AUTUMN BUDGET 2018

British Property Federation
policy analysis

View [Budget documents]() online. Numbers in brackets [xx] below refer to paragraph numbers in the Budget paper. Information provided by the government (which may have been edited for length) is shown in normal type. BPF analysis is given in coloured boxes.

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Brexit

[1.49] To support these preparations, the government has already allocated £2.2 billion to departments and devolved administrations. At Autumn Budget 2017, the government set aside a further £1.5 billion to be allocated for preparations taking place in 2019-20. The budget confirms an additional £500 million of funding from the reserve for 2019-20, meaning the government will have invested over £4 billion in preparing for EU exit since 2016. This funding will help departments manage pressures and contingencies arising from EU exit preparations which fall in the 2019-20 financial year, as well as ensuring that the UK is prepared to seize the opportunities available when we leave the EU.

An additional £500m of funding for no-deal is to be welcomed, yet it is clear from last week's National Audit Office Report that contingencies may not be ready for day one, and that there is insufficient time remaining in the Article 50 timeline (unamended) to set such contingencies in place. Against this backdrop, a deal and a transition period is the preferable outcome to avoid a cliff-edge for businesses.

High Streets

[3.34] In the longer term, to support a sustainable transformation of high streets, the Plan includes a £675 million Future High Streets Fund, planning reform, a High Streets Task Force to support local leadership, and funding to strengthen community assets, including the restoration of historic buildings on high streets.

The challenges facing our high streets differ from place to place and it is clear that many need to adapt in order to keep pace with changing consumer behaviour. The package of measures announced today will certainly go some way in helping to support this adaptation but to achieve real sustainable transformation of high streets, strong local leadership will be critical alongside coordinated investment from both the public and private sectors

[4.76] Future High Streets Fund – As part of Our Plan for the High Street and alongside changes to business rates, the government will launch a new Future High Streets Fund to invest £675 million in England to support local areas to develop and fund plans to make their high streets and town centres fit for the future. This will invest in town centre infrastructure, including to increase access to high streets and support redevelopment and densification around high streets. It will include £55 million for heritage-based regeneration, restoring historic high streets to boost retail and bring properties back into use as homes, offices and cultural venues. The Fund will also establish a new High Streets Taskforce to disseminate best practice among local leaders.

We welcome government's commitment to tackling the problems facing our high streets and the recognition that there is no one solution that fits all. We are particularly encouraged by the move to bring properties back into use as homes; the provision of housing within a town centre can aid adaptation but this must be carefully planned or else could undermine high street recovery rather than support it.

[4.77] High streets planning – The government will consult on planning measures to support high streets to evolve. As part of this, it will consult on creating a more flexible and responsive 'change of use' regime with new Permitted Development Rights that make it easier to establish new mixed-use business models on the high street. It will also trial a register of empty shops with selected local authorities, and trial a brokerage service to connect community groups to empty shops.

We welcome this latest government consultation on exploring ways in which planning policy can better support the high street and deliver more homes. If undertaken properly, use class reform can certainly play an important part in bringing about the necessary diversity of uses needed to restore the vitality of our town centres. Our emphasis would be for reform to focus on enabling greater flexibility on the part of local authority so that attention can be paid to local market conditions rather than a one sized fits all approach.

We have long supported the concept of an empty property register, but identifying a list of landlords for every store in the UK will be a huge task and will require a coordinated effort between councils and local businesses. Greater consideration is needed as to the purpose and maintenance of the register if it is to add real value and not simply waste scarce resources.

Housing

[4.55] Delivering housing investment – At Autumn Budget 2017, the government announced over £15 billion of new financial support, bringing total support for housing to at least £44 billion over a five-year period. The Budget announces further progress to implement this commitment, including:

• £291 million from the Housing Infrastructure Fund, funded by the NPIF, to unlock 18,000 new homes in East London through improvements to the Docklands Light Railway
• the British Business Bank will deliver a new scheme providing guarantees to support up to £1 billion of lending to SME housebuilders
• providing £653 million to 2021-22 for strategic partnerships with nine housing associations to deliver over 13,000 homes
• £75 million from the Home Building Fund for St Modwen plc, to fund infrastructure to build over 13,000 new homes
• a new five-year strategic business plan for Homes England, to be published on 30 October 2018.

