

The 2021 Budget: Property, Construction and Infrastructure Focus



Introduction

This year's budget comes in the context of 'Build Back Better', a recovery plan set against the backdrop of Covid-19 resulting in the fact that "GDP for 2020 as a whole fell by 9.9%, the largest annual fall in 300 years." In response to this economic turmoil, the government will "extend its economic support to reflect the cautious easing of social distancing rules and the reopening of the economy in the government's roadmap". This includes spending totalling £407 billion, against the backdrop of borrowing of 16.9% of GDP in 2020-21, the highest level of peacetime borrowing on record.

In the last 12 months, the government took the necessary decision to increase restrictions in order to protect the NHS and save lives. These decisions have had a substantial economic impact; *'GDP in 2020 fell by 9.9%, the largest annual fall in 300 years'*. Also, *'by the end of last year, the unemployment rate had risen to 5.1%'*.

There are likely to be substantial long-term economic effects of Covid, including negative impacts on human capital, productivity and lifetime earnings. However, the IMF noted that the UK's macroeconomic policy response has been *"one of the best examples of coordinated action globally"*.

We set out below the key budget announcements for infrastructure, planning and development:

Further Support at the Budget

1.28 [...] accounting for support provided at Budget 2020, which included a step change in capital investment, it comes to £407 billion – the largest peacetime support package for the economy on record [...]

1.30 Protecting jobs and supporting livelihoods remains a key priority in preventing economic scarring and supporting incomes [...]

Investing in growth

1.47 [...] UK SMEs are less likely to use formal management practices than SMEs in peer countries [...] The government has published 'Build Back Better: our plan for growth' alongside the Budget, setting out a vision to tackle these long-standing issues in order to achieve an economic recovery built on three pillars of investment: infrastructure, skills and innovation.

Sustainable Public Finances

1.55 [...] The UK has experienced two 'once-in-a-generation' economic shocks in just over a decade [...]

1.56 [...] Maintaining both the personal allowance and higher rate threshold will mean nobody's take-home pay will be less than it is now. In 2023, the main rate of corporation tax, paid on company profits, will increase to 25%

Housing Policy

2.25 [...] This [Mortgage Guarantee] scheme will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of just 5% on homes with a value of up to £600,000 [...]

2.26 [...] The government will extend the temporary increase in the residential SDLT Nil Rate Band to £500,000 in England and Northern Ireland until 30 June 2021. From 1 July 2021, the Nil Rate Band will reduce to £250,000 until 30 September 2021 before returning to £125,000 on 1 October 2021.

It has been well documented that house prices have actually risen during the pandemic. Therefore, far from stabilising the market, these policies are likely to further exacerbate the affordability challenge.

