RTPI response to Autumn Budget 2017, 22nd November 2017

Earlier today the Chancellor unveiled the 2017 Autumn Budget. This briefing covers some of the key announcements and our analysis of them, many of which focus on England.

Housing

Prior to the budget we said major changes were needed to address the housing crisis, and renewed focus on our #16Ways campaign. We have seen progress on some of these in the budget, however despite being big on rhetoric this budget did not deliver many major changes (full details here). Here's how the Budget addressed the key areas we highlighted:

Enabling a more diverse house building sector: The Budget saw some support for local authorities borrowing to build and for SMEs, but not as much as is needed. The main announcement here was a (partial) lifting of the Housing Revenue Account borrowing cap, which should make it easier for councils to borrow to build housing.

However, the change appears quite limited, only beginning in 2019-20 and with limits on the total increase. There was also £1.5bn for the Home Building Fund to provide loans for SMEs.

Intervening in the land market: Few firm commitments were made in this crucial area, although consultation of further changes is coming. DCLG will shortly be launching a consultation covering reforms to CIL, Section 106, and Tax Increment Financing (similar to the Strategic Infrastructure Tariff used in London for Crossrail). The Budget mentions support for Compulsory Purchase aimed at land assembly, but there is nothing about allowing purchase at closer to existing use value. Accordingly, without these powers, the announcement of five more 'New Towns', is less welcome than it could have been.

Accelerating the move towards making information on land more transparent: There was quite a lot of progress in this area. With a commitment of £40 million a year over the next two years to a new Geospatial Commission, better use of geospatial data can be a positive step towards better planning, not least at the regional scale. The announced creation of a central register of planning permissions is also welcome.

However, there were no further announcements about opening up ownership data or developing a register of options on land. Other announcements on housing included:

- More funding for housebuilding: Extra funding totalling £15.3bn for housebuilding. This includes funding for skills training, £2.7bn more for the Housing Infrastructure Fund and £1.1bn for a new Land Assembly fund, which it appears will be for purchasing land and developing strategic sites. This spending will result in extra funding for Scotland as per the Barnett agreement. This should go towards delivering housing, and the infrastructure needed to support it, in Scotland.
- Encouraging better use of existing stock: The Empty Homes Premium has been extended, and will now allow local authorities to charge a 100 per cent premium on council tax for empty homes (up from 50%). DCLG will also be consulting on policy

changes aimed at increasing density, including minimum density around transport hubs.
- Build Out: We are not convinced that another review into unimplemented planning permissions is necessary. Energy would be better spent acting on previous conclusions, building on ideas that have already been suggested, in the Housing White Paper.
- The main surprise was a removal of all stamp duty for house purchases below £300k. We fear that rather than making life easier for first time buyers this will mostly serve to inflate house prices.

Infrastructure

The government announced a consultation on changes to the Community Infrastructure Levy in England, which will include proposals to:

- In certain circumstances, remove restriction of Section 106 pooling towards a single piece of infrastructure where the local authority has adopted CIL
- Allow authorities to set rates which better reflect the uplift in land values between a proposed and existing use
- Give Combined Authorities and planning joint committees with statutory plan-making functions the option to levy a Strategic Infrastructure Tariff, similar to the London Mayoral CIL for funding Crossrail

We are also pleased to see the government endorsing the recommendations of the National Infrastructure Commission's recent report, which emphasised the need for strategic planning in the Cambridge - Milton Keynes - Oxford growth corridor. Budget announcements now form part of an integrated package for enabling housing and employment growth and improving connectivity.

An announcement on CIL has been widely anticipated since the publication of the latest review. We look forward to seeing the detail of the new consultation announced today. We have been clear in previous responses that certain arbitrary measures for incentivising adoption of CIL, such as restrictions on pooling s106 contributions, should be lifted as soon as possible.

New growth deals for North and mid-Wales have moved closer under plans revealed in the budget. A major investment in Welsh rail infrastructure also forms part of the proposals.

English devolution deals

We welcome the announcement of the £1.7bn transforming cities fund to accelerate capital investment for intra-city transport in English city-regions, with a focus on reducing congestion. Half of this will be allocated to the six mayoral combined authorities, perhaps acting as an incentive for local authorities to unite under an elected mayor. The remaining half will be allocated to other cities on a competitive basis, which we think should focus on groups of local authorities with jointly agreed plans for housing.

