The Summer Budget 2015 for planning lawyers

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Planning analysis: With the Chancellor's speech still ringing in our ears, we bring together the most important features of the Summer Budget 2015 for planning lawyers alongside expert analysis and industry comment.

What does the Summer Budget mean for planning lawyers?

What are the headlines for the Summer Budget for planning lawyers and why?

Martha Grekos, leader of the planning and infrastructure team, Irwin Mitchell: Chancellor George Osborne has been freed from the shackles of coalition government to deliver his seventh Budget but the first purely Conservative Budget in 20 years. When the Chancellor announced this Budget back in May 2015, the Chancellor said that he wanted to 'turn promises made in the election into a reality'. Indeed, he introduced this budget as 'a big budget for a country with big ambitions'.

However, the Chancellor would appear to have decided to tease us--the proposed planning reforms are not to be announced until Friday 10 July 2015.

Before that time, we would like to see clearer thinking in getting more houses built. The greatest threat to--in particular--London's economic resilience is the weakening of housing affordability. The only solution for this is to build more homes. Giving money to first time home buyers or simply moving housing wealth around without building more homes just means that the price of owning a house is pushed up. It is anticipated that the planning reforms will not be so radical to include, for example, development in the greenbelt, but could include, for instance, making low-cost employment land available for housing development. Meanwhile, house building and property shares will be hit by the various measures unveiled--the move to tighten non-dom tax rules, with permanent non-dom status to be abolished, will hit companies with a focus in London and could impact on the level of foreign investment.

The infrastructure proposals were very much focused on:

- the creation of the new £15bn road fund to improve roads for the rest of the decade
- putting Transport for the North on a statutory footing
- introducing a 'seamless, Oyster-style' ticketing system in order to connect Northern England together, and
- the promise to put 'the power into the Northern Powerhouse' by giving Manchester powers over the fire service, a land commission, children's service and employment programmes (similar devolution deals are being negotiated with Liverpool and Sheffield)

It will be interesting to see whether these measures will stimulate and support spending on critical infrastructure and provide an opportunity for other parts of England to build themselves as a counterbalance to London. Time will tell whether these initiatives will deliver.

James Parker and Paul Grace, associate directors in the planning team, Berwin Leighton Paisner: The Summer Budget was, on face value from the Chancellor's speech, relatively light touch in terms of planning and infrastructure, which seemed to reinforce the message that the government is going to let the industry crack on with delivering. That said, of course there remain the existing political and electoral hurdles to delivery of housing, fracking (two Cuadrilla fracking applications recently refused in Lancashire), airport capacity (Airport Commission's recommendation for a third runway at Heathrow) and windfarms--clearly resolving these issues was not on the radar today.

In overview, 'productivity' is the new buzzword, rather than growth.

In terms of infrastructure, this got an early mention but little more was said in the actual speech, save for a couple of points below. However, the detailed Budget document told a slightly different story and set out a number of commitments across the whole of the UK. The Chancellor was keen to impress this was a 'one nation' government.

On investment, the Chancellor reminded the Commons that the UK was a founder member of the new Asian Infrastructure Investment Bank, which he said was 'driven by our determination to connect Britain to the fastest growing parts of the world', and into which the government is to make a capital contribution of £2bn.

On transport, the Chancellor reminded us that four-fifths of journeys are by road, but as a country we don't invest nearly enough when compared to others such as France (the Chancellor noted the quality of our road network ranks behind Puerto Rico and Namibia).

Hence the government proposes to create a new roads fund, into which revenue from newly announced vehicle excise duty (VED) bands for new cars (no more zero VED for new cars) will be put for direct investment into road improvements. The government will engage with devolved administrations as to how that investment will be applied. The Chancellor also noted the improvement works on the M4 and Greater Western line, as well as the £7.2bn investment in transport in the South West. In the accompanying Budget paper there is a commitment to a second road investment strategy before 2020.

