BUDGETING BRIEFING NOTE
November 2021

AUTUMN BUDGET AND SPENDING REVIEW 2021 PLANNING IMPLICATIONS

The Chancellor of the Exchequer, Rishi Sunak announced his Autumn Budget and Spending Review on 27th October 2021, setting out his vision for the 'post-Covid' era. Now that the dust has settled on this, our latest Briefing Note provides a summary of the initiatives outlined which are likely to impact planning.

The Budget follows a turbulent period of unprecedented spending worldwide, which will see inflation expected to rise to an average of 4% in 2022 according to the Office for Budget Responsibility. The economic context within which this budget was announced is certainly one with recovery and growth at its heart, with the Chancellor announcing the drive for "higher wages, higher skills and rising productivity".

Despite the clear ambition for an economic bounce back, the Budget remained largely quiet when considering the role of the built environment and specifically the planning sector in supporting economic growth. This is in spite of declarations and policy reforms set out within the 2020 White Paper, urging sustainable growth and a rebalance of the economy.

Notwithstanding this, the Chancellor's proposals for a 'new digital [planning] system', associated digital 'pilot' tools announced by the Department for Levelling Up, Housing and Communities ('DLUHC') and an increase in local government grant funding piqued our interest, representing acknowledgement of the continued systematic delays experienced within the planning sector.

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PLANNING GOES DIGITAL

The Autumn Budget and Spending Review 2021 document set out proposals for an additional £65 million to transform the current planning system into a 'new digital system'. The intention is to provide "more certainty and better outcomes for the environment, growth and quality of design".

Plans are yet to be revealed confirming what exactly this new and improved system/software will entail, however it is understood that the digital upgrades are due to be delivered in phases, with the first roll out being targeted to up to 175 local authorities in England. A taster of this is expected to be unveiled as part of DLUHC's pilot digital planning tools, for which over £1 million of Government funding has been allocated to 13 planning authorities across England.

Advertised initiatives include:

- 3D mapping to assist communities in visualising and commenting on proposals (London Borough of Hounslow)
- QR code system for communities to view interactive maps and access planning information (Watford Borough Council)
- Social media interaction, advertising development proposals, including media articles and blog posts (Greater Cambridge Shared Planning)

The proposals certainly conform with 'Pillar 1' of the White Paper (2020), which sets out the initial intention for a 'digital-first' approach, however, it is not clear exactly what shape this will take. If anything like the GLA's 'digital transformation' in partnership with the Planning Portal, there is certainly the potential for vast amounts of data to be collected, however the accuracy and therefore analytical potential of this information remains questionable.

FUNDING 'LEVELLING UP' – HOW WILL THE MONEY BE USED?

A grant of £4.8 billion over the next three years was announced as part of the Chancellors' fiscal initiatives. This is intended to "enable local authorities to support the ambition to level up communities across the country", contributing to key local services, including expenditure on planning.

At face value, this appears to be the cash influx needed within the public sector, to enable consistent issues of under-resourcing to be addressed, thereby improving targets and the ability to deal with applications within the statutory determination period. It is this continued lack of capacity within the public sector that is having very real effects on development programmes, resulting in financial implications.

The fund itself however is specifically to invest in infrastructure that 'improves everyday life across the UK', including the regeneration of town centres and high streets, upgrading transport and investing in cultural and heritage assets. Having reviewed the initial 'first round successful bidders' list available online, it is clear that these funds are very much being targeted at project specific initiatives, which whilst vital in supporting community needs, will have little to no impact on the planning process or speeding up services.

In addition, of the £4.8 billion fund, £1.7 billion has already been committed to 105 projects, representing approximately 35% of the total fund. Further work is currently being undertaken to explore where and how budget will be allocated on a grant, equity or debt basis and how this links in with the role of newly set-up entities including the UK Infrastructure Bank. The recent news announcement on the cancellation of the eastern leg of HS2 (awaiting formal statement) will be seen as a knock to the levelling up agenda and we will wait to see how the replacement proposals will manifest themselves in the coming months.

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PLANNING INSIGHT

There appears to be intent by the Government to bolster the economy through new initiatives and fiscal measures introduced as part of the Autumn budget, albeit with a vague sense of direction. Within the built environment and planning sector specifically, the Government has not used the Budget as an opportunity to introduce more radical changes at this stage, which were expected following the 2020 White Paper publication.

The Secretary of State for Levelling Up, Housing and Communities, Michael Gove, has since confirmed to a select committee that planning reform is not to be abandoned, but that he is conducting a review into how the proposals in the 2020 White Paper can be improved. Whilst he would not be drawn on the timescales for this exercise, it has been reported that the government hopes to publish a white paper on 'levelling up' before Christmas.

It is questionable therefore, as to why the Government have not set out more visionary initiatives and pledges as part of the 2021 Autumn Budget. Once the dust has settled following the recent cabinet reshuffle, it will be critical for the Government to demonstrate measures being implemented and reaffirm commitments made. The measures announced, including the 'new digital system' and LPA funding, feel somewhat tokenistic with regard to the impact that they will have on a tangible level.

Whilst a modernisation and speeding up of the planning system are needed, the extent to which the aforementioned proposals announced will achieve this and have a palpable impact in practice remains to be seen.

TAX SNAPSHOT

A clear theme in the budget is that the built environment sector is not immune to the general increase in taxation. Whilst not all directly planning considerations, three areas of change should be monitored:

- The 'Residential Property Developer Tax' due to be introduced from April 2022 was also announced as part of the Budget, following earlier consultation. The tax, applicable on the profits raised by companies and corporations from UK residential development, will represent a consideration in viability terms for residential developers.
- The Government has also consulted on the separate Building Safety Levy, which it suggests would be applicable to residential development, care homes and hospitals over seven floors or 18m in height, payable when building control approval is sought.
- The Government has also indicated it remains committed to reform of planning obligations and land value capture, and changes in the Community Infrastructure Levy are expected to be one part of the planning White Paper reforms that do survive Michael Gove's review.

Individually and cumulatively, these will have longer term implications for development viability.

TIMINGS AND NEXT STEPS

We understand that the DLUHC 'pilot' digital scheme will run until March 2022. The additional grant funding provided as part of the 'Levelling Up' fund is due to be delivered over the spending review period between 2022/23 and 2024/25 whilst the new Residential Property Developer Tax will apply from 1st April 2022 to profits arising from residential property development recognised in accounting periods ending on or after that date.

For further information on the recent budget and its potential implications, speak to one of our team.