BUDGET 2021

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 italics.

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Covid-19 Support

[2.14] Coronavirus Job Retention Scheme (CJRS) – To support businesses and employees across the UK through the next stage of the pandemic, the government is extending the CJRS for a further five months from May until the end of September 2021. Employees will continue to receive 80% of their current salary for hours not worked. There will be no employer contributions beyond National Insurance contributions (NICs) and pensions required in April, May and June. From July, the government will introduce an employer contribution towards the cost of unworked hours of 10% in July, 20% in August and 20% in September, as the economy reopens.

[2.15] Self-Employment Income Support Scheme (SEISS) fourth grant – To support the self-employed across the UK through the next stage of the pandemic, the government confirms that the fourth SEISS grant will be worth 80% of three months' average trading profits, paid out in a single instalment and capped at £7,500 in total. The grant will cover the period February to April, and can be claimed from late April. Self-employed individuals must have filed a 2019- 20 Self Assessment tax return to be eligible for the fourth grant. This means that over 600,000 individuals may be newly eligible for SEISS, including many new to self-employment in 2019- 20. All other eligibility criteria will remain the same as the third grant. Further details will be published in due course.

Clearly with many parts of the economy still closed the schemes needed to be extended further in order to save jobs. The Chancellor should keep this policy under review and ensure that employees without work continue to be supported so that they can contribute to recovery.

The extension of both the CJRS and the SEISS will ensure that the majority of tenants in the private rented sector (PRS) will continue to be financially secure and able to manage their housing expenses in the near-term. However, with unemployment expected to peak beyond the conclusion of the furlough scheme, there is the potential for built-up rent arrears and additional rent arrears to be accrued by tenants. This will affect the income of landlords, and in turn their ability to continue supporting tenants through rent reductions and other means, as well as reinvesting into new housing to provide much-needed supply to tackle the housing crisis. The Government must consider financial support measures for tenants and landlords alike for a seamless transition from the furlough scheme in September – solutions could include interest free loans to cover rent payment, or an increase to the housing benefit.

[2.42] Recovery Loan Scheme – From 6 April 2021 the Recovery Loan Scheme will provide lenders with a guarantee of 80% on eligible loans between £25,000 and £10 million to give them confidence in continuing to provide finance to UK businesses. The scheme will be open to all businesses, including those who have already received support under the existing COVID-19 guaranteed loan schemes.

Businesses will continue to struggle in the months ahead and it is vital that the Government gives them the lifeline needed to get back on their feet. Lessons must however be learnt from the successes and failures of the previous CBILS and BBLS programmes.

With the new scheme set to launch on the 6th April, firms will need clarity as soon as possible on how to apply, which lenders are supportive and their eligibility – particularly on the criteria for evidencing viability.

It should also be noted that the largest and most loved high-street chains are likely to need financial support in excess of £10m and it is therefore disappointing that they cannot access funding through the new scheme. Significant economic and social damage will be done if our anchor stores are excluded from getting the support they need to survive.

Skills

[2.29] High quality traineeships for young people – The Government will provide an additional £126 million in England for high quality work placements and training for 16-24 year olds in the 2021/22 academic year. Employers who provide trainees with work experience will continue to be funded at a rate of £1,000 per trainee.

[2.3] Payments for employers who hire new apprentices – The Government will extend and increase the payments made to employers in England who hire new apprentices. Employers who hire a new apprentice between 1 April 2021 and 30 September 2021 will receive £3,000 per new hire, compared with £1,500 per new apprentice hire (or £2,000 for those aged 24 and under) under the previous scheme. This is in addition to the existing £1,000 payment the government provides for all new 16-18 year-old apprentices and those aged under 25 with an Education, Health and Care Plan, where that applies.

[2.31] Supporting apprenticeships across different employers – The Government will introduce a £7 million fund from July 2021 to help employers in England set up and expand portable apprenticeships. This will enable people who need to work across multiple projects with different employers to benefit from the high quality long-term training that an apprenticeship provides. Employers themselves will also benefit from access to a diverse apprenticeship talent pipeline. Employers will be invited to bring forward proposals here, and in particular the Creative Industries Council will be asked to do so in recognition of the potential benefits of this new approach for the creative sector.

