View Spending Review and Autumn Statement documents online. Numbers in brackets [xx] below refer to paragraph numbers in the Spending Review and Autumn Statement 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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Built environment

Housebuilding

[1.146] Deliver 400,000 affordable housing starts by 2020-21, focussed on low cost home ownership. This will include:

- 200,000 Starter Homes which will be sold at a 20% discount compared to market value to young first time buyers, with a £2.3 billion fund to support the delivery of up to 60,000 of these, in addition to those delivered through reform of the planning system
- 135,000 Help to Buy: Shared Ownership homes, which will allow more people to buy a share in their home and buy more shares over time, as they can afford to. The scheme will be open to all households earning less than £80,000 outside London and £90,000 in London, and will relax and remove previous restrictions such as local authorities’ rights to set additional eligibility criteria
- 10,000 homes that will allow a tenant to save for a deposit while they rent. This will be in addition to 50,000 affordable homes from existing commitments
- at least 8,000 specialist homes for older people and people with disabilities

It is important that government invests in the places where Starter Homes will be built, so the success of this initiative depends how the money will be spent. If it is on the remediation of land and provision of social infrastructure, to counter the strain new housing puts on schools and health centres, then it will be money well spent. The direct funding of Starter Homes shouldn’t need long-term subsidy and therefore would only have our support if it is done on the basis of recoverable funds, whereby government gets its money back.

Many a well-intentioned government spending of cash gets bogged down in bureaucracy as it passes through government departments and agencies, who rightly want to check those funds are spent wisely. How these funds are distributed will therefore have an important bearing on the speed of delivery, with untried partners and mechanisms possibly leading to more delay.

There is a need for more shared ownership homes in places like London, and generally making more funding available and opening it up to more providers is sensible. Past efforts to push shared ownership have been dogged by complexity and tough eligibility criteria and if this effort is to push shared ownership is to be successful it must overcome those challenges.
Research from the Joseph Rowntree Foundation earlier this week showed that only about 10% of the 1.3 million housing association tenants that theoretically have a right to buy are practically in a position to do so. This policy is therefore targeting a relatively small part of the far wider need for affordable housing on council waiting lists.

The promise of specialist homes for older and disabled people is positive. However, it is a relatively small start to a big issue, which is the need to seek to free up more existing family housing, through providing a better quality and range of housing for the elderly.

Planning

[3.105] Local plans – The government will bring forward proposals for a delivery test on local authorities, to ensure delivery against the homes set out in local plans within a reasonable timeframe.

This is a welcome move, and will ensure that local authorities really do concentrate on growth for their area and that their local plans are focused on delivery and the practicalities of housing the population. As local authorities struggle with a lack of resources (both skills and finances), this is a real incentive to keep local plans short and sharp. Whilst the emphasis on housing is to be encouraged, attractive, successful communities include places for people to work, live and relax.

[3.106] Neighbourhood plans – The government will ensure that local communities can allocate land for housing through neighbourhood plans, even if that land is not allocated in the local plan.

It’s good to see government recognise the potential for neighbourhoods to plan positively for their area, and to overtake local plans that are out of date. It is hoped that local communities will grasp this with both hands and plan for new housing and other types of land use.

[3.107] Starter Homes – The government will amend planning policy to ensure the release of unused and previously undeveloped commercial, retail and industrial land for Starter Homes, and support regeneration of previously developed, brownfield sites in the greenbelt, by allowing them to be developed in the same way as brownfield sites elsewhere, providing it delivers Starter Homes. This will be subject to local consultation, such as through neighbourhood plans.

Whilst likely to raise howls of indignation from some quarters, this is a very sensible step. This change will put a stop to endless battles in the planning regime and will help bring forward the government’s intended 200,000 Starter Homes.

The sites that will be eligible for this will not be lush green fields, but rather disused scrap yards and car parks which happen to sit within the Green Belt, and which are calling out to be more productively used.
SME house builders – The government will halve the length of the planning guarantee and amend planning policy to support small sites, while ensuring protection for existing gardens.

The diversification of the housing market is good news, and measures to welcome SME house builders are beneficial. For the halving of the planning guarantee to truly be effective, it must go hand in hand with a rejig of planning fees. This would ensure that local authorities have a skilled, fully resourced workforce that enables them to ensure swifter decision times.

