovations on

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empty homes themselves and take on a tenancy. There is the possibility here that a reward for renovation may be an equity stake – similar to the stake for good behaviour described below.

Our Empty Property Rescue scheme will provide thousands of families with much needed housing, and much more swiftly than building it. It will also help to reduce the crime and antisocial behaviour associated with empty housing, and regenerate neighbourhoods. And it will help to prevent an over-correction in house prices by putting a floor under the housing market, as well as helping to counteract the deflationary pressures in the economy.

## 5.2 Giving social housing tenants a ‘right to move’

Thanks to the stringent standards required of new social rented housing, and the Decent Homes programme to improve the existing stock, the quality of affordable housing in this country is significantly higher than that of properties in the private rented sector.<sup>74</sup> Despite this advantage, the evidence shows that social housing tenants are significantly less happy with their accommodation than tenants in the private sector.<sup>75</sup>

There are many possible reasons for this disparity in satisfaction levels – for instance the health, education and crime issues associated with some areas of predominately social housing. Another key reason why social tenants are likely to be unhappy with their housing is that they have no feeling of ownership. Only the very smallest proportion of social housing tenants had any say in choosing the property they live in – for the vast majority, they had to take what they were given.

Unfortunately, in addition to its initial inefficiencies in allocation, the social housing system is very bad at helping households and individuals to change their housing as their circumstances change. Applications for alternative social properties have to compete with everyone on the waiting list, including anyone who is classified as homeless, rendering them essentially pointless.

Under the previous Conservative Government, there was a very successful national mobility scheme – the Housing Mobility and Exchange Service (HOMES) – that moved 100,000 social sector households between 1990 and 1997. Unfortunately, under Labour, the HOMES service – including what was at the time the largest and most used public sector website in the UK, with 10 million hits a month and more than 800 new home swap registrations online every day – has collapsed through mismanagement, and the Government has not even bothered to replace it. The result has been a sudden and ruinous loss of mobility options for millions of social tenants.

The upshot is that huge numbers of social tenants find themselves living in houses or flats that they are not satisfied with, wishing that they could move to alternative accommodation. Policy Exchange’s recent report<sup>76</sup> proposes a Right to Move policy as a positive and empowering way to ensure that all social tenants can enjoy the same degree of choice over their accommodation as those in other sectors of the housing market. In order to test the practicability of this idea, we will institute a limited pilot scheme, using the Policy Exchange pamphlet as a starting point, with a view to expanding the scheme across the country. The pilot scheme will be run in **five local authority areas, selected to represent a variety of types of housing market and social housing provision (urban, suburban, rural etc), and located across the country.**

**We will negotiate an arrangement with local authorities and housing associations in these five areas under which all tenants who have a record of five years good behaviour will be given the right to demand that their landlord sell their current property and use the proceeds, minus transaction costs, to buy another property of their choice – anywhere in England.** This change will not have any impact on their tenure and their new home will continue to be managed by their existing landlord.

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These ‘replacement’ homes will be purchased on the open market, although there will be some restrictions. To prevent social tenants in particularly expensive areas from benefiting unduly, there will be a limit on the number of additional bedrooms and/or floorspace that can be gained by moving. And, where necessary, some sale proceeds may be required to renovate replacement properties to meet National Affordable Housing Programme grant standards. But this will still allow tenants to use the Right to Move to convert a city centre flat into a house with a garden in the suburbs, or to move to the seaside, or to a small village at the other end of the country.

We believe that the Right to Move scheme will lead to a significant increase in the proportion of tenants living in the types of home that match their lifestyles and meet their aspirations. As well as being enormously empowering, we believe that giving social tenants the Right to Move will have a number of related benefits. It could help social tenants move to take up jobs, or to be near an elderly relative who needs care, or near grandparents to help with childcare.

The social benefits will also be significant. The Right to Move will lead to greater variation in the tenure mix of neighbourhoods across the country and an influx of owner-occupiers coming into what are often near mono-tenure social housing estates.<sup>77</sup> This reduction in social polarisation will have a series of knock-on benefits for the communities involved. The presence on estates of property owners who work full-time will help to foster a more positive culture both towards employment and education, and towards the fabric of the area itself, as well as bringing in more money to help support local businesses.

Of course, there will be some social tenants who want to move within the existing social rented sector. Right to Move will not provide a solution for these people because social rented properties will not, as a rule, be available for sale. Therefore **we will also re-introduce a new national mobility scheme for social housing, based on the successful HOMES scheme ruined by Labour, and we will consult with local authorities and housing associations to see how such a scheme might be integrated with the existing choice-based lettings system for social housing allocation.**

To maximise the choice and flexibility, and to support geographical mobility, our national mobility scheme will cover all social rented housing in England. We will consult with the Scottish Parliament and Welsh Assembly to try and achieve a scheme that covers the whole of Great Britain.