[4.56] Housing investment for the long term – In September 2018, the government announced £2 billion new funding in the Affordable Homes Programme to give some housing associations long-term funding certainty to 2028-29. The government announces in this Budget that:
• the Housing Revenue Account cap that controls local authority borrowing for house building will be abolished from 29 October 2018 in England, enabling councils to increase house building to around 10,000 homes per year. The Welsh Government is taking immediate steps to lift the cap in Wales

• the Housing Infrastructure Fund, funded by the NPIF, will increase by £500 million to a total £5.5 billion, unlocking up to 650,000 new homes.

[4.60] Strategic housing deals – The government will make £10 million capacity funding available to support ambitious housing deals with authorities in areas of high housing demand to deliver above their Local Housing Need.

We welcome the package of measures that have been announced to help support the commitment of delivery of new homes, particularly the Housing Infrastructure Fund. However, whilst it is encouraging to see government taking a long term view on its approach to housing, homes are desperately needed now. We would, therefore, urge government not to lose sight of existing measures to support a diverse tenure mix, including Build to Rent, which remain critical to supporting housing delivery. It's imperative that we see a real step change the in government's engagement on skills too, if we don't have the people to build our homes, we simply can't deliver.

Increased Road, Digital and Transport Infrastructure spending

[4.7] High-quality infrastructure is essential to supporting jobs and economic growth, and to improving people's quality of life. The Budget announces the biggest ever strategic roads investment package, and additional steps for the nationwide rollout of digital infrastructure. Overall, by 2021 the government will be investing £9 billion a year more in infrastructure than in 2015.

It is encouraging to see the Chancellor has begun matching ambitious Government rhetoric on connectivity and infrastructure with spending. The UK desperately needs to catch up with our international competitors in this regard and needs to do so in a way that enables property owners to provide high-quality residential and retail space.

Increased Infrastructure Spending- Roads

[4.8] National Roads Fund – The government is delivering its commitment to hypothecate English Vehicle Excise Duty to roads spending, announcing that the National Roads Fund will be £28.8 billion between 2020-25. The Fund will provide long-term certainty for roads investment, including the new major roads network and large local major roads schemes, such as the North Devon Link Road.

[4.9] Roads Investment Strategy 2 – The Budget is announcing the draft Roads Investment Strategy 2. This is the largest ever investment in England's strategic roads and will enable the government to build on the successes of Roads Investment Strategy 1, such as the A1(M) link to Newcastle, and progress transformative projects like the A66 Trans-Pennine, the Oxford-Cambridge Expressway, and the Lower Thames Crossing. The government expects to spend £25.3 billion on this strategy, funded by the National Roads Fund, between 2020-25.

[4.10] Local roads – The government will allocate £420 million to local authorities in 2018-19 to tackle potholes, repair damaged roads, and invest in keeping bridges open and safe. To support projects across England that ease congestion on local routes, the government will also make £150 million of NPIF funding available to local authorities for small improvement projects such as roundabouts.

Investment in roads, especially that which aims to ensure large-scale connectivity, is always welcome. We have regularly called for infrastructure assessments to be focussed on the long-term, rather than the near future, and we are therefore delighted that the Government is ensuring that improvements to our road network are well planned and funded in the first half of the next decade.

Increased Infrastructure Spending- Transport

[4.11] Transforming Cities Fund extension – As part of the NPIF, the government is extending the Transforming Cities Fund by a year to 2022-23. This will provide an extra £240 million to the six metro mayors for significant transport investment in their areas: £21 million for Cambridgeshire and Peterborough, £69.5 million for Greater Manchester, £38.5 million for Liverpool City Region, £23 million for West of England, £71.5 million for the West Midlands, and £16.5 million for Tees Valley. In addition, a further £440 million will be made available to the city regions shortlisted for competitive funding. Ten city regions are eligible for this funding, and the government will shortly be announcing a further two.

[4.12] Transforming Cities Fund: Future Mobility Zones – To support the Industrial Strategy Future of Mobility Grand Challenge, £90 million from the NPIF will be allocated to the Transforming Cities Fund to create Future Mobility Zones. This will trial new transport modes, services, and digital payments and ticketing. £20 million of this will be allocated to the West Midlands.

[4.15] NIC study: infrastructure resilience – The government has commissioned a new NIC study, to be published in Spring 2020, on how to improve the resilience of the UK's infrastructure in light of technological advances and future challenges such as climate change.

[4.16] Infrastructure finance review – The government will review its existing support for infrastructure finance, to ensure that it continues to meet market needs as the UK leaves the EU.