Section 106 – The government will bring forward proposals for a more standardised approach to viability assessments, and extend the ability to appeal against unviable section 106 agreements to 2018.

The move towards a standardised viability model is an enormously important step, and we are delighted to see this taken forwards. A standardised viability model should go a long way to solving some of the disputes around development. The model must be sure to take into account the needs of the Build to Rent sector as well as the more traditional development approaches.

Quality of decision making – To support decision-making in line with local plans and the principles in the National Planning Policy Framework, the government will bring forward proposals to strengthen the performance regime, by lowering the threshold for the quality of decisions to 10% of all major decisions overturned on appeal. Wider circumstances, such as the status of the local plan and whether appeals relate to this, will be taken into account.

This is good news and should be supported. As ever, the challenge will be for local authorities to be sufficiently resourced to make decisions in good time, and to ensure that they can retain the best staff for the job.

Planning conditions – The government will review the operation of the deemed discharge of planning conditions.

This is likely to be a review a year after the provisions were put in place and may not provide enough detail to draw any serious conclusions. Reviews per se are to be welcomed though, and there are many other mechanisms that could do with a bit more consideration.

Residential

Temporary accommodation - From 2017-18 the government will devolve and reform increased funding for managing temporary accommodation, giving local authorities more control and flexibility.
Whilst the additional £250m will be welcomed by local authorities, the fact that the temporary accommodation budget is expanding rapidly is a sad reflection on our housing crisis.

Capping Housing Benefit in the social rented sector – The government will apply the relevant Local Housing Allowance rates as maxima for Housing Benefit paid in the social rented sector, including the Shared Accommodation Rate for single claimants aged under 35 without dependent children. The cap will apply from 1 April 2018 but only to tenancies signed after 1 April 2016.

This will be portrayed as levelling the playing field between tenants being supported in the social and private rented sectors, but its effect will be to take about £200m out of housing association budgets by 2020.

Flood insurance

Flood Reinsurance Scheme – The Flood Reinsurance Scheme has now been designated and will be consolidated into Defra’s accounts. The scheme will ensure affordable home insurance for those at high flood risk from April 2016, subject to approval from financial regulators.

We expected to hear about the launch of Flood Re in the budget, but remain disappointed that there remain still many properties left out of its scope. This is especially salient given that the Ipsos Mori research that Defra commissioned into Flood Re has yet to be published; surely it would have been better to see the results before pushing ahead with Flood Re.

Digital infrastructure

To ensure the benefits of digital communications infrastructures are felt across the economy and translated into productivity gains, the government will publish a Digital Transformation Plan in early 2016.

Up to £550 million will be invested over the Parliament to make the 700Mhz spectrum band available for mobile broadband use. The government will complete the £1.7 billion investment into the superfast broadband programme to ensure it is available to 95% of premises by 2017.

It is good to see Government are thinking holistically about digital investment and initiatives via the Digital Transformation Plan. Hopefully this is a sign of a well thought out digital strategy for the next five years, contrary how this strategy sometimes looked in the last Government – exemplified by the poorly planned Electronic Communications Code insertion into the draft Infrastructure Bill at the beginning of this year.
Apprenticeships in construction

The apprenticeship levy on larger employers announced in the Summer Budget will be introduced in April 2017. It will be set at a rate of 0.5% of an employer’s paybill. Each employer will receive an allowance of £15,000 to offset against their levy payment. This means that the levy will only be paid on any paybill in excess of £3 million and that less than 2% of UK employers will pay it. The levy will be paid through Pay As You Earn. By 2019-20, the levy will raise £3 billion in the UK. Spending on 2015 apprenticeships in England will be £2.5 billion, and Scotland, Wales and Northern Ireland will receive their fair share of the levy.

As well as increasing the numbers of apprentices the government will ensure quality is increased too. The government will establish a new employer-led body to set apprenticeship standards and ensure quality. The body will be independent of government and will also advise on the level of levy funding each apprenticeship should receive. Funding caps will be significantly higher for programmes which have high costs and are of high quality.

Colleges currently receive approximately a third of apprenticeship spending. Key providers, including colleges will be able to benefit from the significant increase in apprenticeship spending of almost £900 million by 2019-20.