The UK's skills gap is a significant driver of inequality, a barrier to growth and an unfair limitation on peoples' life chances. Proposals to increase apprenticeship and traineeship funding are vital for helping achieve the Government's ambitions to level up and build back better. The property sector stands ready to offer its support to those looking for a new career in real estate, and we expect the Government's measures will support this.

High Streets and Town Centres

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

Our town centres will need to be firing on all cylinders in the years ahead if regeneration is to outpace structural change. Infrastructure investment will be vital for achieving that and ensuring our high streets are as accessible, connected and advanced as can be. We hope the NIC's report can be used to truly target investment where it's needed most and that it will ultimately support towns to meet the challenges they're facing.

[2.43] Restart Grants – The Government will provide 'Restart Grants' in England of up to £6,000 per premises for non-essential retail businesses and up to £18,000 per premises for hospitality, accommodation, leisure, personal care and gym businesses, giving them the cash certainty they need to plan ahead and safely relaunch trading over the coming months. The Government is also providing all local authorities in England with an additional £425 million of discretionary business grant funding, on top of the £1.6 billion already allocated. Altogether, this support will cost £5 billion. This brings the total cost of cash grants provided by the Government to £25 billion.

For many of those on the high-street, the impact of the crisis will make repaying these loans impossible. It is therefore very encouraging that Government has allocated significant grant support for these businesses. The fact that the hospitality and leisure sectors have been singled out for a higher allocation of funding is a particular relief, as these businesses have not been able to trade online, many have been closed for a year and will also take much longer to reopen than those operating elsewhere in the economy.

[2.47] Business rates reliefs – The Government will continue to provide eligible retail, hospitality and leisure properties in England with 100% business rates relief from 1 April 2021 to 30 June 2021. This will be followed by 66% business rates relief for the period from 1 July 2021 to 31 March 2022, capped at £2 million per business for properties that were required to be closed on 5 January 2021, or £105,000 per business for other eligible properties. Nurseries will also qualify for relief in the same way as other eligible properties. When combined with Small Business Rates Relief, this means 750,000 retail, hospitality and leisure properties in England will pay no business rates for 3 months from 1 April 2021, with the vast majority of eligible businesses receiving 75% relief across the year.

Another extension of business rates relief is necessary and welcome but so too is an admission from the Government that the rates system is fundamentally flawed. Empty rates liabilities for property owners are inequitable, especially through a crisis when vacancies are not their fault. The revaluation cycle is also well out of kilter with changing property values and this must be addressed so that the system is fit for purpose when we look to recovery.

Large high-street chains have been cut out of the support through a new cap on eligibility. This means many of the nation's most loved stores will be left exposed in the months ahead.

Levelling Up

[2.119] Levelling Up Fund prospectus launch – The Government is launching the prospectus for the £4.8 billion Levelling Up Fund alongside Budget. The Levelling Up Fund will invest in infrastructure that improves everyday life across the UK, including town centre and high street regeneration, local transport projects, and cultural and heritage assets. The prospectus will provide guidance to local areas on the process for submitting bids, the types of projects eligible for funding, and how bids will be assessed. To ensure that funding reaches the places most in need, the government has identified priority places based on an index of local need to receive capacity funding to help them co-ordinate their applications.

[2.123] UK Community Renewal Fund prospectus launch – The Government is launching the prospectus for the £220 million UK Community Renewal Fund alongside Budget. This will support communities across the UK in 2021-22 to pilot programmes and new approaches as the government moves away from the EU Structural Funds model and towards the UK Shared Prosperity Fund. Funding will be allocated competitively. To ensure that funding reaches the places most in need, the Government has identified 100 priority places based on an index of economic resilience to receive capacity funding to help them co-ordinate their applications.

[2.124] Community Ownership Fund – The Government will create a new £150 million Community Ownership Fund to help ensure that communities across the UK can continue to benefit from the local facilities and amenities that are most important to them. From the summer, community groups will be able to bid for up to £250,000 matched funding to help them to buy local assets to run as community-owned businesses. In exceptional cases up to £1 million of matched funding will be available to help establish a community-owned sports club or buy a sports ground at risk of loss from the community. This will help ensure that important parts of the social fabric – like pubs, sports clubs, theatres and post office buildings – can continue to play a central role in towns and villages across the UK.