The budget also announced the government's support for the North of Tyne devolution deal, which includes long-term investment pot and strategic planning powers, along with a second devolution deal with the West Midlands combined authority.

Transport, energy and air pollution

In addition to the general enthusiasm for autonomous vehicles, the government has committed £200m towards a £400m investment fund for electric vehicle charging infrastructure, as part of their strategy to decarbonise the transport sector.

This shift towards electric vehicles will place a greater demand on the national grid, and require deeper, faster decarbonisation in the power sector. However, the budget statements on energy were not encouraging, with government postponing new levies for low-carbon energy while providing tax incentives to North Sea oil. Meanwhile, the commitment to additional road building and continued freeze on fuel duty will do nothing to tackle high levels of car use. With the BEIS Clean Growth Strategy struggling to provide long-term policies to reduce transport emissions, and many places suffering from dangerous air quality, the announcements in this budget are insufficient to meet the challenge.

Technology

The Chancellor is clear about his vision of the UK as Tech-driven economy, investing £21 million over the next 4 years to expand Tech City UK's reach – to become 'Tech Nation' – and support regional tech companies and start-ups to fulfil their potential. As we have argued planning is crucial to ensuring both that the conditions are in place for the flourishing of tech and advance manufacturing (AM) and that their growth benefits the city as a whole. Planned innovation districts can provide the conditions for tech and AM to flourish, while planned growth in these sectors can support cities in addressing long term challenges such as employment and skills, education, transport, and housing.

DTP Budget Briefing, 22 November 2017

A 'balanced approach'...

...presented in the context of a 'critical phase' in EU negotiations, helping families and businesses by laying foundations, and not necessarily delivering overnight solutions.

ECONOMIC GROWTH:

- OBR UK GDP growth forecasts
    - 1.5% – 2017 (down from 2%)
    - 1.4% – 2018
    - 1.3% – 2019
    - 1.6% by 2022

- OBR inflation forecasts:
    - Peak at 3% this quarter
    - Returning to target 2% during next year
- Downward revisions in productivity growth by average 0.7% pa over next 5 years. Now rises from 0.9% this year to 1.2% in 2022
- £3bn set aside over next 2 years for Brexit to cover 'every possible outcome'
- The government has launched a separate Industrial Strategy to lift productivity and wages.

GOVERNMENT BORROWING / DEFICIT:

- Projected borrowing of £49.9bn in 2017 is £8.4bn lower than March forecast
- OBR forecasts debt as % of GDP peaking at 86.5% next year, before falling back to 79.1% by 2023
- Net borrowing forecast to fall from 2.3% of GDP next year to 1.1% in 2023.

INFRASTRUCTURE

- Various initiatives across regions, transportation and business sectors, including over £31bn for National Productivity Fund, a new £2.5bn fund for emerging businesses, and £1bn to local authorities to support high value infrastructure projects
- £10bn capital investment in frontline services for NHS, plus £2.8bn resource funding over next 2 years.

HOUSING (DIRECT AND INDIRECT):

- Emphasis on greater use of urban areas, and confirming protection of greenbelt
- £44bn over 5 years in capital funding, loans and guarantees to target delivery of 300k pa net new homes by 2020, and boost construction skills, use of small sites, and estate regeneration
- 5 new garden towns along Cambridge / Milton Keynes / Oxford corridor
- Review of gap between planning permissions and build starts
- HCA to become Homes England, with expanded brief for planning / affordability
- £28m fund for homelessness / rough sleeping
- Local authorities may impose 100% council tax premium on empty properties
- Universal Credit – removal of 7-day waiting period; advance of full month's payment within 5 days and repayment period extended from 6 to 12 months, if financially necessary.

STAMP DUTY / BUSINESS TAXES:

- SDLT abolished for first time buyers on properties up to £300k, and on first £300k of those up to £500k
- Business rates – to be indexed against CPI instead of RPI from April 2018; revaluations every 3 years (currently 5), and staircase tax to be reviewed / provision for original bills to be reinstated / backdated

- Corporation tax – freeze on indexation allowances
- VAT – business threshold to be retained at £85k for next 2 years
- Freeze on standard wines beers and spirits, and petrol and diesel duty for another year; tobacco subject to inflation + 2%, as at present.