## 5.3 Giving social tenants more chances to own

People’s needs vary: good housing policies should recognise this variety of needs rather than treating everyone the same and mechanically allocating a provision of housing stock. For instance, there will always be a proportion of the population who, for one reason or another, are essentially unable to house themselves and it is absolutely right that such people are given all the support that they need. But beyond this segment of the social sector, social housing policy needs to recognise that home ownership is the ultimate goal for many families and individuals. It is the duty of government to help make this goal a reality.

### 5.3.1 Taking right to buy entitlements with you when you move

The introduction of Right to Buy by the Conservative Government in 1980 liberated a generation of council house tenants, and we believe the concept of giving those in social housing the option of a ladder to home ownership remains as valid today as it did 30 years ago.

Local authority tenants who become housing association tenants as a result of a transfer of stock, keep their Preserved Right to Buy (PRTB), so long as they stay in the same property or move to a different property owned by the same landlord, they keep this PRTB. However, if tenants move to a property owned by a different Association, this PRTB is lost. This is perverse and a clear barrier to greater home ownership and mobility. **We will legislate to provide that, in such circumstances, the PRTB should remain regardless of the move.**

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### 5.3.2 Supporting shared ownership and other intermediate housing models

We believe that the housing market should offer a wide range of innovative housing options that meet people's varying needs, particularly in the intermediate sector of non-social-rented affordable housing. In the intermediate sector there are a variety of exciting models that offer below-market housing for sale or rent. And there are social rented shared ownership or shared equity schemes which allow tenants to buy part of the equity in the property while renting the rest, or share gains in the property value with a lender in return for lower initial payments. This allows purchasers to get a first step up on the property ladder, with the later ability to 'staircase up' (incrementally acquire more equity in their homes) and own a larger share later, when they might not have been able to afford to buy. Unfortunately, as previously described, the present Government's shared ownership schemes have been unnecessarily complicated, leading to pitiful levels of take-up. **We will review the barriers to successful take-up of shared ownership and other intermediate housing schemes.**

For instance, while shared ownership schemes are principally aimed at assisting people to become partial owners and then 'staircase up' to full ownership, there should be greater flexibility to allow owners to 'staircase down' either when they are older or when they need to boost their income. Certain housing associations, such as the Joseph Rowntree Housing Trust, offer this form of flexible tenure. **We will encourage flexible shared ownership equity stakes to meet the needs of the purchaser, whether in increasing or decreasing their equity share.**

We believe, however, that shared ownership needs to go further in providing opportunities for those struggling to participate in home ownership. New and innovative organisations are being formed, which allow for greater access to shared ownership, with the initial equity stake as low as around 12 per cent – half the current level of the Government's schemes. Companies like Asset Trust Housing have pioneered private investment in the affordable housing sector and had success in making shared ownership more affordable. **We will work to encourage greater involvement of the private sector to provide shared ownership schemes.**

A recent report by the House of Commons Communities and Local Government Select Committee has found evidence that the current slump in the housing market has led to some lenders "classifying shared ownership mortgages as sub-prime".<sup>78</sup> This will make it even harder for potential shared ownership purchasers to get affordable financing and, in turn, for housing associations to sell their shared ownership properties. **We will work with mortgage lenders to ensure that shared ownership remains a viable and attractive option for accessing the housing market.**

### 5.3.3 Rewarding good tenant behaviour with equity stakes – Foot on the Ladder

We recognise that many of those living in social housing are unable to afford to buy their own home, even under a discounted Right to Buy scheme or shared ownership. The median income for those in the social rented sector is £7,800 per year and the proportion of social tenants in employment has also fallen from 47 per cent in 1981 to 32 per cent in 2006, making it impossible for these groups to participate in shared home ownership schemes.<sup>79</sup>

**We therefore propose expanding access to home ownership by offering social tenants with a record of five years good tenant behaviour a 10 per cent equity share in their social rented property, which can be cashed in when they leave the social rented sector.** Tenants who accept this equity share under our 'Foot on the Ladder' scheme would continue to pay the same rent as before, with the quid pro quo that they remained exempt from contributing towards the maintenance costs of their properties. They will also have to maintain their record of paying their rent on time and not receiving registered complaints from neighbours and/or ASBOs in order to preserve their equity.