Decisions on large-scale infrastructure are often put aside in favour of smaller, easier plans. We welcome the devolution of funds to the six metro mayors, ensuring that this decision-making process is quicker and more efficient. Again, the long-term nature of the measures is commendable, and the lasting impact on connectivity will undoubtedly open up areas – especially in the West Midlands - to more talent and more investment.

Tax

[3.15] Trusts consultation – As announced at Autumn Budget 2017, the government will publish a consultation on the taxation of trusts, to make the taxation of trusts simpler, fairer and more transparent.

The consultation has been expected, and we will respond to help the government reconsider an area of tax that is often more complicated than it needs to be.

[3.23] Structures and buildings allowance (SBA) – New non-residential structures and buildings will be eligible for a 2% capital allowance where all the contracts for the physical construction works are entered into on or after 29 October 2018. This addresses a significant gap in the UK's current capital allowances regime, and will improve the international competitiveness of the UK's tax system. Further information on this measure is available in a supplementary document published alongside the Budget.

A new tax relief for commercial property owners is a real surprise. This move brings the UK more closely in line with the many other countries that already provide tax relief for the cost of building commercial property, making the UK more attractive to invest in. It makes investing in new and refurbished buildings cheaper from a tax perspective, and is a welcome move.

[3.26] Digital services tax (DST) – From April 2020, the government will introduce a new 2% tax on the revenues of certain digital businesses to ensure that the amount of tax paid in the UK is reflective of the value they derive from their UK users. The tax will:

- **apply to revenues generated from the provision of the following business activities: search engines, social media platforms and online marketplaces**
- **apply to revenues from those activities that are linked to the participation of UK users, subject to a £25 million per annum allowance**
- **only apply to groups that generate global revenues from in-scope business activities in excess of £500 million per annum**
- **include a safe harbour provision that exempts loss-makers and reduces the effective rate of tax on businesses with very low profit margins**

The government remains committed to G20 and OECD discussions on potential future reforms to the international corporate tax framework, and will only apply the DST until an appropriate long-term solution is in place. The government will consult on the detailed design of the DST and legislate in Finance Bill 2019-20.

As the economy evolves it is right that the Government looks at how the tax system can keep pace, though it is a bit surprising that the Chancellor has decided the UK should go it alone on taxing the digital economy. While there has been a focus on the clicks versus bricks debate in retail, we feel it is right that the government is taking a broader approach and looking at all businesses that create value through digital interaction.

[3.28] Corporate capital loss restriction – To ensure that large companies pay tax when they make significant capital gains, the government will bring the tax treatment of corporate capital losses into line with the treatment of income losses. From 1 April 2020, the government will restrict the proportion of annual capital gains that can be relieved by brought-forward capital losses to 50%. The measure will include an allowance that gives companies unrestricted use of up to £5 million capital or income losses each year, meaning that 99% of companies will be unaffected.11 The government will consult on the detailed design of this change and legislate in Finance Bill 2019-20. The measure will be subject to anti-avoidance rules that are to apply with immediate effect. (55)

Restricting capital losses in this way effectively increases the cost of a bad investment, as investors will no longer be able to use capital losses to fully offset gains made elsewhere. Also, if the corporation tax loss rules implemented last year are anything to go by, the new capital loss rules will be fiendishly complicated, making managing UK tax even more administratively burdensome.

[3.39] Stamp Duty Land Tax (SDLT) and first-time buyers relief – The government will extend first-time buyers relief in England and Northern Ireland so that all qualifying shared ownership property purchasers can benefit, whether or not the purchaser elects to pay SDLT on the market value of the property. This change will apply to relevant transactions with an effective date on or after 29 October 2018, and will also be backdated to 22 November 2017 so that those eligible who have not previously claimed first-time buyers relief will be able to amend their return to claim a refund. (37)

This change will bring some help to first time buyers, although they continue to face barriers around saving for deposits. However, SDLT is a damaging tax for all property transactions, and we would encourage government to consider more radical change to significantly reducing or abolishing this damaging tax to help foster transactional activity throughout the property market, and reduce its damaging impact on social mobility.

[3.40] Consultation on SDLT charge for non-residents – The government will publish a consultation in January 2019 on a SDLT surcharge of 1% for non-residents buying residential property in England and Northern Ireland.