In respect of London, Crossrail 2 and the Olympic park regeneration were mentioned. This included a reaffirmed commitment to supporting £10bn of transport investment in London by 2020.

But the balance with the rest of the country was recognised--hence a favourite of the Chancellor, the Northern Powerhouse and devolution, featured strongly in the speech. He announced he had reached agreement with ten Greater Manchester council authorities to give further powers (including in respect of a new land commission). On inspection of the detail, there is also mention of granting more planning powers, subject to the agreement of the Cabinet member for the district in question. There were also ongoing discussions with certain cities (Sheffield, Liverpool, Leeds) and county regions (West Yorkshire) about devolution and directly-elected mayors. Transport for the North is to be put on a statutory footing to set out its policies and investment priorities in a long-term strategy for the North and will receive £30m of extra funding over the next three years.

Further enterprise zones are being consulted on, and local administrations will be able to decide on Sunday trading hour changes.

On housing delivery, further planning reforms are due to be announced on Friday 10 July 2015.

Anita Rivera, head of planning, DAC Beachcroft: What is very noticeable in this budget, unlike in recent editions, is that the Chancellor did not announce any amendments to the current planning regime. This is surprising given the joint opinion piece published in *The Times* on 4 July 2015 in which both David Cameron and George Osborne alluded to further tweaks to the planning system required to increase housebuilding and to make the system 'more effective'. A critical element of this is the need for local planning authorities to adopt an up-to-date local plan that seeks to accommodate housing delivery for their areas. Those local planning authorities that do not may be faced with sanctions, although we will have to wait until Friday to see how, if at all, such proposals are aligned with the recommendations set out in the Lyons Housing Review.

Andrew Morgan, associate, DAC Beachcroft: The government's proposals will shift higher earners who currently qualify for subsidised council and housing association properties into the private rented sector. While that should carry the welcome benefit of alleviating the demands placed on our inadequate national stock of social housing, to be reserved for those who need it most, it remains to be seen whether the earnings thresholds of £40,000 in London and £30,000 elsewhere will strike the right balance, particularly for those at the margins--those in the capital will be most affected. The supply of accessible private rented housing must therefore be able to meet the needs of those affected by these changes and so will be reliant on further investment in the buy-to let-market.

In the same Budget, however, the government is reducing the tax relief available to buy-to-let landlords on their mortgage interest payments and surely that will only dis-incentivise supply. If the private rented sector is to sustainably alleviate reliance on subsidised social housing, then not only must it be financially accessible, but properties and private landlords must also be fit for purpose so that tenants are treated fairly and have the stability they need and would otherwise benefit from in the social sector.

Richard Ford, partner, Pinsent Masons: Four things in particular have caught my attention.

The commitment to £56bn funding on transport improvements during this Parliament is pleasingly up from £40bn in the last Parliament, the key focus being regional road schemes. This will lead to more development consent order schemes being promoted.

The establishment of a dedicated body to realise value from rail public land and property assets in a new approach to station redevelopment and commercial land sales. This will build on the experience of regenerating land around Kings Cross Station and Stratford in East London. It will be interesting to see how existing Network Rail initiatives already focusing on this will fit in and I expect more joint ventures will be pursued.

The commitment to bring forward proposals for a sovereign wealth fund for communities that host shale gas development. Ironically, given this government's approach to on-shore windfarms, this is likely to be akin to existing community benefit schemes for communities that welcome wind farm developments, though are likely to be significantly more generous.