The Levelling Up Fund is absolutely a step in the right direction. We are glad to see that the prospectus recognises the need for town centre regeneration-specific projects and that it builds on the successes of the Towns Fund framework.

It is important however that the new Fund does not repeat past mistakes. Town centres urgently need this investment and so the bidding process must be as streamlined as possible. Given immediate pressures, local authorities must not be made to jump through hoops today to only fail in their bids later down the line.

We caution the Government too that a short-term fund is no replacement for properly resourced local government.

Further investment for the regions is a positive and we support the levelling up agenda. The Combined Authorities have lived up to the Government's aspirations for devolution and opportunities for local infrastructure funding will build confidence between the centre and regional authorities, while the community initiatives will build confidence with the public.

Housing

[2.25] Mortgage guarantee scheme – The Government will introduce a new mortgage guarantee scheme in April 2021. This scheme will provide a guarantee to lenders across the UK who offer mortgages to people with a deposit of just 5% on homes with a value of up to £600,000. Under the scheme all buyers will have the opportunity to fix their initial mortgage rate for at least five years should they wish to. The scheme, which will be available for new mortgages up to 31 December 2022, will increase the availability of mortgages on new or existing properties for those with small deposits.

It has been a regular feature of Budgets lately, to incentivise home ownership through removing the up-front financial barriers to purchasing a first home. The Mortgage Guarantee Scheme serves a similar purpose to a previous scheme that ran from 2013-2016, and will enable first-home buyers to access 95% mortgages. However, the incentive is only planned to last until December 2022 and have a capped purchase price of £600,0000. More details are available here.

[2.26] Temporary Stamp Duty Land Tax (SDLT) cut – The Government will extend the temporary increase in the residential SDLT Nil Rate Band to £500,000 in England and Northern Ireland until 30 June 2021. From 1 July 2021, the Nil Rate Band will reduce to £250,000 until 30 September 2021 before returning to £125,000 on 1 October 2021.

The stamp duty 'holiday' has shielded the housing market from the impacts of the pandemic over the past year and the short-term extension will be welcomed by those trying to get transactions completed. A tapering also makes sense and will particularly be welcome in regional markets. What the 'holiday' has illustrated, however, is how damaging a tax SDLT is, stopping what should be encouraged – people moving home to find the right home for their circumstances. We hope the Government will absorb that lesson and work towards SDLT reform, lowering or abolishing it, so that it supports rather than disincentivises economic activity.

Construction

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

The convening of an MMC Taskforce, with seed funding support, will help facilitate the take-up of MMC in housebuilding. We hope that a portion of the £10m in seed funding will be able to demonstrate MMC approaches for the institutional PRS and Build-to-Rent that can be adapted sector-wide to increase the uptake and understanding of MMC across the sector.

Infrastructure

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

The focus of the new UK Infrastructure Bank to help support our net zero emissions targets and to address regional economic disparity is welcome however funding over time will need to go further if this announcement is to have a lasting impact.

The commitment to working in partnership with private and public sector institutions to support infrastructure investment will be important, particularly as the country recovers from the Covid-19 pandemic. Public sector resource will undoubtedly be under strain and therefore it will be critical that skills and investment can be shared appropriately .

Our members have a long history of delivering Public Private Partnership projects and would advocate more partnership working going forward. We would welcome the opportunity to work with government, through the relevant agencies, to deliver many more of these types of project.

We look forward to hearing more about the new Infrastructure Bank when further details on its operations are published in the spring.

[2.128] A66 development funding – The Government will provide £135 million to accelerate the start of construction on the A66 Trans-Pennine upgrade to 2024. This builds on the Spending Review 2020 announcement that the construction phase will be halved from 10 to 5 years as part of Project Speed.