The government will expand tuition fee loans to 19 to 23 year olds at levels 3 and 4, and 19+ year olds at levels 5 and 6 to provide a clear route for learners to develop high-level technical and professional skills. This will benefit an estimated 40,000 students a year. The government will also consult on introducing maintenance loans for people who attend specialist, higher-level providers, including National Colleges.

Successive reviews of the construction industry and periodic surveys have highlighted its potential skills gaps. Construction clients are dependent on an adequately skilled industry to deliver their projects, and to meet the challenges posed by new methods of construction and ways of working such as Building Information Modelling. The combination of dedicated funding and a means to set appropriate standards independently are welcome. This boost for apprenticeships is also welcome news from a property industry perspective, since it potentially unlocks new routes into the industry, presenting possible benefits for the industry’s future diversity.
Devolution and growth

Devolution and regional growth

[1.235] The government is working with the Cardiff Capital Region and the Welsh Government to deliver an ambitious City Deal for Cardiff. The Spending Review announces an in principle commitment to contribute to an infrastructure fund for the Cardiff region.

Government has already devolved significant powers to Wales, and in principle an infrastructure fund for Cardiff is welcomed. However, with limited details it remains to be seen the true extent to which this will benefit the region.

[1.248] Building on the historic settlement with Greater Manchester, this year further devolution agreements have been reached with civic leaders in the Sheffield City Region, the North East, Tees Valley, Liverpool City Region and the West Midlands, giving local areas control over major budgets and responsibilities and creating directly elected mayors. The government will work towards further devolution deals with other major city regions.

[1.249] The government is making further progress on devolving powers to Greater Manchester, demonstrating that the first devolution deal is just the start of a closer dialogue between cities and government. This includes supporting the Greater Manchester Combined Authority to develop and implement an integrated approach to preventative services for children and giving the Greater Manchester Mayor the power to introduce a Community Infrastructure Levy.

Devolution deals are coming forward at a rate of knots, and whilst this is to be welcomed, it is crucial that the private sector is engaged in these discussions. Without this, there is a risk of needing to retrofit deals as their shortcomings become apparent. Lessons can be learnt from Manchester, which is much further down the devolution path than other city regions, thanks to its long history of successful local authority collaboration and commercially-focused leadership. However, one size does not fit all and each area will need a tailor made approach.

Councils in Greater Manchester have resisted implementing CIL to now amid fears it will make the area less competitive, so it is important the mayor learns from the success of the London mayoral CIL to avoid ruffling feathers in the region.

[1.251] The government is creating 26 new Enterprise Zones, including expanding 8 Zones on the current programme. These include 15 Zones in smaller towns and rural areas, spreading Enterprise
Zone benefits to 108 sites across the country. This is in addition to the two announced earlier this year. The government will provide feedback to Local Enterprise Partnerships on unsuccessful applications and, where possible, the government will work with them to consider how the proposals could be improved. Since their start in April 2012, Enterprise Zones have laid down the foundations for success for 540 businesses, attracting over £2.2 billion pounds of private sector investment, building world class business facilities and transport links and attracting 19,000 jobs.

While these new Enterprise Zones are to be welcomed, if we really want to see these initiatives get off the ground, we need to empower local authorities by giving them greater autonomy over the measures on offer to ensure truly additional growth.

[1.256] The government’s recent delegation to China showcased the Northern Powerhouse to key international investors. To build on this success, and ensure that the strengths of the Northern Powerhouse are internationally recognised, the government will provide £15 million of funding to support further Northern Powerhouse trade missions including to key emerging economies. A further £7 million will fund a Northern Powerhouse Investment Taskforce, bringing the authorities and businesses of the North together to present a single internationally competitive offer to the world.

This is an interesting proposition, and shows that the government has recognised the need for a powerful shared vision to attract inward investment. In many cases, cities may struggle to gain traction with such discussions on their own, so there really is safety in numbers and the opportunity to reassure potential investors of a good return.

[1.258] The government has agreed that in 2017, there will be at least 5 new Northern Mayors, covering 54% of the population of the North, backed by over £4 billion of new funding from central government.

It is crucial that we don’t get stuck in a constitutional quagmire and that we are able to concentrate on the toolkit needed to support economic growth. Strong leadership – whether an elected mayor or otherwise – will be critical in leading city regions with devolved powers.

