

## **The Autumn Budget 2017**

### **Purpose of report**

For discussion.

### **Summary**

This report and its appendix provide commentary on the measures set out in the Autumn Budget Statement by the Chancellor on 22 November 2017.

### **Recommendations**

That the Environment, Economy, Housing and Transport Board examines and comments on the implications of the Budget Statement for the Local Government as it relates to its remit.

### **Action**

Officers will take action as directed by the Board.

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## **The Autumn Budget 2017**

### **Background**

1. The Chancellor's autumn budget statement took place on the 22 November 2017. The LGA produced an on the day briefing which commented on the main measures in the statement. The briefing is attached in **Appendix A**.

### **Issues**

2. Housing and planning featured heavily in the statement. Our commentary on the housing and planning measures are replicated here. The paragraph numbers relate to the Budget Book which can be found here:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/661480/autumn\\_budget\\_2017\\_web.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/661480/autumn_budget_2017_web.pdf)

### **Planning for more housing**

*The Chancellor announced:*

3. The Government will consult on strengthening policy to be clear that allocated land should be taken out of a plan if there is no prospect of a planning application being made. (Page 60, Paragraph 5.7)
4. DCLG has begun the formal process of considering intervention in 15 areas where the local authority has failed to put an up-to-date plan in place. The Government will shortly activate powers that will enable it to direct local planning authorities to produce joint statutory plans and undertake an assessment of where they should be used. (Page 60, Paragraph 5.8)
5. The Government will consult on a new policy whereby local authorities will be expected to permission land outside their plan on the condition that a high proportion of the homes are offered for discounted sale for first-time buyers, or for affordable rent. This will exclude land in the Green Belt. (Page 60, Paragraph 5.9)

*The Government will consult on introducing:*

6. Minimum densities for housing development in city centres and around transport hubs, with greater support for the use of compulsory purchase powers for site assembly.
7. Policy changes to support the conversion of empty space above high street shops.
8. Policy changes to make it easier to convert retail and employment land into housing.

9. A permitted development right to allow commercial buildings to be demolished and replaced with homes (*Page 60, Paragraph 5.10*)

*LGA view:*

10. Councils want to deliver the right kind of homes, supported by infrastructure. As the Chancellor highlighted in his speech, councils are playing their part – approving nine out of 10 planning permissions. The Government has placed significant emphasis on councils having a Local Plan, which councils go to great lengths to develop with their local communities and partners.
11. It is disappointing that the Government is then simultaneously looking to consult on a series of policies that undermine the local planning process. For example, the proposal that councils will be expected to give permission to build on land outside of the local plan if most homes are offered for discounted sale for first-time buyers means that councils are being asked to produce a plan and then being made to ignore that very plan.
12. It is important that the local planning process is responsive to local communities within the National Planning Policy Framework, which sets out a national policy enabling places to build new homes. Some councils are frustrated that the Government has delayed the implementation of their agreed local plans.
13. Local authorities should be able to develop a locally responsive mix of housing tenure that works towards supporting home ownership. Councils need to be able to determine the number of first-time buyer homes built locally, alongside affordable homes for rent, which will be critical for ensuring new housing meets the needs of communities.
14. We oppose a new permitted development right to allow commercial buildings to be demolished and replaced with homes. This risks a number of unintended consequences, as illustrated through the existing permitted development right allowing change of use from office and commercial use to residential use. This includes a reduction in viable office space, housing that does not meet housing need and a reduction in the provision of affordable housing and local infrastructure.

### **Ensuring that planning permissions are built out faster**

*The Chancellor announced:*

15. The Government will consult on:
  - 15.1. Strengthening the Housing Delivery Test: With tougher consequences where planned homes are not being built, by setting the threshold at which the presumption in favour of development applies at 75 per cent of housing delivery by 2020.

- 15.2. Expecting local authorities to bring forward 20 per cent of their housing supply as small sites: This will speed up the building of new homes and supports the Government's wider ambition to increase competition in the house building market.
- 15.3. Speeding up the development process by removing the exemptions from the deemed discharge rules. This will get builders on site more quickly, ensuring that development is not held back by delays in discharging planning conditions. (*Page 61, Paragraph 5.11*)
- 15.4. The Government will set up a review panel to explain the significant gap between housing completions and the amount of land allocated or permissioned, and make recommendations for closing it. (*Page 61, Paragraph 5.12*)
- 15.5. The Government will develop a central register of residential planning permissions from local authorities to improve information on where permissions are held and progress towards them being built out. (*Page 61, Paragraph 5.13*)