The Government should be careful in how it targets these measures that will be consulted upon in early 2019, as an additional surcharge on large-scale overseas investors could put investment in housing delivery at risk. We estimate that 22,000 build-to-rent homes, 15 per cent of the sector's pipeline, are reliant on funding from overseas investors such as pension funds. Making it more expensive for these institutions to invest won't help deliver these much-needed homes.

[3.72] VAT fraud in labour provision in the construction sector – As announced at Autumn Budget 2017, and following consultation, the government will introduce a VAT domestic reverse charge to prevent VAT losses through so-called 'Missing Trader' fraud. This occurs when traders collect VAT on their sales but go missing before passing that VAT on to HMRC. This will shift responsibility for paying VAT along the supply chain to remove the opportunity for it to be stolen by those traders. The new rules will have effect on and after 1 October 2019 and the government is publishing secondary legislation alongside the Budget to implement this change.

We support the need to address missing trader fraud in the construction sector, and our members have been playing a positive role in discussions with HMRC to ensure the reverse charge is implemented effectively. We remain concerned that aspects of the charge will be administratively burdensome, particularly proposals for customers outside the scope of the charge to have to issue certificates to suppliers asking to be charged VAT.

Healthcare

[**1.52] In the run-up to Spending Review 2019, the Balance Sheet Review is… looking at how to improve the management of departments' individual balance sheets. For example, the NHS will be generating a £3.3 billion increase in proceeds from selling surplus land and buildings, almost doubling the scale of the investment available to the NHS.**

[5.7] NHS funding – The NHS is the government's number one spending priority. In June, the government set out an unprecedented multi-year funding plan, with associated cash budgets, for the NHS in England. At that time this equated to £20.5 billion more a year in real terms by 2023-24, an average real growth rate in the NHS's budget of 3.4% a year; taking the NHS budget from £114.6 billion in 2018-19 to £147.8 billion in 2023-24, with a total UK-wide scorecard cost of £83.6 billion. The NHS agreed to come forward with a new long-term plan this year, to be agreed with the government. The cash settlement that the government promised in June 2018 is fully funded at this Budget. The NHS will deliver its plan by the end of the year, and the government will confirm the final settlement consistent with that plan, and the £20.5 billion real terms increase by 2023-24, by Spending Review 2019.

5.8 This settlement will enable the NHS to plan for its future and support it to deliver the world-class care that people want and expect. It is essential that every pound in the NHS is spent wisely. The government has set five financial tests for the NHS to meet in producing the plan, to ensure that it does its part in putting the health service onto a more sustainable footing. The plan must set out how:

• the NHS (including providers) will return to financial balance
• the NHS will achieve cash-releasing productivity growth of at least 1.1% a year (with a final number to be confirmed in the plan), with all savings reinvested in frontline care
• the NHS will reduce the growth in demand for care through better integration and prevention (with a final number to be confirmed in the plan)
• the NHS will reduce variation across the health system, improving providers' financial and operational performance
• the NHS will make better use of capital investment and its existing assets to drive transformation

[5.9] As also set out in June 2018, the government will consider proposals from the NHS for a multi-year capital plan to support transformation, and a multi-year funding plan for clinical training places. The government will also ensure that public health services help people live longer healthier lives. Budgets in these areas will be confirmed at Spending Review 2019.

No real further information is forthcoming today on the NHS 10 Year Plan, which the Government acknowledges will be delivered by the end of the year, with a final settlement to be confirmed in line with that plan. It would be good to see some clarity as to how backlog maintenance and infrastructure modernisation in the NHS estate will be paid for.

The Naylor Review also highlighted that £10bn of capital investment is needed to fund transformation and to maintain the current estate. Today's announcements do not provide further clarity on whether and how these needed monies will be allocated.

[5.10] Mental health funding – The government is committed to achieving parity of esteem between mental health and physical health services, ensuring that high quality mental health support is available for those that need it, in appropriate, safe settings. Funding for mental health services will grow as a share of the overall NHS budget over the next 5 years. These services will take pressure off Accident and Emergency (A&E) departments and other public services such as the police, probation and social services. They will also ensure that people with mental illness can return to, and stay in, work, boosting employment and productivity. The NHS will invest up to £250 million a year by 2023-24 into new crisis services, including: 24/7 support via NHS 111; children and young people's crisis teams in every part of the country; comprehensive mental health support in every major A&E by 2023-24; more mental health specialist ambulances; and more community services such as crisis cafes. The NHS will also prioritise services for children and young people, with schools-based mental health support teams and specialist crisis teams for young people across the country. For adults, the NHS will expand access to the Individual Placement Support programme to help those with severe mental illness find and retain employment, benefitting 55,000 people by 2023-24.