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In our vision, tenants benefiting from the 10 per cent free equity could thereafter ‘staircase up’ through shared ownership schemes to purchase their home outright. Or they could use the equity released by leaving the social rented sector as a deposit on another property that better meets their needs, which could be sheltered housing or a market or low cost home.

When social tenants choose to leave their property (and the social sector) and cash in their equity stake, they will immediately be freeing up space in the sector at a fraction of the price of building new homes. For that reason we will use existing government affordable housing funding to reimburse councils and housing associations when they buy their tenants’ equity. And because the people that move into the social rented properties released under this scheme are very likely to be homeless, and therefore being expensively housed in the private rented sector by their local authority, we anticipate that there will be savings in the housing benefit claimed by these households.

Evidence shows that focusing on rewarding good behaviour by incentivisation can deliver cultural change.<sup>80</sup> Moreover research carried out by the Centre for Research into Socially Inclusive Services demonstrates a strong theoretical case for using savings, financial education and asset accumulation to help people on low incomes out of poverty.<sup>81</sup>

Therefore, we believe that linking access to equity shares with criteria such as rent arrears and adhering to tenancy agreements will encourage tenants to value their tenancy. Since ownership of an asset encourages protection of that asset, giving good social tenants a share in their homes will create a powerful incentive for them to take a closer interest in ensuring the upkeep of their neighbourhoods.

David Cameron has often said that bringing about the social progress the country needs is inextricably linked to fostering a culture of social responsibility. The attitudes, decisions and daily actions of every single person and every single organisation in society are the key determinants in making the country a more civil and civilised place to live. In particular, what builds society and encourages civility is people taking responsibility and putting each other before themselves. Our ‘Foot on the Ladder’ scheme will reward those who understand that it is their responsibility, not just the council’s responsibility, to look out for each other and keep their community in order.

## 5.4 Review of waiting list management

Social housing is, quite rightly, designed to give priority to those in greatest need. The procedures and priorities for the allocation of social housing by local authorities are set out in an allocation scheme by each local authority, detailing how ‘reasonable preference’ will be given to certain categories of people in need of housing.

The requirement of ‘reasonable preference’ has existed since 1936. But the exact definition of how this preference should be distributed and what is indeed ‘reasonable’ has changed over time. The number of categories has expanded as pressure on the social housing stock has increased. As a result, demand has increasingly exceeded supply.

**We propose that there should be a formal review of waiting list policy in order to ensure that those genuinely in greatest need gain access. The new system will be designed to be absolutely transparent, so that it is clear to all that social housing is being allocated in an entirely impartial and even-handed fashion.**

A significant proportion of the families on the social housing waiting list are waiting for a larger affordable home, of which there is a massive shortage. In the short term, we will expect local authorities to maximise their efforts to bring empty homes back into use, and to tackle under-occupation of larger properties. We will also explicitly **allow local authorities and housing associations to sell off their smaller properties and use the receipts to build or buy larger properties to house families.**

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## 5.5 Tackling homelessness

Homelessness is about more than rooflessness – people become and stay homeless for a whole range of complex and overlapping reasons. Tackling homelessness requires individualised solutions – packages of support need to be designed around individuals not problems. Reintegration into society should be the long-term goal of all homelessness policy – by helping individuals reskill, find work and build positive social networks within their community.

Although the number of people sleeping rough on the nation's streets is officially just 483, this figure is artificially low due to counting errors. Crisis estimates that as many as 400,000 people are part of this country's so-called hidden homeless.

We need to encourage more local authorities to switch the balance of resources away from reactive bed and breakfast provision to pro-active personal support through a scheme of 'housing mentors', working with local social services. For instance, Cheltenham and Bournemouth Borough Councils have created 'housing solutions' services which offer a range of advice and options for anyone with a housing problem.

At the same time, we need to change the current homelessness obligation to allow local authorities more freedom in how they respond to the housing and other social needs of people who present as homeless.

The Conservative Homelessness Foundation has issued a series of reports on issues relating to homelessness. In particular, 'A Blueprint to Tackle Homelessness', published in December 2008, outlines a range of policies that a future Conservative Government will implement across Whitehall to address the problems of homelessness. In brief, these policies will:

- **Ensure more accurate numbers of people sleeping rough are collected;**
- **Help the homeless into work** by our welfare to work proposals which remove the restrictions on voluntary work when unemployed, and offer alternatives to an address;
- **Allow homelessness organisations to co-ordinate with GPs surgeries** and receive funding for public health work, as well as widening access to mental health services through the NHS;
- **Cut re-offending by allowing prisoners to build up funds that can be used for housing provision when released;** and
- **Strengthen the military covenant** to ensure that those leaving active military service will no longer return home to find that they are at the bottom of the housing needs register

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## 6. Private rented sector

The private rented sector constitutes a significant component of the housing market, accounting for 13 per cent of the 22 million homes in England.<sup>82</sup> Often unfairly seen as a fallback option for those who cannot afford to buy but are not sufficiently in need to qualify for social housing, the private rented sector plays a key role in meeting the accommodation needs of millions of households, many of whom greatly appreciate the flexibility and variety that the sector offers.