*LGA view:*

- 16. We have consistently called for new powers to ensure sites with planning permission are built out more quickly. It is welcome to see the Government focus on this issue, and we look forward to contributing to the build-out review.
- 17. Local planning authorities are committed to building homes where they are needed but do not have all the planning powers to actually ensure it happens when planning permission is granted. Councils need to be given financial tools to ensure that sites with planning permission get built within a reasonable time frame, such as the ability to charge council tax on unbuilt homes in these situations. It is not appropriate to implement a strengthened delivery test on councils when they do not have the powers to ensure the delivery of those homes.
- 18. As with all performance measures, it will be crucial that the drive to meet the requirements of a delivery test does not lead to unintended consequences. There is a risk that a simplistic focus on increasing supply, above all other factors, could result in housing that does not meet local need, or that are not supported by the necessary infrastructure or access to services. This would undermine community confidence in the local plan-led system.
- 19. Councils recognise the importance that small sites can play in helping to meet local need for housing and helping stimulate the SME building industry. This will be crucial to increasing supply over the medium term. Councils will need to consider the cumulative

impact of small sites coming forward alongside other sites on the capacity of local supporting infrastructure.

### **Developer contributions**

*The Chancellor announced:*

20. The Government will consult on:

- 20.1. Removing restriction of Section 106 pooling towards a single piece of infrastructure where the local authority has adopted the Community Infrastructure Levy (CIL), in certain circumstances such as where the authority is in a low viability area or where significant development is planned on several large strategic sites.
- 20.2. Speeding up the process of setting and revising CIL to make it easier to respond to changes to the market.
- 20.3. Allowing authorities to set rates which better reflect the uplift in land values between a proposed and existing use.
- 20.4. Changing indexation of CIL rates to house price inflation, rather than build costs. This will reduce the need for authorities to revise charging schedules. This will ensure CIL rates keep up with general housing price inflation and if prices fall, rates will fall too, avoiding viability issues.
- 20.5. Giving Combined Authorities and planning joint committees with statutory plan-making functions the option to levy a Strategic Infrastructure Tariff (SIT) in future. (*Page 62, Paragraph 5.14*)

*LGA view:*

- 21. We have long called for the process of setting up and revising CIL to be streamlined and for restrictions on section 106 pooling to be lifted. We have also called for measures to allow councils to capture a greater proportion of land value uplifts from the granting of planning permission.
- 22. However, it is important to note that whilst the CIL is one tool available to councils to raise funding for infrastructure, it does not and cannot meet the whole infrastructure needs of an area.

The proposals also miss an opportunity to make other reforms to CIL to make it a more effective tool for raising funds for infrastructure, as proposed by the CIL review. This

includes the removal of national exemptions from CIL and capacity for local authority borrowing against future CIL receipts.

23. All local areas should be able to benefit from the opportunity to levy a Strategic Infrastructure Tariff.

### **Housing Revenue Account**

*The Chancellor announced:*

24. A lift of Housing Revenue Account borrowing caps for councils in areas of high affordability pressure, so they can build more council homes. Local authorities will be invited to bid for increases in their caps from 2019/20, up to a total of £1 billion by the end of 2021/22. The Government will monitor how authorities respond to this opportunity, and consider whether any further action is needed (*Page 63, Paragraph 5.23*)
25. The Government will proceed with a £200 million large-scale regional pilot of the Right to Buy for housing association tenants in the Midlands. (*Page 64, Paragraph 5.32*)

*LGA view:*

26. It is encouraging to see that a number of local areas will be able to receive additional borrowing headroom to deliver more housing, responding to our case for enabling greater building by councils.
27. We face a national housing crisis which impacts on different places in different ways, so it is important all councils have the levers to deliver vital affordable housing for their communities. The last time the country built over 250,000 homes was in the 1970s, when councils built 40 per cent of them.
28. Housebuilding by councils at scale would boost local economies and productivity, it would reduce housing benefit spending and homelessness, put Right to Buy on a sustainable footing, and create revenue generating assets for communities. The Government should be bold in sparking a renaissance in house building by councils by removing Housing Revenue Accounts from contributing towards public sector debt.
29. The Government's commitment to continue with the extension of the Right to Buy pilots for housing association tenants must not be funded by forcing councils to sell their council homes. We would welcome commitment as soon as possible that this is the case. Clarification on this point would remove uncertainty, allowing councils to get on and build.

### **Investment in housing and infrastructure**

*The Chancellor announced:*

30. The Government will invest further in infrastructure through the National Productivity Infrastructure Fund to support new housing in high-demand areas. The Budget commits a further £2.7 billion to the competitively allocated Housing Infrastructure Fund (HIF) in England. This takes the total investment in the HIF to £5 billion. *(Page 62, Paragraph 5.18)*
31. The Government will provide £1.1 billion for a new Land Assembly Fund, funded from the National Productivity Infrastructure Fund. The new fund will enable Homes England to work alongside private developers to develop strategic sites, including new settlements and urban regeneration schemes. *(Page 62, Paragraph 5.16)*
32. The Government will provide a further £630 million through the National Productivity Infrastructure Fund to accelerate the building of homes on small, stalled sites, by funding on-site infrastructure and land remediation. *(Page 62, Paragraph 5.20)*
33. A further £1.5 billion for the Home Building Fund, providing loans specifically targeted at supporting SMEs who cannot access the finance they need to build. *(Page 62, Paragraph 5.21)*
34. A confirmation of the further £2 billion of funding for affordable housing announced in October, including funding for social rented homes. This takes the total budget for the Affordable Homes Programme from £7.1 billion to £9.1 billion to 2020/21. It is expected that this will provide at least 25,000 new affordable homes. *(Page 63, Paragraph 5.23)*
35. £400 million of loan funding for estate regeneration to transform run-down neighbourhoods and provide new homes in high-demand areas. *(Page 63, Paragraph 5.24)*

