

## The Autumn 2021 Budget Review: Property, Construction and Infrastructure Focus – Levelling Up!

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### Introduction

This year's autumn budget review (SR21) comes in the context of '*Build Back Better*' and '*Build Back Greener*', two covid recovery plans designed to kickstart the economy, deliver homes, support businesses and advance sustainable development. Rapid vaccine uptake has enabled the government to accelerate the recovery and investment of infrastructure, transport and house-building, without compromising the path to net-zero by 2050.

Among the announcements is a commitment to turn generation rent into generation buy with a £25 billion multi-year investment, and a commitment to remove unsafe cladding with a pot of £5 billion ringfenced exclusively for this. This is to be supported by revenues raised from the new "Residential Property Developer Tax".

There is to be a Levelling Up White Paper to be published later this year which will set out further detail on the government's plans in this area.

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

### Building Back Better

**Paragraph 2.1** outlines the government's commitment to support strong public services, drive growth and support people and businesses in a way which also advances the path to net zero.

## Housing

**2.24** outlines a £1.8 billion top-up to housing supply investment toward the government's £10 billion goal for this area. The £11.5 billion investment through their affordable homes programme is also reaffirmed, aiming to deliver 180,000 homes across England and Wales (two thirds of which will be outside of London).

**2.25** earmarks £5 billion for remediation of high risk buildings clad with unsafe cladding.

**4.49** commits £24 billion to safe and affordable housing. The settlement:

- announces an additional £1.8 billion for housing supply, to deliver £10 billion investment since the start of this Parliament and unlock over 1 million new homes over the SR21 period and beyond. This includes £300 million locally-led grant funding that will be distributed to Mayoral Combined Authorities and Local Authorities to unlock smaller brownfield sites for housing and improve communities in line with their priorities, and £1.5 billion to regenerate underused land and deliver transport links and community facilities, unlocking 160,000 homes in total;
- reconfirms £11.5 billion investment through the Affordable Homes Programme (2021-26) of which £7.5 billion is over the SR21 period - the largest cash investment in a decade and delivering up to 180,000 affordable homes. 65% of the funding will be for homes outside London;
- provides an additional £65 million investment to improve the planning regime, through a new digital system which will ensure more certainty and better outcomes for the environment, growth and quality of design; and
- confirms over £5 billion to remove unsafe cladding from the highest-risk buildings, of which £3 billion is over the SR21 period.

## Infrastructure

**2.47** links in with the National Infrastructure Strategy (NIS), committing £100 billion at this spending review, bringing the total NIS pot to over £130 billion.

**2.48** provides a breakdown of the NIS funding commitments. These include (inter alia):

- The UK Infrastructure Bank (UKIB), unlocking £40 billion in infrastructure investment. Tees Valley Combined Authority has received a £107 million loan from the UKIB to develop a wind turbine blade manufacturing facility;
- Funding for Coventry's all electric bus strategy;
- The M4 Junction 3-12 upgrade (completing in Spring 2022); and
- An additional 15 towns deals across England and £335 million, bringing the total to 101 town deals and £3.6 billion.

## Levelling up by connecting communities

**2.52** outlines various transport and travel infrastructure commitments, including a £5.7 billion multi city region package. This includes:

- £830 million to West Yorkshire for schemes such as the A61 improvements for buses, cyclists and pedestrians between Leeds and Wakefield;
- £1 billion to Greater Manchester for schemes such as the next generation Metrolink tram-train vehicles;
- £1 billion to the West Midlands for schemes such as completing the Wednesbury to Brierley Hill metro extension and Sprint Phase 2;
- £710 million to Liverpool City Region for schemes such as battery power for new Merseyrail trains to expand the reach of the existing network;
- £570 million to South Yorkshire for schemes such as starting the renewal of the Supertram;
- £310 million to the Tees Valley for schemes such as upgrading Middlesbrough and Darlington stations and improving local rail links; and
- £540 million to the West of England for schemes such as a fully prioritised bus route between Bristol and Bath.