Timothy Straker QC and Dilpreet K Dhanoa, 4-5 Gray's Inn Square Chambers: The Chancellor's announcement of the Budget yesterday produced a mixed bag of proposed financial reforms. In keeping with the government's agenda of encouraging construction and increased home ownership, there are several potential long-term implications that those in property and planning should keep an eye out for:

- as part of a pilot scheme, 20 areas have been designated for accelerated delivery of new homes on brownfield sites, through the use of streamlined planning powers including local development orders--the government has a loan pot available of £200m for those local authorities along with their private sector partners
- the Mayor of London is to be given greater powers over planning and the challenge remains as to whether or not London can retain a balance between its house building programmes and transport links into the city--the capital reflects a different story to that of the regions and the call for unused public land is something that local authorities will need to bear in mind when developing strategic policies
- the help-to-buy ISA scheme appears to be encouraging, but the underlying issue of affordability will undoubtedly remain-- there is an undersupply of homes, which in turn has forced prices to increase
- local authorities and planning teams will undoubtedly be faced with issues of social housing waiting lists, increasing issues of temporary accommodation and housing those who fall within the statutory homelessness provisions
- the increase in the inheritance tax threshold to £1m by 2017 has triggered predictions that approximately one million homes will become free from the tax--which, along with the new national living wage and the reduction in corporation tax, will likely see a trend towards competitive private developers seeking both planning consents, possibly turning family homes into flats or offices for small businesses

Were there any surprises?

James Parker and Paul Grace: From a planning perspective there is not much to write home about in terms of the speech, albeit a mention for Crossrail 2 is good news for London and the country as a whole. The National Infrastructure Plan will be due for its annual overhaul in the autumn--that seems to be the more likely home for detailed announcements.

The brief mention of the political hot potato of housing delivery isn't a surprise, but its brevity was perhaps a precursor to something more meaty in the planning reforms due to be announced--watch this space.

In terms of political focus and perception, while the speech had other things to focus on, infrastructure and planning didn't do too badly in the actual Budget document, which lists at a regional level the projects where the government is moving forward, including issues such as:

- extending HS1
- making East Anglia more accessible from London, and
- considering the reclassification of northern parts of the A1(M) as full motorway

Richard Ford: The absence of anything significant in relation to house-building is surprising given the continued house building deficit, albeit a Housing Bill is expected in early autumn 2015.

What actions should planning lawyers be taking as the dust settles?

James Parker and Paul Grace: The lack of specific focus on infrastructure, but the keenness on productivity, seems to indicate that we are where we thought we were--albeit the announcement on 10 July 2015 in terms of planning reform will need to be awaited before we can fully assess matters. So the legal profession will need to see what opportunities, as well as challenges, these reforms bring for clients.

We await the planning reforms--right now we still have the same issues we had yesterday.

Timothy Straker and Dilpreet K Dhanoa: Planning and property lawyers should continue with a 'business as usual' approach, but those based in London will have the more complex task of competing bids by housing developers and those wishing to build national transport links to and from the city. Furthermore, those based in London will need to be mindful of the claims for public space, and to ensure that these spaces are not lost in order to accommodate the housing deficit.

Those based outside London will need to ensure that planning consents are given with a long-term strategy in mind, so that, for example, five years down the line the regions are not facing a similar housing crisis to London--where there is limited space yet not enough housing and so acquisition of open public space is being looked into. There may be increased calls on preservation of areas of outstanding natural beauty, and it may be that the government needs to consider the long-term strategy in respect of not seeking to apply blanket provisions and programmes on all local authorities across the country.

Furthermore, it may be that planning and property lawyers have to work more closely with their colleagues across different regions in order to ensure that the government plans can be accommodated, but at the same time maintaining a balance between housing, environment and transport.

What has been the reaction from industry?

Dan Lewis, senior infrastructure policy advisor, the Institute of Directors: 'The government is right to push for the northern powerhouse. Increasing transport links within urban areas is the priority for the North, which is why the debacle at Network Rail is so worrying. Its crippling level of debt must have played a part in the delay to the vital electrification of the TransPennine rail line.

'We welcome the Chancellor's decision to set aside revenue from vehicle excise duty for road building. Investment in roads delivers greater returns that many other forms of transport infrastructure.'

Want to know more?

A full overview of the Summer Budget 2015 can be found here: Summer Budget 2015: Overview of tax announcements, LNB News 08/07/2015 117.

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