Sustainability

[3.50] Carbon price support (CPS) – The price of EU Emissions Trading System (ETS) allowances has risen significantly over recent months, raising the Total Carbon Price (currently made up of the EU ETS price and the CPS rate). The government will freeze the CPS rate at £18/tCO2 16 for 2020-21. From 2021-22, the government will seek to reduce the CPS rate if the Total Carbon Price remains high.

[3.51] Carbon pricing following EU exit – The government continues to plan for all scenarios as it prepares for EU exit. In the unlikely event no mutually satisfactory agreement can be reached and the UK departs from the EU ETS in 2019, the government would introduce a Carbon Emissions Tax to help meet the UK's legally binding carbon reduction commitments under the Climate Change Act. The tax would apply to all stationary installations currently participating in the EU ETS from 1 April 2019. A rate of £16 would apply to each tonne of carbon dioxide emitted over and above an installation's emissions allowance, which would be based on the installation's free allowances under the EU ETS. The government is also legislating so it can prepare for a range of long-term carbon pricing options.
The assumption is that the Government's intention to rescind the Carbon Reduction Commitment Energy Efficiency Scheme and increase rates under the Climate Change Levy will still be introduced this coming year (see comment on 3.52).

[3.52] Climate change levy (CCL) – The Budget sets the CCL main rates for 2020-21 and 2021-22 and continues with the government's commitment to rebalance the main rates paid for gas and electricity. The electricity rate will be lowered in 2020-21 and 2021-22. The gas rate will increase in 2020-21 and 2021-22 so it reaches 60% of the electricity main rate by 2021-22. Other fuels, such as coal, will continue to align with the gas rate. The discount for sectors with Climate Change Agreements will change to reflect the change in CCL main rates.

No mention here of the implications of the Streamlined Energy and Carbon Reporting (SECR) Framework for the Climate Change Levy, following the long-awaited closure of the Carbon Reduction Commitment (CRC). Presumably this is so because the Government would have to introduce primary legislation to implement the outcomes of the SECR concerning the CRC. However, with the new arrangements to apply from April 2019, those within the CRC, and those paying the CCL alike, need certainty as to what requirements will be for them from April 2019.

[3.53] Enhanced Capital Allowances (ECAs) – The government will end ECAs and First Year Tax Credits for technologies on the Energy Technology List and Water Technology List from April 2020. These ECAs add complexity to the tax system and the government believes there are more effective ways to support energy efficiency. The savings will be reinvested in an Industrial Energy Transformation Fund, to support significant energy users to cut their energy bills and transition UK industry to a low carbon future.

The withdrawal of ECAs has been discussed for some time. The Government's consideration that they add complexity to the tax system is due at least in part to their implementation and the rules that mean that ECAs are attached to particular products and not to a general class or performance level of product (the main exception being lighting). With the Government due to enact SECR reforms this coming year, it is disappointing to see a supply side mechanism being rescinded that would encourage owners and occupiers to invest in energy efficiency.

[3.54] Enhanced Capital Allowances (ECAs) for electric vehicle charge points – The government will extend the ECA for companies investing in electric vehicle charge points to 31 March 2023. This will help achieve the government's ambition for the UK to become a world-leader in the ultra-low emission vehicle market.

Should the UK benefit from a transition period with the EU, the Energy Performance of Buildings Directive will require the installation of electric vehicle charging points in some new buildings and on major refurbishment. An incentive to offset the capital cost is to be welcomed.

[3.56] Plastic packaging – To reduce the problem of excessive and environmentally harmful plastic packaging, and incentivise manufacturers to use recycled plastic, the government will:

- **introduce a tax on the production and import of plastic packaging from April 2022. Subject to consultation, this tax will apply to plastic packaging which does not contain at least 30% recycled plastic, to transform financial incentives for manufacturers to produce more sustainable packaging**
- **reform the Packaging Producer Responsibility System, which will aim to increase producer responsibility for the costs of their packaging waste, including plastic. This system will provide an incentive for producers to design packaging that is easier to recycle and penalise the use of difficult to recycle packaging, such as black plastics**

[3.57] To ensure a coherent approach, the government will consult on both of these together in the coming months. Future revenues raised from these measures will enable investment to address single-use plastics, waste and litter to meet the government's ambitions for resources and waste.