[1.260] The government is building on the success of Britain’s Engine for Growth in the Midlands. Over 250,000 more people were in work in the Midlands by the end of the last Parliament compared to 2010. The recent historic West Midlands Devolution Agreement means:

- a new, directly elected Mayor for the West Midlands
- devolution of powers over adult skills, employment and transport
- a new additional £36.5 million a year funding allocation over 30 years, to be invested to drive growth
- supporting the Curzon Street Enterprise Zone extension in order to help deliver the ambition of the HS2 Growth Strategy
- funding the Eastside Metro extension to Digbeth, subject to a business case
We are pleased to see continued focus on devolution, proving it is really happening and not just political pandering. There is a real recognition in these announcements of the need for city regions to build on their unique strengths and market themselves accordingly. While each area will be seeking powers in devolution deals which play to their strengths, the recurring themes of integrated transport systems and infrastructure investment funds will have a significant impact attracting investment and unlocking areas for development.

Transport infrastructure

[1.252] The Autumn Statement and Spending Review supports local HS2 Growth Strategies to ensure that areas benefit as much as possible from HS2, enabling regeneration around stations and the improvement of connections to HS2 stations. This includes support for development around the new HS2 stations at Old Oak Common and Birmingham Curzon Street.

[2.82] The Department for Transport (DfT) settlement includes:

- £46.7 billion capital investment by DfT over the next 5 years on High Speed 2 (HS2), roads and local transport which, together with Network Rail’s investment programme, will deliver the biggest road improvement programme since the 1970s and the largest programme of rail investment since Victorian times
- pressing ahead with construction of HS2 beginning this Parliament, providing £300 million development funding for the next generation of transformative transport infrastructure, and £475 million of new funding to support construction of large local transport projects

[2.85] Construction will begin on HS2 during the Parliament, and the Spending Review confirms a funding envelope of £55.7 billion in 2015 prices, which will deliver HS2 from London to Birmingham by 2026, and to Leeds and Manchester by 2033. During construction, HS2 is anticipated to support up to 25,000 jobs and up to 2,000 apprenticeships.

Following years of debate and stalled investment, it is very welcome that construction will begin on HS2 imminently. A focus on the areas around new stations is crucial, as much of HS2’s true worth will be its role as a catalyst for wider regeneration and growth across the country. It is good to see Government recognising the symbiotic nature of commercial real estate and infrastructure, and the growth that can be forthcoming when this relationship is exploited.

[2.86] The government will also establish a new £300 million Transport Development Fund, supporting development work for transformative transport infrastructure projects. This could include providing development funding for projects such as Crossrail 2 and proposals emerging from the Northern Transport Strategy, following advice from the National Infrastructure Commission. In addition, the government will provide £475 million of investment through the Local Majors Fund.
which will mean that local areas can bid for funding for projects such as the North Devon Link Road, the A391 in Cornwall, and the Lowestoft Third River Crossing and Ipswich Wet Dock Crossing.

We welcome this funding, and the announcement that the National Infrastructure Commission will play such a significant role in allocating a new £300m Transport Development Fund. Cross-party consensus on infrastructure issues is critical to avoid major decisions with such significant long-term impact being put off for short-term political gain.

Release of public land

[1.298] Central Government land - The government has previously committed to releasing enough (public) land, by 2020, to build 150,000 homes. The Spending Review and Autumn Statement announces that departments have now committed to sell land for more than 160,000 homes. In addition to the land released by central government departments, the Greater London Authority is in the process of disposing of land for a further 5,000 homes. Local authorities can also play a key role in selling land for housing, and the government will set the contribution local authority land disposals can make by the Budget.

It is unclear whether this is land for a further 161,000 homes, or 11,000. Whether you actually get that precise number of homes is notional, but the principle of encouraging land sales to support departmental budgets is one we would support. The GLA has been very proactive at using suitable land it has for housing and so there is little of its own land left for that purpose. Hence the London Land Commission, which is seeking to map all public land in London and put it into use, where appropriate for housing. We strongly support this.

The biggest land holders tend to be local authorities and the Chancellor announced they could keep all receipts from land sales, and the government will set the contribution local authority land disposals can make by the Budget as part of their overall financial settlement today. This holds potential dangers for our members who often work by leasing land, or in joint ventures with local authorities. Simply selling all local authority land to the highest bidder won’t necessarily deliver the types of homes we need, or be the best long-term deal for the public purse.