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

[2.130] The Budget takes the first step towards implementing that commitment – confirming capacity funding in 2021-22 to support those city regions with appropriate governance arrangements already in place to begin preparations for settlements. This will enable them to develop integrated investment-ready transport plans that will deliver on local priorities such as tackling congestion and driving productivity. This will provide £8.6 million to Greater Manchester; £5.6 million to Liverpool City Region; £5.2 million to Sheffield City Region; £3.5 million to Tees Valley; £4.1 million to West of England, £8.9 million to West Midlands and £7.4 million to West Yorkshire

[2.131] Birmingham Interchange Station – The Government will provide £50 million to develop proposals for transport improvements around the High Speed 2 Birmingham Interchange Station. This will help support regeneration at Arden Cross in Solihull.

[2.132] Investments in local railways and stations – The Government will invest £59 million towards the construction of five new stations in the West Midlands, cutting journey times from Willenhall, Darlaston and south-west Birmingham into the city centre. This Budget will also unlock more than £40 million of funding to reinstate passenger services on the Okehampton Exeter line, subject to final approval of costs and contracts. These investments will provide good quality transport links between communities, and improve employment opportunities across these areas.

[2.135] Offshore wind ports infrastructure – The Government will make an offer of support, in principle, to the Able Marine Energy Park on Humberside following the conclusion of the competition to upgrade ports infrastructure for the next generation of offshore wind. The government will also sign a memorandum of understanding with Teesworks Offshore Manufacturing Centre on Teesside to support the development of another offshore wind port hub.26

The provision of transport infrastructure cannot be overstated - it is therefore welcome to see government's latest additions to its current investment pipeline.

Investing in infrastructure across all the regions will lead to the delivery of sustainable development and communities as well as ensuring all parts of the UK can become hubs for employment, attracting and retaining the best skills and labour available.

Freeports

[2.113] Freeports in England – East Midlands Airport, Felixstowe & Harwich, Humber, Liverpool City Region, Plymouth and South Devon, Solent, Teesside and Thames have been successful in the Freeports bidding process for England. Subject to agreeing their governance arrangements and successfully completing their business cases, these Freeports will begin operations from late 2021. The Freeports will contain areas where businesses will benefit from more generous tax reliefs, customs benefits and wider government support, bringing investment, trade and jobs to regenerate regions across the country that need it most.

[2.114] Freeports in Scotland, Wales and Northern Ireland – Freeports will benefit the whole of the UK. Discussions continue between the UK Government and the devolved administrations to ensure the delivery of Freeports in Scotland, Wales and Northern Ireland as soon as possible.

[2.115] Tax sites in Freeports – The Government will legislate for powers to create 'tax sites' in Freeports in Great Britain; it will bring forward legislation to apply in Northern Ireland at a later date. Tax sites within Freeports will need to be approved and confirmed by the Government. Businesses in these tax sites will be able to benefit from a number of tax reliefs.

- **An enhanced 10% rate of Structures and Buildings Allowance for constructing or renovating non-residential structures and buildings within Freeport tax sites in Great Britain, once designated. This means firms' investments will be fully relieved after 10 years compared with the standard 33 $^{1}/^{3}$ years at the 3% rate available nationwide. This will be made available for corporation tax and income tax purposes. To qualify, the structure or building must be brought into use on or before 30 September 2026.**

- **An enhanced capital allowance of 100% for companies investing in plant and machinery for use in Freeport tax sites in Great Britain, once designated. This will apply to both main and special rate assets, allowing firms to reduce their taxable profits by the full cost of the qualifying investment in the year it is made, and will remain available until 30 September 2026.**

- **Full relief from Stamp Duty Land Tax on the purchase of land or property within Freeport tax sites in England, once designated. Land or property must be purchased and used for a qualifying commercial purpose. The relief will be available until 30 September 2026.**

- **Full Business Rates relief in Freeport tax sites in England, once designated. Relief will be available to all new businesses, and certain existing businesses where they expand, until 30 September 2026. Relief will apply for five years from the point at which each beneficiary first receives relief.**

- **Subject to Parliamentary process and approval, the government also intends to make an employer National Insurance contributions relief available for eligible employees in all Freeport tax sites from April 2022 or when a tax site is designated if after this date. This would be available until at least April 2026 with the intention to extend for up to a further five years to April 2031, subject to a review of the relief.**

The Freeports policies have been developed over the past year. There are a number of policy incentives in Freeports that have property implications, and are significant – a far more generous Structures and Buildings Allowance, full SDLT and business rate relief. Today's announcement was mainly focused, however, on declaring the successful bidders and where Freeports will be located.