*LGA view:*

36. It is positive to see further Government investment in building new homes. The doubling of the Housing Infrastructure Fund is particularly welcome, as the first block of funding was significantly over-subscribed due to the appetite from local government to access it to build homes. Similarly, investment in the Affordable Homes Programme, land assembly, supporting SMES and estate regeneration all reflect asks that the LGA has made in its Housing Commission.
37. We look forward to working with the Government on the details. It is critical that all councils in all parts of the country have a leading role in shaping this investment to

ensure that new housing and infrastructure meets the needs of the local communities they represent.

38. However it is also clear that the Government is taking a decision to invest a much greater proportion of funding through different national programmes for private developers than in supporting councils to build more affordable homes. The only way to build more homes that communities can afford is by enabling a significant increase in building by councils, which have housing and homelessness duties.

### **Homelessness**

*The Chancellor announced:*

39. The launch of the Homelessness Reduction Taskforce (*Page 64, Paragraph 5.33*)
40. Investment of £28 million in three Housing First pilots in Manchester, Liverpool and the West Midlands, to support rough sleepers with the most complex needs to turn their lives around. (*Page 64, Paragraph 5.34*)
41. £20 million of funding for schemes to support people at risk of homelessness to access and sustain tenancies in the private rented sector. (*Page 64, Paragraph 5.35*)

*LGA view:*

42. Homelessness is increasing as housing becomes less affordable due to rising rents and reduced welfare assistance. These measures are welcome, but do not go far enough in tackling the underlying issues. Looking ahead, it is crucial that the Government continue to adapt the implementation of welfare reforms to reduce the risk of homelessness. This should include lifting the Local Housing Allowance freeze and removing temporary accommodation from Universal Credit.
43. Councils will want to see the detail of the private rented access schemes and ensure that they have a role in deciding how they are used. Councils have the housing and homelessness duties, including new duties in the Homelessness Reduction Act. They must therefore have the lead role in accessing funding so that it is targeted at local landlords to provide as many accommodation options as possible to families at risk of homelessness.

### **Support for renters**

*The Chancellor announced:*

44. To support Housing Benefit and Universal Credit claimants living in areas where private rents have been rising fastest, the Government will increase some Local Housing Allowance (LHA) rates by increasing Targeted Affordability Funding by £40 million in



2018/19 and £85 million in 2019/20. This will increase the housing benefit awards of approximately 140,000 claimants in 2018/19, by an average of £280, in areas where affordability pressures are greatest. (*Page 64, Paragraph 5.37*)

*LGA view:*

45. This is a helpful step recognising our call for lifting the LHA freeze. However, it does not address the chronic and growing crisis of housing affordability, particularly in the private rented sector, which is now the leading cause of homelessness. Councils need funding and flexibility to increase supply.
46. The overall Discretionary Housing Payment funding for 2017/18 is £185 million, dwarfed by the combined annual income loss associated with the benefit cap (£486 million), the under occupation charge (£557 million) and those paying rent above the Local Housing Allowance (£3.7 billion).

#### **Stamp duty for first-time buyers**

*The Chancellor announced:*

47. The price at which a property becomes liable for stamp duty land tax will be permanently raised to £300,000 for first-time buyers. The relief will not apply to properties prices over £500,000. (*Page 63, Paragraph 5.28*)

*LGA view:*

48. The removal of stamp duty for properties under £300,000 should help hard pressed first time buyers. However, without an increase in the number of homes available to buy, first time buyers will still struggle to find a home they can afford. Councils are ready to play their part in building new homes, but they need to be given sufficient powers and resources.
49. With hundreds of private residential high rise buildings already identified as having aluminium composite material (ACM) cladding that requires further checking, and councils confirming with building owners of thousands of other private high rise residential buildings whether these do not have ACM cladding, central government needs to fully fund the costs incurred by councils in conducting this vital safety work, and any follow up action needed to ensure residents in these blocks are safe.
50. The additional £28 million of funding to help support the victims of the Grenfell Tower fire and the affected communities is welcome.

#### **Implications for Wales**

51. Housing is a devolved matter for Wales

**Financial Implications**

52. There are no financial implications

**Next steps**

53. That the Environment, Economy, Housing and Transport Board examines and comments on the implications of the Budget Statement for the Local Government as it relates to its remit.