[1.301] The government is transforming its approach to land and property asset management, centralising ownership of the estate and charging departments market-level rents for freehold assets they currently own. The new model will be operational by March 2017, subject to legislative requirements, and all relevant central government land and property will transfer to the new central
body by the end of this Parliament. The Spending Review announces that Liz Peace has been appointed as shadow chair to lead the implementation of the new body. The first assets transferred into the body will include freehold office, warehouse, storage and depot properties (and leaseholds where appropriate). Similar charging regimes will be introduced to the same timescale for the MOD and the FCO overseas estate.

This will help encourage the efficient use of public sector land and therefore hopefully release of land that is surplus to requirements. We are pleased to see Liz Peace leading the initiative.

[3.12] Assets package – To encourage local authorities to release surplus assets and invest in making their services more efficient, the government will:

- extend the One Public Estate programme with £31 million to support local authorities to design more efficient asset management strategies

Asset management is central to not only supporting efficiency in local authorities, but also making sure that local authorities properly curate the properties they do own to regenerate their economic area, such as their high streets. We hope that work that we have done on fragmented ownership, asset management and regenerating our high streets can complement this initiative.

London

[1.271] London added over £338 billion to the UK economy in 2013, over a fifth of the total UK Gross Value Added. The government is giving London the investment it needs to continue to thrive as one of the world’s greatest capital cities. The government is providing £11 billion of support for transport infrastructure in London, helping deliver Crossrail, new trains on the London Underground, station upgrades, new buses, and a network of Cycle Superhighways. The Spending Review and Autumn Statement provides support for key regeneration schemes, including:

- delivery of the new Olympicopolis cultural and university quarter in the Queen Elizabeth Olympic Park
- £97 million to fund a new Thameslink station at Brent Cross
- £55 million to extend the London Overground from Barking to Barking Riverside
- bringing together the publicly owned land around the Old Oak Common HS2 station into single control

[1.272] The Spending Review and Autumn Statement is prioritising housing in London through new funding programmes for starter homes, Help to Buy: Home Ownership and through a new London Help to Buy with a special 40% equity loan.
London’s growth is critical to that of the UK, and we welcome these announcements, which will allow the capital to continue to succeed. Other city regions will have much to learn from London’s success in making brave decisions on transport infrastructure to unlock areas for development and regenerate parts of the city.

Clearly affordability of housing in London is a significant challenge for first-time buyers, and there is some rationale for having a different ‘help to buy’ offer in London. A 40% equity loan, however, will only add to demand, and buyers’ inability to afford a home will become self-perpetuating if supply of homes doesn’t increase to match these initiatives. The best way to solve London’s housing crisis remains through building more homes.
Tax and finance

Stamp Duty Land Tax

[3.70] Stamp duty land tax: additional properties – Higher rates of SDLT will be charged on purchases of additional residential properties (above £40,000), such as buy to let properties and second homes, from 1 April 2016. The higher rates will be 3 percentage points above the current SDLT rates. The higher rates will not apply to purchases of caravans, mobile homes or houseboats, or to corporates or funds making significant investments in residential property given the role of this investment in supporting the government’s housing agenda. The government will consult on the policy detail, including on whether an exemption for corporates and funds owning more than 15 residential properties is appropriate. The government will use some of the additional tax collected to provide £60 million for communities in England where the impact of second homes is particularly acute.

We are pleased to see that the changes to SDLT offer the prospect of exemption for large institutional and corporate investors, and we welcome this recognition of the Build to Rent sector and its increasing contribution to housing supply.

Small landlords will feel let down, however. Three-quarters of them voted for the government and today’s announcement, coming off the back of the changes to mortgage interest relief, creates a very negative climate towards the small investor. In any case, SDLT will tend to be figured into the purchase price of homes, and the end result may actually be harmful to homeowners trying to move up the housing ladder, as prospective investors will be fewer in number and will seek to pay less.

[3.71] The government will introduce a seeding relief for Property Authorised Investment Funds (PAIFs) and Co-ownership Authorised Contractual Schemes (CoACSs) and make changes to the SDLT treatment of CoACSs investing in property so that SDLT does not arise on the transactions in units. There will be a defined seeding period of 18 months, a 3 year clawback mechanism and a portfolio test of 100 residential properties and £100 million value or 10 non-residential properties and £100 million value. These changes will take effect from the date Finance Bill 2016 receives Royal Assent.