3.59 Disposable cups – The government recognises the problems caused by disposable cups, which are difficult to recycle and often littered. The government has concluded that a levy on all cups would not at this time be effective in encouraging widespread reuse. Businesses are already taking steps to limit their environmental impact, but the government expects industry to go further and will return to the issue if sufficient progress is not made. In the meantime, the government will look in the Resources and Waste Strategy at the best way to tackle the environmental impact of cups.

Given the groundswell of support and public awareness of single-use plastics, it is unsurprising that the Government has opted to take action. It has stopped short of action on single use plastic cups at this point, perhaps taking a wait-and-see approach on whether the trend toward 'bring your own' cups will take hold.

3.60 Aggregates Levy Rates – The government will freeze Aggregates Levy rates for 2019-20, but intends to return the Levy to index-linking in future.

4.66 Improving business energy efficiency – The government will issue a call for evidence on introducing a new Business Energy Efficiency Scheme, focused on smaller businesses. Over time, this scheme will reduce business energy bills and carbon emissions. The call for evidence will seek views on a range of possible delivery options

It will be important to ensure that in energy efficiency scheme, we do not repeat the mistakes of the past in the design of schemes like the Carbon Reduction Commitment, which did not hit buildings well.

Industrial Strategy

[4.28] Supporting innovation across the country – The government will invest an additional £120 million through the Strength in Places Fund. This will support clusters of science and innovation excellence across the UK and enable them to further develop their strengths. This funding extends the existing programme until 2021-22.

We are supportive of efforts to create local anchors for growth and productivity, particularly in communities that need strengthening and help. This activity will become all the more important in view of Brexit.

[4.40] Management capability – The Productivity Leadership Group has shown that business-led approaches to improving productivity work. Building on work with Be the Business and the emerging findings of the Industrial Strategy Business Productivity Review, to support management capability so that businesses can raise their productivity, the government will:

- **create a Small Business Leadership Programme, delivered in partnership with business schools and leading businesses across England. 2,000 places will be delivered in 2019-20, with an ambition to train 10,000 people per year by 2025**
- **invest up to £25 million to boost business productivity through the Knowledge Transfer Partnerships scheme, placing over 200 additional graduates and academics with relevant skills into firms to translate their research insights into business growth**
- **invest £20 million in 2019-20 to support local peer-to-peer networks focused on business improvement so that thousands of business leaders can share expertise on leadership, business development and technology adoption**

There is much that business can do to strengthen local places, bringing acumen, vision and resource to tackling local opportunities and problems in partnership with central and local government. We have made our own proposals to Government as part of a proposed Sector Deal to lend the real estate industry's strength to initiatives such as these.

Technology and Innovation

[4.22] Artificial Intelligence and data-driven innovation – The government has already taken action to ensure the UK is at the forefront of emerging digital technologies, including through the Industrial Strategy Artificial Intelligence (AI) and Data Grand Challenge, and an AI sector deal of up to £950 million. The Budget sets out the following next steps:

- **the Office for AI and Government Digital Service (GDS) will review how government can use AI, automation and data in new ways to drive public sector productivity and wider economic benefits. This will feed into the innovation strategy being led by the Cabinet Office**
- **the Data Science Campus at the ONS and the GDS will conduct an audit of data science capability across the public sector, to make sure the UK public sector can realise the maximum benefits from data**
- **the government established the UK's pioneering Centre for Data Ethics and Innovation to ensure that people have confidence in how data and technologies, such as AI, are used. The Budget announces that the Centre has been commissioned to study the use of data in shaping people's online experiences, and the potential for bias in decisions made using algorithms**

[4.23] Global AI and future talent fellowships – To attract, retain and develop world-leading research talent, the government will invest up to £50 million in new Turing AI Fellowships to bring the best global researchers in AI to the UK, and £100 million in an international fellowship scheme.

AI offers some promising use cases in real estate, whether these concern planning, scrutiny of leases or understanding building performance. It is good to see the Government devoting resources toward strengthening the UK's lead in artificial intelligence. It is clear, too, that innovative companies prove a draw to the best AI researchers, and therefore the Government needs to maintain focus on the business and operating environment for AI companies to ensure it can attract the best talent.