PERSONAL TAXATION / HOUSEHOLD SPENDING:

- Personal tax free allowance rises to £11,850 in April 2018 (currently £11,500)
- 40% tax rate to apply to income of £46,350 in April 2018 (currently £45,000)
- Railcard discounts for 26-30 year olds
- National Living Wage increasing 4.4% from £7.50 to £7.83.

BLOG: Autumn Budget 2017, November 24, 2017

From http://housing-studies-association.org/2017/11/blog-autumn-budget-2017/

Gavin Smart, Deputy Chief Executive of the Chartered Institute of Housing, comments on the place of housing in this weeks' Budget announcements.

The speculation that housing would feature heavily in Wednesday's Budget turned out to be right.

The chancellor, and by extension the government, was at pains to show that he understands that our dysfunctional housing system is having real world consequences for people across the country. He focused particularly on increasingly unaffordable rents and rising house prices pushing home ownership out of reach for many, especially younger households. Rates of home ownership have indeed tumbled for younger generations with the number of 25-34 year olds owning their own home dropping from 59% to just 38% over the last thirteen years.

The last spring Budget contained so little on housing that we didn't do our regular housing briefing for the first time. This time the amount of attention devoted to housing was significantly greater; demonstrating just how high up the list of priorities housing now sits with the government. Indeed the fact the Budget Red Book itself has an entire chapter devoted to housing is itself highly unusual and worthy of comment. It feels as though we are in a very different place to where we have been in recent years.

So much for political perceptions and priorities, but what about the measures announced? Across housing and planning there was a long list of measures big and small. The common theme was housing supply, both in terms of increasing numbers and speeding up delivery.

The chancellor's analysis is that many of our current woes are caused by a chronic under supply of housing and he set out a target to see 300,000 new homes being built every year by the mid- 2020s. To a large extent that is a view which is shared by CIH and a wide range of other industry bodies and commentators.

The chancellor committed to spending £44bn on housing over the next five years in the form of capital funding, loans and guarantees. Unravelling the detail here will take a while including separating out the genuinely new money from the re-announcements so beloved of politicians. Whatever the final analysis, this is a significant amount of investment and a reasonably large chunk of it is in the form of cash as opposed to financial transactions – the loans, guarantees and other measures regularly employed by chancellors because they don't score on the public accounts.

From a CIH perspective perhaps the most important announcement was that the local authority sector would be freed to borrow an additional £1bn through Housing Revenue Accounts targeted at higher demand areas. History suggests that to build homes at consistently high numbers in the UK requires an active local authority contribution. The government has shown that it recognises this principle even if the sums of money involved are not yet as large as we might hope.

Coupled with the now £9bn of money for affordable housing now available through the Homes and Communities Agency (soon to be Homes England) alongside a favourable rent settlement for housing associations and local authorities there is now significant funding available for new affordable homes – even if we must still have an urgent national debate about exactly what affordable housing is given the amount of evidence that shows that in many ways affordable rents are anything but for those on the lowest incomes.

More investment will be needed in the longer term but at least for now the focus must be on getting homes built and ensuring that the size, type and cost of those homes reflects the reality on the ground. In my view, among other things, this certainly means acknowledging that there is a much larger role for new homes at social rents.

Beyond these numbers while the total amount of funding on offer is large and therefore welcome, too much of it remains targeted at home ownership and especially at demand side interventions which, given that they will kick in more quickly than supply is likely to rise, in fact risk exacerbating rather than addressing affordability problems.

Finally, there was also a degree of good news on support for housing costs from the welfare system. The waiting period for Universal Credit was changed from six to five weeks alongside a number of other measures to make it easier for people to get support – this is something that CIH has consistently called for. This is a welcome concession even if there is plenty more work to do. We'd still prefer to see the rollout slowed down so that some of the administrative glitches and other issues our members have told us about can be dealt with.

Meanwhile the announcement that there will be new Targeted Affordability Funding in areas with the biggest gap between local housing allowance rates and rents was welcome. But to ensure the welfare system genuinely provides the support for housing costs needed we think removing the freeze on LHA rates and fundamentally reviewing the way the LHA itself is calculated is the long-term way to deal with affordability issues.