We are pleased that the government has honoured its commitment to introduce an SDLT seeding relief for property funds – a change that the industry has lobbied extensively for over the last three years. We welcome the suggested defined seeding period of 18 months, which acknowledges the complexity of the seeding process. However, we remain concerned that a three year claw back period could add considerable uncertainty for investors and we would question the need for a portfolio threshold test of 10 commercial properties or 100
residential properties. We look forward to seeing further detail in respect of the portfolio thresholds and claw back mechanism.

**ATED and SDLT reliefs**

[3.73] The government will extend the reliefs available from ATED and the 15% higher rate of SDLT to equity release schemes (home reversion plans), property development activities and properties occupied by employees from 1 April 2016.

We welcome the extension of reliefs to this complex tax which has had significant unintended consequences and given rise to considerable administrative burden for businesses.

**Business rates**

[1.219, 3.74] The Spending Review and Autumn Statement further supports small businesses by extending the doubling of small business rate relief (SBRR) in England for 12 months to April 2017. Around 405,000 of the smallest businesses will continue to receive 100% relief from business rates, with around a further 200,000 benefiting from tapering relief.

We welcome an extension of the SBRR which acknowledges that the business rates burden on small business is unsustainable. We would urge the government to go one step further and exempt small businesses completely from business rates, which would also drastically reduce the resourcing required to administer the tax.

[1.219] The government is undertaking a review of business rates. The review will be fiscally neutral and will report at Budget 2016.

Given the many competing interests in the business rates system, it is not surprising that the government has chosen to delay reporting on the conclusions of its review.

[2.125] The government will allow directly elected mayors to add a premium to business rates to pay for new infrastructure, provided they have the support of the local business community through a vote of the majority of the business members of the Local Enterprise Partnership board. The uniform business rate will be abolished and all local authorities will gain the power to reduce rates to support business and job growth.

The devolution of business rates to local authorities does nothing to improve the sustainability of the tax and we hope that in considering rates as part of the ‘business tax roadmap’ next year it becomes evident that urgent reform is needed. The fact that some local authorities have a much higher tax intake than others could lead to rate distortion
across the country and have knock-on effect on growth, leaving some local authorities struggling to keep up. However, the ability of elected mayors to work with business leaders to add a supplement to fund new infrastructure is very welcome and will ensure dormant development sites can be brought forward.

[2.126] DCLG will consult on changes to the local government finance system to pave the way for the implementation of 100% business rate retention. The consultation will take into account all the main resources currently available to councils, including council tax and business rates.

Today’s announcement on business rates retention merely confirms what the Chancellor set out at the Conservative Party conference in October. Superficially it looks like a step towards empowering local authorities, but implementing this pledge is likely to be complicated in the extreme. In any case, devolving business rates does nothing to address any of the fundamental problems with the business rates system. It does not address the long-term sustainability of the tax, the unfairness caused by infrequent revaluations or the complexity of the appeals system.

Asset managers’ performance based rewards

[3.90] The government will introduce legislation to determine when performance awards received by asset managers will be taxed as income or capital gains. An award will be subject to income tax, unless the underlying fund undertakes long-term investment activity.

Having responded to a consultation on this earlier in the year, we are concerned that the proposals could make private equity investment in real estate less attractive in the UK. The government is still working on this measure and we look forward to seeing further details in due course.
Sustainability

Energy efficiency

[1.139] As well as higher wages and pensions, and lower taxes, the government is implementing a package of measures to reduce the projected cost of green policies on the average annual household energy bill by £30 from 2017. The bulk of these savings will come from reforms to the current Energy Company Obligation (ECO) scheme. This will be replaced from April 2017 with a new cheaper domestic energy efficiency supplier obligation which will run for 5 years. The new scheme will upgrade the energy efficiency of over 200,000 homes per year, saving those homes up to £300 off their annual energy bill, tackling the root cause of fuel poverty and delivering on the government’s commitment to help 1 million more homes this Parliament.