An unspecific commitment to invest in cycle infrastructure across England is also made.

3 billion is committed for nationwide bus improvements, including 1.2 million for London-style 'bus transformation deals' and £355 million for zero-emission buses.

The information box on Page 59 of the Budget promises investment in rail infrastructure, including:

- Confirming over £35 billion of rail investment over the SR21 period including High Speed Two, rail enhancements and vital renewals to boost connectivity across the country – focusing on the Midlands and the North;
- Continuing to spend £500 million to restore transport services lost in the Beeching cuts of the 1960s and improve local connectivity.

**2.52** also commits to infrastructure improvements for enhancing everyday life, including:

- Investing £1.7 billion via the first round of the Levelling Up Fund in 105 projects to improve everyday life, from regeneration in Tower Hamlets, to a sustainable transport project in Renfrewshire and cultural assets in Powys; and
- Continuing the successful High Street Heritage Action Zone programme in England to revive 67 historic high streets - from regenerating the high streets of Plymouth's city centre, to restoring activity in the historic buildings of Wakefield.

**2.52** further includes UK-wide digital and rural connectivity across the commitments also, including:

- Continuing the government's landmark £5 billion investment in Project Gigabit to support the rollout of gigabit capable broadband in hard-to-reach areas across the whole of the UK; and
- Providing £180 million over the next three years as part of the government's £500 million investment for the Shared Rural Network, to deliver high-quality 4G mobile coverage to 95% of the UK.

## **Warmer, Greener Buildings**

**2.111** Commits £3.9 Billion for England and Wales to increase the energy efficiency of buildings, making them warmer and cheaper to heat. This has echoes of the government's Heat and Buildings Strategy.

**2.112** £450 million is reserved to grow the heat pump network, increasing supply and reducing costs by 25 – 50% by 2025. Support remains for heat networks also, with £338 million set aside to stimulate private investment. Together, these measures aim to ramp up heat pump installations to 600,000 pumps per annum by 2028.

**2.114** Outlines support for low income households to increase their energy efficiency and reduce their energy bills. £950 million is set aside for the Home Upgrade Grant, £800 million for the Social Housing Decarbonisation Fund, and £1.4 billion for public sector estate decarbonisation in England.

## **Decarbonising Energy and Industry through New Technologies**

**2.116** Reaffirms £240 million for the Net Zero Hydrogen Fund and £1 billion for the Carbon Capture Usage and Storage (CCUS) Infrastructure Fund. A further £1 billion is committed to the Net Zero Innovation Portfolio, and there is also a £385 million fund for the Advanced Nuclear fund for researching new, smaller, modular nuclear reactors.

**2.117** Provides detail into nuclear and renewable spending commitments, including:

- Providing up to £1.7 billion of new direct government funding to enable a final investment decision in a large-scale nuclear project this Parliament, subject to value for money and approvals. The government is in active negotiations with EDF over the Sizewell C project;
- Providing £120 million for a new Future Nuclear Enabling Fund to address barriers to entry for nuclear projects; and
- Providing £380 million for the UK's world-leading offshore wind sector, boosting jobs and investment across the Union.

Figure 2.6 in the Budget review details the economic geography of local and regional investment across the UK:

**Figure 2.6: Investment across the UK**

Full details of local and regional investment in England, and investment in Scotland, Wales and Northern Ireland can be found in the Regions and Nations Factsheets published alongside the Budget and Spending Review.

**NORTH WEST:**

- 12 places including Salford and Pendle to benefit from over £232 million in local infrastructure improvements through the Levelling Up Fund.
- Over £600,000 for 3 projects in Leigh, Marple and Clayton-le-Moors from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between: Ashton and Stockport; Middlewich and Gadbrook Park; and Buckley Wells and Rawtenstall.

