

BRIEFING



THE BUDGET

23 March 2011

From a housing perspective, the Budget (http://cdn.hm-treasury.gov.uk/2011budget_complete.pdf) has to be seen alongside The Plan for Growth (http://cdn.hm-treasury.gov.uk/2011budget_growth.pdf) - especially the sections on planning (pages 43-46) and construction and zero carbon (pages 115-117). DCLG has also released a Ministerial statement (<http://www.communities.gov.uk/news/corporate/1871021>).

HBF Comment

The Budget and accompanying Growth Review contain a whole series of important announcements for home builders, almost all of which demonstrate the success of HBF's representations to Government on behalf of member companies. HBF's Budget Submission called for £200m funding for a replacement for HomeBuy Direct. The Government has announced £250m (£200m for England) for a FirstBuy scheme. Many of the planning reforms trailed in the Growth Plan reflect HBF thinking and are strongly pro-growth and development. We have repeatedly called for a change to the SDLT treatment of bulk purchases of dwellings for the private rented sector, now accepted. Our submissions to the 2010 Spending Review and the 2011 Budget called for an accelerated programme of public sector land disposal, now a key policy objective. The zero-carbon policy for new homes has been made less costly and is now to be both practical and cost effective, a very welcome change to previous policy thinking.

The Budget and Growth Review: Key Housing Measures

The Budget and Growth Review contain a range of important housing measures:

1. FirstBuy for first-time buyers of new homes;
2. Planning reform;
3. SDLT treatment of bulk purchases of residential property;
4. Removing barriers to REITs;
5. Public sector land disposal;
6. Burden of regulation and zero carbon;
7. Land Remediation Relief

1. FirstBuy

£250m (just over £200m for England, the remainder for Scotland, Wales and Northern Ireland should the devolved administrations wish to introduce schemes) of new money has been announced to fund around 10,000 new home sales to first-time buyers in financial year 2011-12 on the basis of a 5% purchaser deposit and 20% second-charge equity loans, split equally between the HCA and house builder, for buyers on household incomes up to £60,000.

Full details are not yet available, but HBF has arranged an urgent member meeting with the HCA. We assume (and hope) the scheme will be very closely modelled on HomeBuy Direct.

2. Planning

The Growth Review says “low levels of housing completions and limits on land supply also create barriers to mobility and high costs of entry for firms coming to the country”, emphasising the wider economic impact of housing undersupply. The Government says its radical changes to the planning system are being made “to support job creating and growth”. The Ministerial Statement says: “The Government’s top priority in reforming the planning system is to promote sustainable economic growth and jobs”.

Today’s **Ministerial Statement on planning for growth and jobs** “is capable of becoming a material consideration in local planning decisions with immediate effect”, and requires local authorities to “put in place development plans that are pro-growth”. The Chief Planning Officer will write to all local planning authorities to outline the Government’s intent. The Ministerial Statement says “local authorities should therefore press ahead without delay in preparing up-to-date **development plans**.”

The Government will also write to local authorities requiring them to modify **planning obligations** to allowed stalled development to proceed.

There will be a “powerful new **presumption in favour of sustainable development**, so that the default answer to development is ‘yes’...except where this would compromise the key sustainable development principles set out in national planning policy”. Government will publish a consultation on the presumption in May, alongside details of how it proposes to integrate the presumption into national planning policy.

The Government aims to have the “inherently pro-growth **National Planning Policy Framework (NPPF)**” finalised by the end of 2011. The “top priority” for the NPPF will be “to support long-term sustainable economic growth”. Local authority plans will need to give “a clear role for market signals in assessing the need for development. For example, if land prices are high for housing, this should inform an assessment of relative need and may indicate housing shortages.” The deliverability of development plans will be a key test of soundness, and “Government will also ensure that local authorities will not be able to adopt plans that block the delivery of required development by imposing unsupportable burdens on developers”.