Changes to ECO have been long mooted post-2017, but we are yet to see the detail of what is proposed in terms of a replacement. It will be important that the government sets out the arrangements for ECO’s replacement well ahead of succession in March 2017, since uncertainty would have a negative effect upon the energy efficiency manufacturing and installation industry, and for landlords with properties that are eligible for ECO.

[1.141] To help ensure that households at risk of fuel poverty can afford to heat their homes the government will extend the Warm Home Discount to 2020-21 at current levels of £320 million a year, rising with inflation.

Given the uncertainty around ECO’s replacement, the extension of the Warm Home Discount to 2020-2021 is a welcome announcement to provide continuing support for vulnerable groups in the interim and beyond.

[2.96] The government will provide £295 million over 5 years to improve the energy efficiency of schools, hospitals and other public sector buildings. Separately, over £300 million of funding for up to 200 heat networks will generate enough heat to support the equivalent of over 400,000 homes and leverage up to £2 billion of private capital investment.

This is welcome news, since the public sector as a substantial procurer of property and buildings should set an example to the wider economy.

[3.64] VAT reduced rate for energy saving materials – The government will consult on legislation for Finance Bill 2016 to ensure the reduced rate of VAT on energy saving materials is maintained in line with EU law. (Finance Bill 2016)
This is consequential following recent European Court of Justice jurisprudence regarding reduced rates of VAT on energy efficiency products and, short of a review of the VAT Directive, it does not seem that there will be much choice in the matter but to remove some current reliefs.

Renewable energy

[1.140] The government has consulted on changes to the Renewables Obligation and Feed-in Tariffs schemes and will shortly publish a response to the consultations, detailing how to implement cost control on these schemes. If the proposals are implemented, this will save the average household around £6 and the average small business user £500 on their energy bills in 2020-21.

We await the outcome of the changes to the Renewables Obligation and Feed-in Tariff consultations with interest. The recent business energy tax reform consultation sought industry views on how government might incentivise energy efficiency, but we see incentivisation of decarbonisation of energy supply as being beneficial too. We accept that householders and small business owners may object to levies on energy bills; the cost of incentivisation of increased generating capacity needs to be seen in the context of recent demands on the grid and capacity gaps, since a lack of security of energy supply poses significant risk for the UK economy.

[1.151] To ensure the tax-advantaged venture capital schemes continue to provide effective and sustainable support to small and growing businesses, the government will amend the eligibility criteria of the schemes to exclude all energy generation activities.

This seems to be at least in part consequential following amendments at the report stage and third reading of the Finance Bill. The exclusion of companies from the EIS, SEIS and VCT schemes has been made if their activities involve making available reserve electricity generating capacity. This change applies to investments made on or after 30 November 2015. The government also intends to apply both the exclusion for activities to make available reserve electricity generating capacity, and the exclusion for subsidised renewable energy generation to the Social Investment Tax Relief (SITR) when SITR is enlarged.

[2.97] The government will increase funding for the Renewable Heat Incentive to £1.15 billion in 2021 to ensure that the UK continues to make progress towards its climate goals while reforming the scheme to improve value for money, delivering savings of almost £700 million by 2020-21.

If this translates to an overall increase in the level of delivered funding for renewable heat projects, this is potentially welcome but the devil will be very much in the detail as to how value for money delivery will translate into changes to the scheme.
Climate Change Levy – Following consultation, a transitional period for electricity suppliers to apply the CCL exemption on renewably sourced electricity generated before 1 August 2015 will end on 31 March 2018. (Finance Bill 2016)

Many of our members wish to supply energy on green tariffs to their tenants. While the intent of a transitional period is welcome, in reality the continued exemption will be contingent upon the supplier holding sufficient Levy Exemption Certificates and thus some end-customers on green tariffs may experience price increases in advance of 2018 nonetheless. This may therefore make green tariffs less competitive compared to their browner counterparts even in advance of 2018.
Alternative assets

Purpose-built student accommodation

[3.118] Equivalent or Lower Qualification bar – The government will enable people to retrain in Science, Technology, Engineering and Mathematics by removing the restriction on accessing tuition fee loans for a second degree in these subjects from 2017-18.

[3.119] Part Time Maintenance Loans – The government will introduce a generous new system of maintenance support for higher education students wishing to study part time by 2018-19 and will consult on the detail.