**NORTHERN IRELAND:**

- 11 places including Omagh and Dromahaire benefit from almost £49 million in local infrastructure improvements through the Levelling Up Fund.
- £300,000 for the Glens Digital Hub in Cushendall from the first round of the Community Ownership Fund to protect valued community assets.
- Additional £70 million funding for the British Business Bank to build on its existing programmes, working closely with local partners.

**WEST MIDLANDS:**

- 11 places including Bromsgrove and Kidderminster to benefit from almost £196 million in local infrastructure improvements through the Levelling Up Fund.
- £2.6 million to amplify Coventry's year as UK City of Culture 2021.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop two early-stage proposals to reinstate passenger rail links between Stoke and Leek and Oswestry and Gobowen.

**WALES:**

- 10 places including Wrexham and Pontypridd benefit from over £121 million in local infrastructure improvements through the Levelling Up Fund.
- Over £460,000 for three projects in Llandwrog, Pen-y-Waun, and Tredgar from the first round of the Community Ownership Fund to protect valued community assets.
- New funding for the British Business Bank to establish a £130 million fund, working closely with local partners.

**SOUTH WEST:**

- 6 places including the Isles of Scilly and Gloucester benefit from over £131 million in local infrastructure improvements through the Levelling Up Fund.
- £175,000 for the Rising Sun pub in Woodcroft from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between Tavistock and Plymouth; reopen Corsham Station; and reopen Stonehouse Bristol Road rail station.

**SCOTLAND:**

- 8 places including Aberdeen and Inverness benefit from almost £172 million in local infrastructure improvements through the Levelling Up Fund.
- Over £1 million for five projects in Whitthorn, Inverie, New Galloway, Kinloch Rannoch and Callander from the first round of the Community Ownership Fund to protect valued community assets.
- New funding for the British Business Bank to establish a £150 million fund, working closely with local partners.

**NORTH EAST:**

- 5 places including Stockton-on-Tees and Newcastle upon Tyne to benefit from almost £100 million in local infrastructure improvements through the Levelling Up Fund.
- £600,000 for 2 projects in North Shields and Whitley Bay from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 through the Restoring Your Railway 'Ideas Fund' to develop an early-stage proposal to reinstate passenger rail links between Darlington and Weardale.

**YORKSHIRE AND THE HUMBER:**

- 10 places including Doncaster and Rotherham to benefit from almost £187 million in local infrastructure improvements through the Levelling Up Fund.
- Over £200,000 for the Jubilee Centre in Bradford from the first round of the Community Ownership Fund to protect valued community assets.
- Up to £50,000 each through the Restoring Your Railway 'Ideas Fund' to develop three early-stage proposals to reinstate passenger rail links between: Beverley and York; Stocksbridge and Sheffield Victoria (Don Valley Line); and on the Askern Branch Line.

**EAST MIDLANDS:**

- 10 places including Lincolnshire and Derbyshire to benefit from almost £203 million in local infrastructure improvements through the Levelling Up Fund.
- £250,000 for the Hub Community Centre and Café in Thunby from the first round of the Community Ownership Fund to protect valued community assets.
- £7 million for the National Forest to support woodland creation in the East Midlands, covering parts of Derbyshire, Leicestershire and Staffordshire.