“**Neighbourhood plans** will be able to shape development, but not to block it.”

The Government will pilot elements of a **land auctions model** on publicly owned land within 12 months with a view to wider use.

The previous Government’s centrally imposed target for **previously developed land** has been removed, although the Government expects a significant proportion of development will continue to take place on brownfield land.

The Government will consult on proposals to make it easier to convert **commercial premises (B1, B2 and B8) into residential (B3)** without needing to apply for planning permission.

It will introduce measures to **streamline the planning application process** (Killian Pretty Review) and related non-planning consents (Penfold Review). It will announce next steps with the Penfold Review implementation in May. “No planning application should take longer than one year to reach a decision”, including all related consents and planning appeals.

Although not announced in the Budget, we understand the Government will amend the Localism Bill to strengthen the **duty to cooperate**, a key HBF concern.

3. SDLT Treatment of Bulk Purchases

“If a buyer chooses, the rate of stamp duty land tax on purchases of multiple residential properties will be determined by the mean value of the dwellings purchased (subject to a minimum rate of 1 per cent), rather than their aggregate value as is currently the case”.

4. REITS

Measures will be announced to address barriers to entry and investment and support good business practice. Along with other regulatory reforms they will help support further investment in the property market.

5. Public Sector Land Disposal

The Government will work with local authorities to expedite planning decisions for surplus military land and other public sector land, also testing ‘build now, pay later’ techniques to quicken delivery. It is understood the MOD has surplus land which could support as many as 20,000 homes. The Cabinet Office’s Government Property Unit and the HCA will be involved in the drive to increase surplus public land disposal.

6. Burden of Regulation and Zero Carbon

The Government accepts “housing supply is constrained by the lack of viable land for development”. The Growth Review has a broad drive to reduce regulation, while the home building industry has its own specific Spending Review commitment to reduce the burden of regulation on home building.

On zero carbon, the Growth Review says: “To ensure that it remains viable to build new houses, the Government will hold housebuilders accountable only for those carbon dioxide emissions that are covered by Building Regulations, and will provide cost-effective means through which they can do this.” The practical implication of this very important commitment is that the 2016 zero-carbon target will be broadly in line with the energy component of Code 5 (i.e. 100% saving on 2006 Part L, covering ‘regulated emissions’: heating, fixed lighting, hot water and building services) instead of the previous Code 6 energy requirement (i.e. 150%, which includes ‘regulated emissions’ plus unregulated: cooking and plug-in electrical appliances which are beyond the influence of housebuilders).

The Government has confirmed its support for the Zero Carbon Hub’s recent recommendations for Carbon Compliance (i.e. on-site reductions) as the starting point for its forthcoming consultation, along with their advice to move to an approach based on the carbon reductions that are achieved in real life, rather than those predicted by models (i.e. design vs built performance). The Government will consult on “cost-effective” options for off-site carbon reductions, and the

price of carbon is expected to be significantly lower than the prices assumed by the Hub in its Carbon Compliance study.

The Government's approach "will deliver zero-carbon homes on a practical basis for 2016, with significantly reduced costs to industry, compared to previous proposals."

7. Land Remediation Relief

Earlier this month the Office of Tax Simplification ("OTS") published its report aimed at reducing the burden on business arising from a tax code that very recently acquired the dubious distinction of being the longest in the world.

One of the more surprising recommendations, particularly as there had been no prior indication or consultation was that Land Remediation Relief should be abolished. In the course a very recent meeting with a contact within the Treasury, we learned that Treasury options to deal with each of the OTS recommendations ranged from rejection to immediate implementation.

We have now learned from the Budget that Land Remediation Relief falls somewhere in the middle, with the relief scheduled to be abolished at some time after 2012, but following a period of consultation.

The HBF is disappointed that this decision has been taken without proper consultation, but we are pro-actively seeking to influence the consultation process announced in the Budget to ensure that transitional arrangements limit the impact on members.

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