Yet the sector has the potential to play an even fuller and more effective part in meeting the country's future housing needs. Private landlords could play an important role in bringing under-utilised or empty homes back into occupation. Individual landlords are also capable of delivering small developments and conversions on sites too marginal or too difficult for larger businesses to undertake. Single operators can quickly and effectively operate at low margins on brownfield sites.

**We will conduct a review of the private rented sector to examine how the sector can play an enhanced role in the housing market.** As part of this review, we will look at how consistent and appropriate the current regulation of the sector is, as well as evaluating the cumulative effect of the statutory regulation on landlords. We will look to eliminate duplication and contradiction, and ensure regulation is proportionate to risk – focusing on public safety and rogue landlords. In so doing, we will end the uncertainty Labour have created about investment in private renting, re-establishing confidence and so encouraging the provision of much needed private sector housing for rent.

## 7. Energy efficient housing

As a nation, we rate the worst in Europe for wasting energy – a report by the Energy Saving Trust found that the average home has around 12 unused electrically powered devices drawing from the grid at any one time.<sup>83</sup> We want to use incentives to get people to the point where it becomes the norm to make cost-efficient low carbon choices in their existing homes – such as installing low energy light-bulbs and effective roof and cavity wall insulation, as well as saving energy by switching off appliances when they are not being used.

### 7.1 Energy performance certificates

The most urgent challenge in reducing carbon emissions from housing is to improve dramatically the energy efficiency of existing housing stock. Carbon dioxide emissions from the housing sector have risen by more than five per cent since 1997, and currently account for 27 per cent of the UK's carbon footprint.<sup>84</sup> When one considers that around 80 per cent of the existing housing stock of 25 million homes will still be in use by 2050,<sup>85</sup> the need to give consumers incentives to make their homes more energy efficient is clear.

One signal that will create just such a behavioural shift is the Energy Performance Certificate (EPC). EPCs are a means of providing prospective householders with information about the current and potential energy efficiency of their homes, the measures they can take to realise that potential, and where to go for further advice on these measures, including for financial assistance. Ultimately, as they become an established part of the property market, it is expected that they will have a significant impact on buying and renting decisions, creating an incentive for property owners and landlords to make energy efficient improvements to attract buyers or tenants.

Energy Performance Certificates are currently part of Home Information Packs (HIPs). We do not believe that they should get in the way of being able to market a property and so Energy Performance Certificates should be required only by the end of the sale process, rather than being a legal requirement as the house is placed on the market.

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We will therefore scrap the discredited HIPs, liberating EPCs to genuinely help people improve the environmental standing of their property.

We also want to introduce greater competition in the market for the provision of EPCs to help drive down their cost. In addition, we will look at the availability of EPC data in order to ensure that consumers can be offered relevant information that will enable informed decisions to be made about improving the environmental standing of their own home.

## 7.2 Energy efficiency retrofit in homes

One of the striking features of the current housing stock is how many homes, if retro-fitted with energy saving technologies such as cavity wall insulation, loft and boiler insulation and low-energy boilers, could reduce fuel bills to pay back the costs of taking the measures within five years – and even, in some cases, within the year of fitting.

Government programmes to retrofit energy efficiency improvements to existing homes – including Warm Front and CERT – have reduced bills and emissions for those energy customers who have taken up their entitlements. But, in the interests of both economy and reducing emissions, there remains a great opportunity to make a step-change in the coverage of energy efficiency measures across the housing stock.

There are three principal barriers which prevent householders from investing in technology that has a positive financial return:

- Difficulty in finding the initial capital outlay required, even with the prospect of early savings in outgoings;
- Actual or perceived short-term tenure dissuading householders from investing in improvements (the benefits of which would accrue to future homeowners or tenants); and
- The transaction costs in arranging for the work to be done – i.e. the ‘hassle factor’.