**EAST OF ENGLAND:**

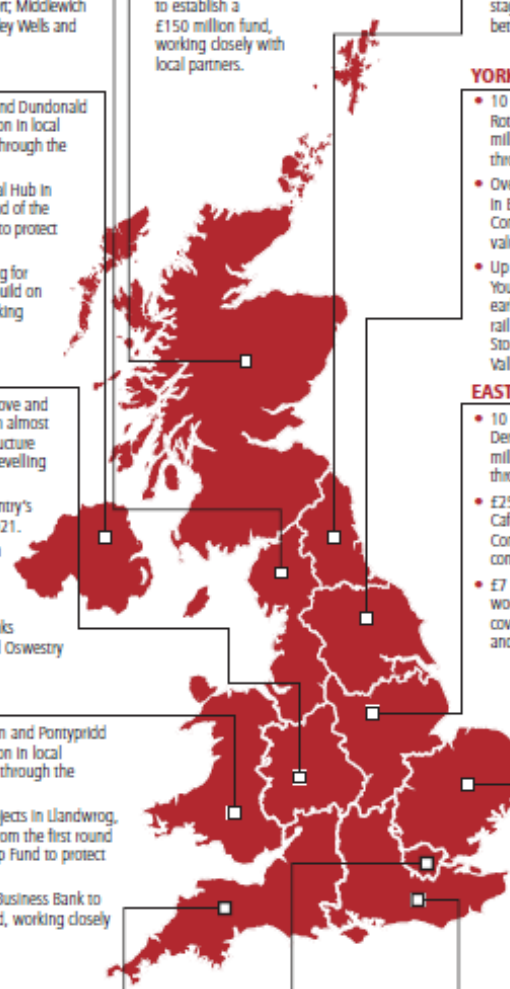
- 5 places including Luton and Peterborough to benefit from almost £87 million in local infrastructure improvements through the Levelling Up Fund.
- Over £96,000 for the Racehorse Inn in Westhall from the first round of the Community Ownership Fund to protect valued community assets.
- Allocation of share of £70 million Zero Emission Bus (ZEBRA) funding to Cambridgeshire & Peterborough to transition around 30 buses to zero emission.

**SOUTH EAST:**

- 11 places including the Isle of Wight and Thanet benefit from almost £151 million in local infrastructure improvements through the Levelling Up Fund.
- Over £1.4 million for 3 projects in Portsmouth, East Boldre and Behersden from the first round of the Community Ownership Fund to protect valued community assets.
- £7 million development funding to reintroduce rail passenger services between Totton and Fawley in Hampshire.

**LONDON:**

- 6 places including Brent and Tower Hamlets to benefit from almost £65 million local infrastructure improvements through the Levelling Up Fund.
- Strategic roads investments will benefit London, including the Lower Thames Crossing, increasing capacity across the Thames east of London by over 90%.
- £1 billion annual investment in London's transport system through Business Rates Retention.



**2.137** - SR21 confirms over £35 billion of rail investment over the period including High Speed Two – there are no commitments to the ‘eastern leg’.

### **Department for Levelling Up, Housing and Communities**

**4.48** - SR21 sets out the current levelling up programmes. The settlement announces/re-confirms:

- the first 105 places to receive funding for local transport, cultural assets and regeneration from the £4.8 billion Levelling Up Fund
- the first 21 projects to receive funding from the £150 million Community Ownership Fund, which will help communities protect and manage their most treasured assets across at least 8 bidding rounds
- over £2.6 billion for the UK Shared Prosperity Fund (UKSPF) to help people access new opportunities across the UK. Supporting local priorities, the UKSPF will include a new initiative (‘Multiply’) to help hundreds of thousands of adults across the UK improve their numeracy skills
- the continued regeneration of some 170 high streets, town centres and local communities across England through the Towns Fund
- up to £200 million to deliver eight Freeports in England, creating regions that will flourish as hubs for global trade and investment
- £9 million in 2022-23 to fund more than 100 green spaces across the UK on unused, undeveloped, or derelict land that will broaden accessibility for all
- the continued provision of ‘gainshare’ investment funding, worth around £750 million over three years, to nine city regions across England as part of devolution deals.

### **Residential Property Developer Tax (RPDT)**

**5.46** – a new tax from April 2022 on the profits that companies and corporate groups derive from UK residential property development, to ensure that the largest developers make a fair contribution to help pay for building safety remediation. The tax will be charged at 4% on profits exceeding an annual allowance of £25 million. - We query whether this includes built to rent developers who already have a long-term incentive to deliver safe and well maintained stock.

### **Asset Holding Company and REIT Tax Reform**

**5.65** Finally, tax reforms are planned for AHCs and REITs to make the UK a more attractive place to set up such entities.