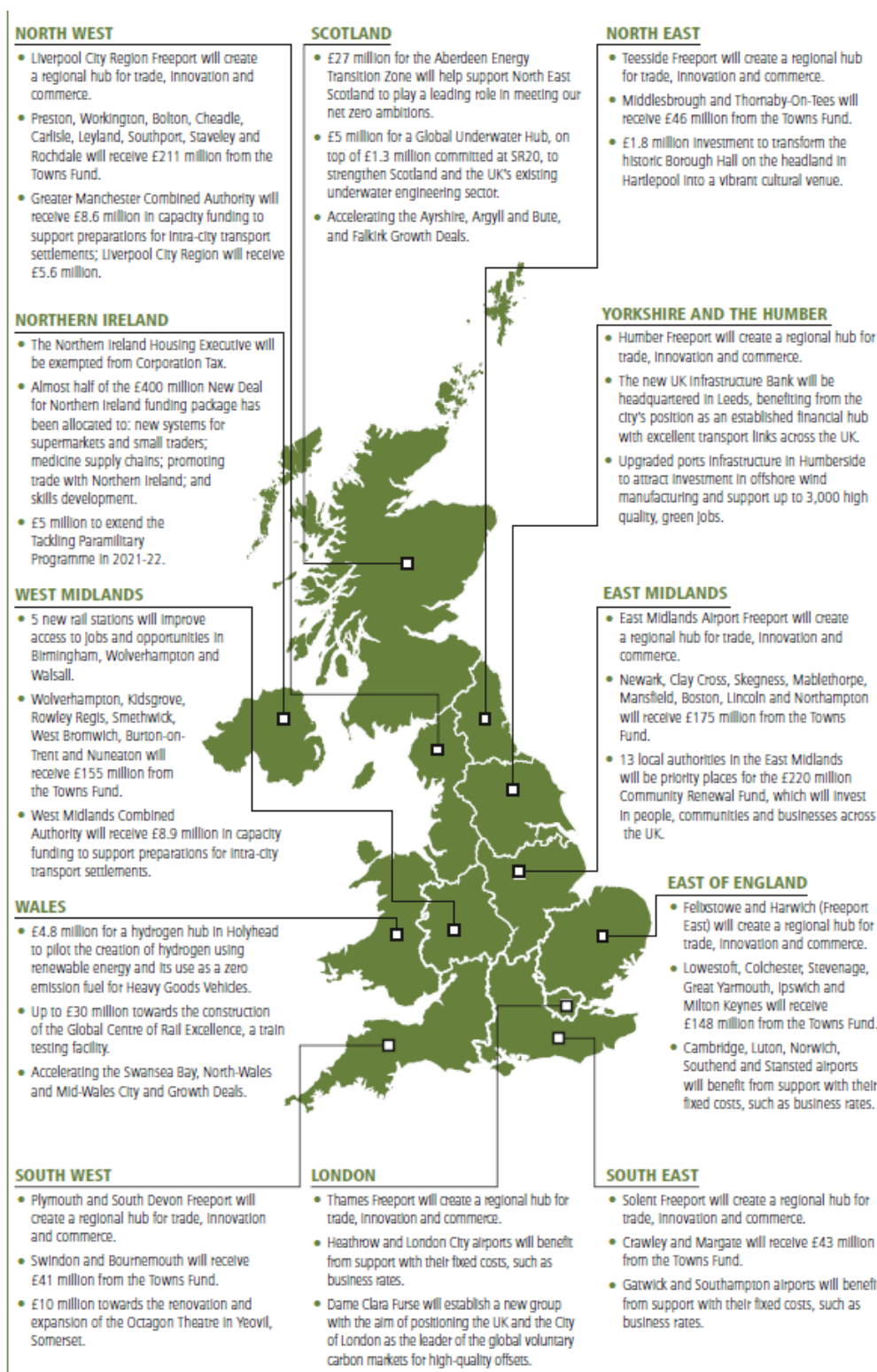
Supporting Businesses

2.47 – The government will continue to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. Nurseries will also qualify for relief in the same way as other eligible properties [...]

Infrastructure Investment

The map below shows the infrastructure investment across the UK in the 2021 Budget.

Investment across the UK in the 2021 Budget



UK Infrastructure Bank

2.112 – The new UK Infrastructure Bank will provide financing support to private sector and local authority infrastructure projects across the UK, to help meet government objectives on climate change and regional economic growth. The Bank will:

- be able to deploy £12 billion of equity and debt capital and be able to issue up to £10 billion of guarantees
- offer a range of financing tools including debt, hybrid products, equity and guarantees to support private infrastructure projects
- from the summer, offer loans to local authorities at a rate of gilts + 60 basis points for strategic infrastructure projects
- establish an advisory function to help with the development and delivery of projects [...]

This bank will be based in Leeds, the financial hub of the North.

Freeports

2.113 Freeports in England – East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England.

2.115 Tax sites in Freeports – The government will legislate for powers to create ‘tax sites’ in Freeports in Great Britain. [...] An enhanced 10% rate of Structures and Buildings Allowance for constructing or renovating non-residential structures and buildings within Freeport tax sites in Great Britain, once designated. [...] An enhanced capital allowance of 100% for companies investing in plant and machinery for use in Freeport tax sites in Great Britain, once designated. [...] Full relief from Stamp Duty Land Tax on the purchase of land or property within Freeport tax sites in England, once designated.

Funds

2.119 Levelling Up Fund prospectus launch – The government is launching the prospectus for the £4.8 billion Levelling Up Fund alongside the Budget. The Levelling Up Fund will invest in infrastructure that improves everyday life across the UK, including town centre and high street regeneration, local transport projects, and cultural and heritage assets. [...]

2.121 Towns Fund – The government is confirming over £1 billion from the Towns Fund for a further 45 Town Deals across England [...] AspinallVerdi has worked on a number of Towns Fund business cases nationwide.

2.123 UK Community Renewal Fund prospectus launch [...] the government moves away from the EU Structural Funds model and towards the UK Shared Prosperity Fund. [...]”. Crucially, this is to be shared across all of the UK nations.

2.124 Community Ownership Fund – The government will create a new £150 million Community Ownership Fund to help ensure that communities across the UK can continue to benefit from the local facilities and amenities that are most important to them. From the summer, community groups will be able to bid for up to £250,000 matched funding to help them to buy local assets to run as community-owned businesses. [...]

Other projects and investment initiatives

2.125 Modern Methods of Construction (MMC) Taskforce – The Ministry of Housing, Communities and Local Government (MHCLG) will establish an MMC Taskforce, backed by £10 million of seed funding, to accelerate the delivery of MMC homes in the UK. The Taskforce will consist of world-leading experts from across government and industry to fast-track the adoption of modern methods of construction. It will be headquartered in MHCLG's new office in Wolverhampton. The Taskforce will work closely with local authorities and Mayoral Combined Authorities, including the West Midlands Combined Authority and the Liverpool City Region who have already brought forwards ambitious proposals.

2.126 National Infrastructure Commission (NIC) Towns and Regeneration study – The government will commission a new NIC study on towns and regeneration, which will consider how to maximise the benefits of infrastructure policy and investment for towns in England. Any recommendations in reserved areas will be relevant to the whole of the UK.

2.127 Regional cultural infrastructure – The government will invest £18.8 million in local cultural infrastructure projects in Carlisle, Hartlepool, Wakefield and Yeovil to boost the vibrant cultural life of these towns and cities.

2.129 Intra-city transport settlements – Budget 2020 committed the government to invest £4.2 billion in intra-city transport settlements from 2022-23, through five-year consolidated funding settlements for eight city regions, including Greater Manchester, Liverpool City Region, West Midlands, West Yorkshire, Sheffield City Region, West of England and Tees Valley, subject to the creation of appropriate governance arrangements to agree and deliver funding.

2.134 Flood schemes – The £5.2 billion flood and coastal defence programme for England announced at Budget 2020 will start in April this year, with schemes in Waltham Abbey, Sunderland, Preston, Warrington, Salisbury, Rotherham and Doncaster expected to start construction in 2021-22. These schemes will better protect over 3,700 homes from flooding.