4.24 Catapults – To support entrepreneurs and businesses to access and adopt cutting-edge technologies, the government is confirming £115 million to extend funding for the Digital Catapult, which has centres in the North East, South East and Northern Ireland. This builds on the £1 billion in long-term funding already committed to the broader network of Catapult centres located across the UK.

4.25 Distributed Ledger Technology Field Labs – Distributed ledger technologies (DLT), such as blockchain, could revolutionise how information is recorded, protected, stored and shared, transforming financial markets, supply chains and public services. To test their potential, the Digital Catapult will run a series of DLT Field Labs, working with businesses, investors, and regulators in a range of areas, including in construction and the management of goods in ports.

[4.26] Cryptoassets Taskforce – The Cryptoassets Taskforce was launched at the International Fintech Conference in March 2018. Following extensive work by HM Treasury, the Financial Conduct Authority (FCA) and the Bank of England, the Cryptoassets Taskforce report will be published alongside the Budget. The report will set out the UK's approach to cryptoassets and distributed ledger technologies in financial services, including actions that will allow innovators to thrive and the benefits of these new technologies to be realised while at the same time mitigating the risks that arise from cryptoassets. This will ensure the UK maintains its international reputation as a financial services centre with high regulatory standards.

There is growing interest in the potential for the use of distributed ledgers in a variety of ways in real estate, and for the use of tokenisation in the ownership of real estate. It is good to see the Government exploring this potential further.

1.51 Property – As part of the Government Estate Strategy 2018, the government is launching its first-ever geo-spatial Digital National Asset Register which will enable better management and commercialisation of its £420 billion of property assets, and the Whitehall estate will be brought onto a single balance sheet within 5 years.

The BPF responded to the Geospatial Commission's Call for Evidence. In it we urged the public sector to use its purchasing power to drive better provision and management of data relating to the built environment and land.

4.44 Access to finance and EU exit – The government is committed to supporting the UK's fast-growing and innovative firms to secure the external finance they need to invest and grow. As the UK leaves the EU, it continues to actively explore options for a future relationship with the European Investment Bank Group (EIBG). However, if no future relationship with the EIBG is in place before the UK leaves the EU on 29 March 2019, the government will provide the British Business Bank with the resources to enable it to make up to £200 million of additional investment in UK venture capital and growth finance in 2019-20.

Planning and Development

[4.50 Land value uplift] The government confirms that it will introduce a simpler system of developer contributions that provides more certainty for developers and local authorities, while enabling local areas to capture a greater share of uplift in land values for infrastructure and affordable housing. The reforms include simplifying the process for setting a higher zonal Community Infrastructure Levy in areas of high land value uplift, and removing all restrictions on Section 106 pooling towards a single piece of infrastructure. The government will also introduce a Strategic Infrastructure Tariff for Combined Authorities and joint planning committees with strategic planning powers.

We broadly welcome the reforms in this area particularly in respect of the full removal of all restrictions on Section 106 pooling towards a single piece of infrastructure and the introduction of the Strategic Infrastructure Tariff for Combined Authorities and joint planning committees with strategic planning powers. However, we continue to be of the view that CIL rates should remain linked to the cost of infrastructure delivery rather than house price indices as currently proposed.

[4.57] Accelerating housing delivery – Alongside the Budget, Sir Oliver Letwin has published his independent review of the gap between housing completions and the amount of land allocated or permissioned. The review found no evidence that speculative land banking is part of the business model for major house builders, nor that this is a driver of slow build out rates. The review concluded that greater differentiation in the types and tenures of housing delivered on large sites would increase the market absorption rates of new homes – the binding constraint on build out rates on large sites – and has set out recommendations to achieve this aim. The government will respond to the review in full in February 2019. In order to minimise uncertainty for housebuilders, the government confirms that Help to Buy Equity Loan funding will not be made contingent on large sites with existing outline permission being developed in conformity with any new planning policy on differentiation. The government will honour any funding commitments made to sites with existing outline planning permission, regardless of any new planning policy on differentiation

We fully support the main conclusion of Sir Oliver's Review that a shift to a more diverse, multi tenure approach would increase the market absorption rate of new homes. Further benefits of such an approach would be to enable the delivery of new homes faster and help create more sustainable places home to different demographics, socio-economic backgrounds, fostering a greater sense of community.

We look forward to hearing from government in the new year as to the next steps in terms of the implementation of the review's recommendations.