In summary I think we can say that this was a good budget for housing given the restrictions on the chancellor, some of which are clearly self-imposed. It recognises the need for more action on housing supply and that this may require a more active government approach. There is more money which will help in the short to medium term.

But the welcome news in the budget will need to be backed up with further policy announcements and more investment in future budgets if we are to comprehensively address the failings of our housing system.

Property moose BLOG, 23rd November 2017

Form https://propertymoose.co.uk/blog/autumn-budget-2017-first-time-buyers-housing-property-btl/

22nd November 2017: The chancellor, Phillip Hammond delivered the 2017 Autumn Budget speech today against a "backdrop of weaker growth, Brexit uncertainty and falling living standards."

Current economic climate

It's likely that the current economic climate, summarised below, created heightened expectations around the Autumn budget.

- The UK can no longer boast about being the fastest-growing G7 economy. According to the New Statesman, it is now the slowest. In fact, "Britain has endured the lowest growth and the highest inflation of the ten major EU economies."
- After a short-lived break in 2015 and 2016, real pay has started to decline again, with wage growth failing to keep pace with inflation. According to the Guardian, "Inflation has risen from 0.5% in June 2016, to 3% in October. Wage growth has failed to keep pace, despite low unemployment, and was 2.2% in September."
- Climbing the property ladder has become increasingly exclusive, especially for first time buyers. Savills concludes that in 2007, the average first time buyer deposit was £12,556, and in 2017, it is recorded to be £26,224. The BBC supports this, reporting that "High deposit demands from mortgage lenders to first-time buyers have prevented many people from buying a home."

Property announcements speculated prior to the budget

Prior to the chancellor's speech, there were multiple speculations around what we could expect to hear about. For landlords, renters and property investors, some of the speculations were as follows:

- Stamp duty cuts were speculated to be introduced for first time buyers.
- Potential "tax incentives for landlords who guarantee tenancies of at least 12 months or longer" were expected to be introduced.
- In October 2017, the government announced an additional £10 billion to support the scheme until 2021, and this statement was expected to be reinforced in the Autumn budget – despite controversial criticism which argues "all it has done is raise prices and hand profits to the big developers."

- Speculations around how Hammond will balance "demands of landlords against priced-out generation rent" were discussed, especially in the aftermath of the buy to let landlord tax changes.

Summary of housing announcements made in the 2017 Autumn budget

- "Stamp duty abolished for first-time buyers for homes worth up to £300,000… And people buying a home worth up to £500,000 will not have to pay stamp duty on the first £300,000" to help people in expensive markets like London.
- £44 billion announced for housing over the next five years. Hammond empathised with young people who "feel concerned about their prospects in the housing market, with house prices increasingly out of reach for many." Homeownership amongst young people has dropped from 59% to 38%. "By the mid-2020s there should be 300,000 homes being built a year – the highest level since the 1970s."
- £28 million for set aside for the West Midlands, Manchester and Liverpool to reduce rough sleeping by 50% by 2022, and eradicate it by 2027.
- Under a clampdown on empty homes, Hammond "announced plans to legislate for councils to be allowed to impose a 100% premium on properties left vacant."
- Planning reform is required, with Hammond concluding there is too wide a gap in the number of granted planning permissions and the number of homes actually built. "In London alone there are 270,000."
- 1 million homes announced to be built in the Cambridge-Milton Keynes-Oxford corridor.
- Under the logic that fixing the housing shortage requires more than just money, £34 million was set aside to develop construction skills across the UK.
- "£8bn of financial guarantees to support private housebuilding."
- "£1.1bn for new urban regeneration."

Preliminary analysis of housing announcements made in the 2017 Autumn budget

In ordering a review into the gap between the number of granted planning permissions and the number of homes built, Hammond attempts to clampdown on "landbanking," yet critics have argued that instructing a review does not "rule out direct action."

In regards to the Stamp Duty reform, Jonathon Haynes argued, "Stamp duty change: helps young people already wealthy enough to be thinking about house buying. And helps boost house prices which were in danger of falling. Great news, but not really for poor young people."

Other criticism includes that the reform won't help to increase supply, perhaps suggesting that long term control over house pricing is still out of reach. Nevertheless, the announcement is likely to headline for the days following the budget.

The clampdown on empty homes is likely to come as a relief to councils who requested the previous 50% cap to be increased.