[3.121] Postgraduate Taught Masters Loans – The government will lift the age cap for new postgraduate loans, so they are available to all those under 60, and reduce the repayment rate from 9% to 6% of income over £21,000. Loans will be introduced from 2016-17.

[3.122] Health education reform – Students studying nursing, midwifery and allied health subjects from September 2017 will be moved on to the standard student support system, with the details subject to consultation. The cap on the number of student places universities can offer for these subjects will be removed.

The further extensions of undergraduate, postgraduate and maintenance loans as well as removing the student numbers cap for training key health professionals will likely compound the increase in the numbers of students entering into higher education, helping fill the skill gaps needed in the health service and helping solve the productivity puzzle that the UK economy is facing. These changes reinforce the central importance of the purpose-built student sector in higher education; which makes sure these new students are properly supported throughout their in learning by providing quality and accessibility.

Healthcare funding and efficiency savings

[2.32] The Department of Health (DH) settlement includes:

- £10 billion real terms increase in NHS funding in England between 2014-15 and 2020-21 of which £6 billion will be delivered by the end of 2016-17 and £4.8 billion capital funding every year for the next 5 years
- transforming the NHS into a 7 day service and investing in new clinical strategies for cancer
and mental health, and enabling the provision of up to 10,000 additional nursing and health professional training places this Parliament integrating health and social care services by 2020, supported by a strong funding settlement for social care

- 22 billion of efficiencies to be made within the NHS by 2020-21, with savings reinvested into frontline health services, as set out in the NHS’ own plan, the Five Year Forward View, and actions to tackle deficits and ensure good financial management across the NHS

The Five Year Forward View, NHS England’s own plan for its future, received cross-party support when published last year. While this funding will be welcome, it is important organisations across the NHS move beyond thinking about the relatively small savings that can be made through improved facilities management and recognise the role property can play in increasing efficiency gains on a wider scale – whether through rationalising the estate, achieving the long-term savings which can be delivered through investing in primary care premises, or reducing dependence on A&E services by ensuring elderly people who need constant high-quality care are able to receive this in modern care homes.

Increased access to health services

The government’s investment will ensure that everyone will be able to access services in hospitals 7 days a week and GP services in the evenings and at the weekend. By 2020-21 the NHS will be funded to provide:

- 800,000 more elective admissions to hospital for procedures such as operations
- 5.5 million more outpatient appointments
- 2 million more diagnostic tests
- over 100 million more free prescriptions every year
- new hospitals in Brighton, West Birmingham and Cambridge over the next 5 years

Ensuring high quality care is accessible to all is critical, and it is important that government recognises this goes beyond opening times for GP surgeries. It should also include improving physical access to healthcare premises, many of which are not accessible to people with disabilities. Diagnostics and outpatient procedures could be delivered in expanded, modern primary care premises, reducing the burden on hospitals and allowing patients to be seen in a more relaxed and comfortable setting in their community.

Integrating health and social care

A social care council tax ‘precept’ of 2% will allow councils responsible for delivering adult social care to raise up to £2 billion a year by 2019-20. Local authorities will be given this additional 2% flexibility on their current council tax referendum threshold to be used entirely for adult social care. In addition, by 2019-20, the government will make £1.5 billion available to local authorities
to add to the Better Care Fund and support better joint working between health and social care. Together, this £3.5 billion investment will help secure services for the most vulnerable.”

[2.49] The government will integrate health and social care services by 2020. Each part of the country will develop plans for this by 2017, to be implemented by 2020. Local areas will integrate in different ways using a range of models which the government supports.

The Conservatives have long argued against a council tax rise, so this is somewhat surprising. Recent public sector cuts have threatened the viability of local authorities providing the bulk of the funding for adult social care, and operators of care homes have therefore had much-needed expansion thwarted. This announcement will go some way to ensuring a long-term funding policy and should encourage further development of care homes – which will be needed more than ever as the population of over-85s is expected to more than double in the next 20 years.

Further integration of health and social care is welcome, as disparate budgets have meant unnecessary overspend across the NHS with hospitals lacking an incentive to discharge patients who no longer need clinical care and would be better served in a care home or step-down facility. Integrating health and social care will allow providers to take a more strategic view of the healthcare needs of an area, and plan accordingly for the development of new premises within which a higher level of care can be provided.
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