Regional Growth

[4.74] The government's ambition is for all regions to unlock their potential to boost national productivity and growth. To do this, the government is giving local places the powers and funding they need to invest in local priorities and address local barriers to productivity.

[4.75] The Budget therefore funds new programmes delivered at the local level to address barriers to productivity and increases funding for existing programmes. These include:
- **£770 million to extend the Transforming Cities Fund**
- **£675 million for a new Future High Streets Fund, which forms part of Our Plan for the High Street**
- **£420 million for local roads maintenance including potholes (4)**
- **£200 million to pilot innovative approaches to deploying full fibre internet in rural locations**
- **£150 million for small road improvement projects**
- **£120 million for the Strength in Places Fund to support areas of R&D excellence across the UK**
- **£20 million to support local peer-to-peer networks focused on business improvement**
- **£10 million to generate proposals for new business-backed Development Corporations and similar delivery bodies (34)**
- **£5 million to support new University Enterprise Zones (29)**

Devolved powers and funding are useful ways to ensure the correct solutions are found to local issues; one-size-fits-all solutions that are rarely suitable nationwide. We welcome the array of localised funding packages, although the money earmarked for skills is disappointingly small.

Investing in UK Towns and Cities

[4.79] Development Corporations – The government will consult on the legal framework for Development Corporations. It will also launch a £10 million competitive fund, supported with advice from Sir George Iacobescu, to enable local areas to generate locally-led proposals for new business-backed Development Corporations and similar delivery bodies. (34)

We will feed into this consultation. Any measures that ensure business and community interests are better integrated are positive, although £10m is a small amount for a nationwide competitive fund.

[4.86] Midlands Engine Strategy – The government will publish a refreshed Midlands Engine Strategy next year.

We are eager to engage with this new Strategy. Attracting, nurturing, and retaining talent are vital to ensuring our regions thrive and we hope to see this recognised – perhaps with a suite of skills measures.

[4.87] Northern Powerhouse Rail – Northern Powerhouse Rail will transform the economic geography of the North, connecting cities with faster, more frequent services to boost growth and improve the experiences of passengers across the region. The Budget announces up to a further £37 million to support the development of Northern Powerhouse Rail, building on £300 million already committed to ensure HS2 infrastructure can accommodate future potential Northern Powerhouse Rail and Midlands Engine Rail services. The first business case of the scheme is due at the end of the year.

Rail in the North has been consistently under-resourced and undervalued compared to other UK regions. This has led to a lack of connectivity and a resultant slump in productivity. We welcome the Government's measures aimed at correcting this.

Cambridge - Milton Keynes - Oxford Arc

[4.91] Responding to the NIC – Alongside the Budget, the government publishes its response to the NIC's report on the Arc, detailing significant progress and future plans for the Arc.
[4.92] Housing – The government supports the NIC's ambition to deliver up to 1 million new homes in the Arc by 2050 to maximise sustainable economic growth. The government recognises that the environmental requirements to underpin sustainable growth need to be considered at a pan-Arc level, and that the Arc is valued for its wildlife and natural places. The Arc is an opportunity to demonstrate the ambitions of the government's 25 Year Environment Plan.
[4.93]East West Rail – A new East West Rail company has been established to accelerate the delivery of the central railway section between Cambridge and Bedford. The government is providing a further £20 million to develop a strategic outline business case for the railway. This will explore which routes best support the government's vision to unlock up to 1 million new homes by 2050. (51)
4[.94]Cross-Arc collaboration – The government confirms its commitment to work with local partners, and to provide new road and rail links to best achieve its vision for the Arc. The government also announces that:

- **working with local partners, the government will publish an ambitious Arc-wide joint vision statement by Spring 2019**
- **the government will appoint an independent business Chair for the Arc to provide expert advice and act as an advocate and champion to help galvanise local, national and international support for the Arc, particularly from business and industry**
- **the government will also appoint a Ministerial Champion for the Arc, to provide further focus and facilitate coordination across Whitehall London and the South East**

The CaMKOx Arc represents an excellent opportunity to create and improve business centres and communities, instead of becoming a swathe of satellite towns and cities that serve London. We look forward to engaging with the joint vision statement in the Spring, especially the plans to deliver up to 1 million new homes by 2050.

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British Property Federation
St Albans House
5th Floor, 57-59 Haymarket
London
SW1Y 4QX

T 020 7828 0111

info@bpf.org.uk
www.bpf.org.uk