The tax benefits to businesses in Freeports, including those making capital investments in buildings and infrastructure, is very compelling. We would urge Government to consider similar incentives to those investing in and reimagining our high streets and town centres.

Insurance

[2.50] Trade Credit Reinsurance scheme – The Trade Credit Reinsurance scheme has successfully maintained the vast majority of trade credit insurance coverage across the market throughout the pandemic, across the whole of the UK. Up to £190 billion of cover on around half a million businesses has been provided under the scheme. The Government will continue to review the impacts of the scheme to assess whether there is a case for further interventions beyond the scheduled end date of 30 June 2021, in order to minimise disruptions in insurance coverage as the economy recovers.

The intervention on trade credit insurance last year was critical for ensuring that the market could continue to provide affordable cover to businesses, especially those that trade with the sectors most impacted by the crisis. The effects of the crisis are likely to far outlast the scheduled end date. We believe the Chancellor is right to keep this reinsurance scheme under review but urge him to make a decision on its continuation in good time - in order to provide businesses with the certainty they need.

Healthcare

[1.62] The Government has overseen record increases in public spending to fund world-class public services, providing a high quality, resilient healthcare system, a quality educational experience for all learners, and supporting local authorities in their efforts to serve local communities.

Clearly the Government's focus has been ensuring the NHS can operate safely and efficiently throughout the pandemic, but we now look forward to further detail on how the longer-term provision of fit-for-purpose healthcare infrastructure will be delivered, as well as a plan for social care.

Net Zero & Climate Change

[2.144] A new Green Gilt - The Government will issue its first sovereign green bond – or green gilt – this summer, with a further issuance to follow later in 2021 as the UK looks to build out a 'green curve'. Green gilt issuance for the financial year will total a minimum of £15 billion. The green gilt framework, to be published in June, will detail the types of expenditures that will be financed to help meet the government's green objectives.31 The government also commits to reporting the contributions of green gilt spending towards social benefits such as job creation and levelling up.

[2.145] A new green retail NS&I product - The Government will offer a green retail savings product through NS&I in the summer of 2021. This product will be closely linked to the UK's sovereign green bond framework and will give all UK savers the opportunity to take part in the collective effort to tackle climate change.

Despite the lack of any significant announcements to truly kick start the UK's drive to decarbonise our built environment, the new sovereign green bond and NS&I product, which will provide UK savers with the opportunity to support green projects, are a positive step in the right direction to support greener finance and investment practices. We hope to see this action matched by government investment in the coming months. This will help to signal to industry and businesses that green investment is a fundamental pillar of the Government's own forward plan.

[2.146] Establishing a carbon markets working group - Dame Clara Furse will establish a new group with the aim of positioning the UK and the City of London as the leading global market for high quality voluntary carbon offsets, which can play an important role in addition to international efforts to reduce carbon emissions. The working group will draw on the UK's financial expertise and entrepreneurship and build on the work of crossing-cutting initiatives such as the Taskforce for Scaling Voluntary Carbon Markets.

Carbon offsets are a necessary aspect of reducing emissions in a very complex and wide reaching economy. Not all economic activities and sectors will be able to fully decarbonise their processes and therefore offsetting may be necessary to balance their impact. The new carbon markets working group is therefore a valuable piece of the puzzle and will contribute to our global leadership on net zero. We hope however that the Government quickly establishes the wider route to reducing carbon emission for all sectors within the UK.

[2.84] Carbon Price Support - The Government will maintain the freeze on Carbon Price Support rates at £18 per tonne of carbon dioxide in 2022-23. The Government is committed to carbon pricing as a tool to drive decarbonisation and intends to set out additional proposals for expanding the UK Emissions Trading Scheme over the course of 2021.

It is important that government quickly sets a long term trajectory and action plan for carbon pricing. If this is to be an important element of the UK's decarbonisation roadmap, businesses will need to adjust their practices in the short-term. We look forward to seeing more detail on UK ETS in the coming year.

OUR KNOWLEDGE AND ADVICE ON NATIONAL POLICY IS HELPING THE UK REAL ESTATE SECTOR GROW AND THRIVE

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