A Conservative government would take steps to overcome each of these barriers by **giving all householders the right to obtain immediate investment in energy saving technology. We would achieve this by granting an entitlement to households to approved home energy efficiency works up to a value of £6,500, the costs of which would then be recovered automatically through the household energy bill over a period up to 25 years – but with a payback period, in terms of reduced fuel consumption, substantially shorter than 25 years. This would mean that the household would benefit immediately from lower fuel bills.**<sup>86</sup>

## 7.3 Low Carbon Zones

The concept of Low Carbon Zones is to improve the energy efficiency standards of existing properties by identifying specific zones to be seed-funded by central government to undertake low carbon initiatives.

In July, the Mayor of London, Boris Johnson, announced the development of 10 high technology ‘Low Carbon Zones’ across London by 2012 which will provide a range of services and technologies to households and businesses, including: home insulation, buildings retrofitted with energy efficient devices, locally generated renewable energy schemes, plus energy and carbon assessments to work out existing carbon footprints and how best to reduce them.

**We accordingly propose to evaluate the 10 pilot Low Carbon Zones and hope to extend the zonal incentives nationwide.**<sup>87</sup>

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## 7.4 Business/Employee Carbon Cooperation Plan schemes

Our Carbon Cooperation Plan will provide an incentive for employers to help employees ‘green up’ their homes by allowing reductions in employees’ housing emissions to be counted against corporate emissions.

**We will allow employers who are subject to mandatory schemes that require them to cut carbon emissions to count the carbon reductions they achieve in employees’ homes towards their own emissions reduction targets.** This will include businesses and organisations such as (but not exclusive to) those required to participate in the Carbon Reduction Commitment trading scheme (around 5,000 organisations with a 2008 half-hourly metered electricity use above 6,000 MWh).

The carbon reductions will be calculated by reference to a standard list of improvements and measured by before-and-after changes in home Energy Performance Certificates. The reductions will be counted for a number of years and will remain even if employees left the company.

The Carbon Cooperation Plan will result in substantial and tangible benefits for many employees of participating companies. For example, they may have their loft insulated by their employer – either in a general scheme, as part of their benefits package or as bonus – and could then expect to save around £155 on their energy bills, as well as reducing their personal carbon emissions by a tonne every year. We will consult on how the improvements employers make to employees homes should be treated within the tax rules for employee benefits.

## 7.5 Household energy-use comparisons

One of the biggest influences on our behaviour is what we think is expected by the society around us and what we see other people doing. So, if we see that all our neighbours’ recycling bins are full, we end up recycling more ourselves. Research in America has shown that the same is true for energy efficiency – if we find out that our neighbours, or that households similar to ours, are using half as much energy as we are, then we are much more likely to bring our own consumption down in line.

We will ensure that every gas and electricity bill contains information which allows each household to compare their energy consumption with average households of a comparable size. This is not about government telling people what to do. It is post-bureaucratic policy making – not pulling bureaucratic levers from above and imposing a centralised view on the world, but understanding why people behave in certain ways, and then giving them a nudge in the right direction.

## 7.6 Code for Sustainable Homes

While we recognise that the majority of carbon emissions come from existing housing stock, there is great opportunity to build a new generation of zero carbon homes. We believe that all new communities from 2016 should be zero carbon. This will be achieved by ensuring that newly built developments will use the latest technologies available combined with renewable energy sources to create communities that will not emit any additional CO<sub>2</sub>. To bring about this aim we will take immediate steps to work with all interested parties to create a universally-accepted definition of zero carbon.

## 7.7 The Planning and Energy Act (The Merton Rule)

A further contribution to reducing emissions from housing can be made by allowing local councils to insist on renewable energy as a component of new development – in effect, using the incentive of planning gain to bring about a significant increase in low carbon energy production.

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The Merton Rule, introduced in 2003, allows a local council to stipulate that new developments in its area (above a certain size) should generate at least 10 per cent of their energy needs from on-site renewable energy equipment. The most commonly accepted threshold is 10 homes or 1,000m<sup>2</sup> of non-residential development.<sup>88</sup>

**The Merton Rule:**

‘The council will encourage the energy efficient design of buildings and their layout and orientation on site. All new non-residential developments above a threshold of 1,000 square metres will be expected to incorporate renewable energy production equipment to provide at least 10 per cent of predicted energy requirements.’

The principle is that where the incorporation of renewable energy equipment would make the development unviable it will not be expected. So, for example, for technical reasons it may not be possible to mount PV panels or wind turbines on a roof.

**Michael Fallon MP’s Planning and Energy Private Members’ Bill gave local authorities statutory powers to set renewable and low carbon energy targets for new development, and requires developers to source at least 10 per cent of any new building’s energy from renewable sources, reinforcing the Merton Rule and implementing it on a national scale. We are pleased that this Bill was granted Royal Assent and we will ensure that this legislation is implemented in full.**

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