Campaign to Protect Rural England
South East

South East eBulletin

The Budget and the Repsonse to Heseltine

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Are We Ready for the LEPs?

Last Wednesday's Budget, and the government's earlier announcement that it is to accept most of Lord Heseltine's recommendations on economic growth, have considerable significance for the landscapes of rural England.

Fracking is to get generous tax breaks and new planning guidance to drive exploration and exploitation. George Osborne is hoping that payments to communities will get projects through local councils. If they do not, the government will use the major infrastructure regime and the Planning Inspectorate to impose projects on communities.

Nick Boles has meanwhile been boasting that proposals to allow agricultural and commercial use to be converted to residential use without planning permission will be "significant." Where councils have not identified a five year land supply, the Planning Inspectorate, Eric Pickles and local planners are approving developments willy nilly. Local planning is rather looking like it counts for little these days.

This week also, the government confirmed that local enterprise partnerships will have responsibilities for sub regional planning as proposed by Lord Heseltine. The implications of the government accepting the majority of Heseltine's recommendations are profound. We are back to having non-elected bodies in the driving seat of planning, just as the government sweeps away the last of the regional strategies and local planning is undermined.

As financial and planning powers flow into the LEPs, new structures are needed. The North East LEP is becoming a combined economic authority; Birmingham and Solihull has a board of council leaders; but the sprawling South East LEP (SELEP) is struggling to find a governance model that fits the Heseltine mould. SELEP's size counts against it in the governance stakes. It may either have to convince the government that it should work differently, break itself up into smaller LEPs, or accept that spending decisions in the region will be kept under the thumb of Whitehall.

For myself, there was one item of particularly cheer in the Budget. The government has at last abandoned the beer duty escalator which was driving ale lovers to supermarkets and speeding the closure of pubs. This is great news for our small breweries and will be good for communities. But as we say cheers to this, we must not duck the task of making ourselves ready to work with the LEPs who will shortly be in the driving seat of much local development.

The next CPRE South East eBulletin will be with you shortly after Easter. It will no doubt feature planning minister Nick Boles, who is reported in the Telegraph as telling property developers that the government wants to abandon planning permission for many developments. Be very afraid…

Andy Boddington

The Budget 2013

Budget Sources. Budget Report. Chancellor's Statement. Plan for Growth Implementation Update. Infrastructure Delivery Update. Numbers in square brackets below refer to paragraphs in the Budget Report.

The Planning System

"Our fundamental overhaul of the planning laws are now helping homes to be built and businesses to expand" [sic].

National Planning Policy Framework [1.115]. The Budget Report boasts that the NPPF is already having an effect: "The proportion of planning applications being approved is at a ten year high and the pace of local plan making has increased, with 70 per cent of councils now with at least a published plan." A published plan – unlike an adopted plan – has no more than a smidgen of influence in the planning system, which is why CPRE has called for the full implementation of the NPPF to be delayed.

Change of use [1.115]. The government will consult on "allowing further flexibilities between use classes to support change of use from certain agricultural and retail uses to residential use to increase responsiveness within the planning system." The communities department said the proposals would: "secure the long-term future of high streets, by making better use of empty buildings and bringing people back to live in town centres, increasing footfall and supporting shops. Other measures will enable rural communities to grow by ensuring better use is made of their existing buildings. By reducing planning burdens, redundant and empty barns and other farm buildings that are no longer viable for other farming or commercial uses could be converted to homes. This will help increase rural housing for local people and promote regeneration of redundant and empty buildings".

Land supply [1.115]. The government promises that it will "make greater use of information on prices to ensure that sufficient land is allocated to meet housing and employment need." No details are given, but this reads as a veiled hint that councils will have to increase their land supply above five years (plus 5% or 20%) in areas of high land prices.

Habitats. The *Plan for Growth Implementation Review* gives an update on the Habitats and Wild Birds Directives review announced in March 2012 [page 17]. It promises that "final guidance will be published shortly alongside plans to radically simplify more than 2,500 pages of existing guidance."

Other pledges [1.115]. Several pledges are made, none are new. The government promises to publish new planning guidance by this summer in line with the recommendations of the Taylor Review. It will "ask local areas to put in place bespoke pro-growth planning policies and delivery arrangements, as part of new Local Growth Deals, pursued in response to Lord Heseltine's review, and through City Deals" (see below). The government also promises, not for the first time, to test a model for auctioning public sector land, and to limit and streamline judicial reviews.

The eBulletins

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Housing

"Help to Buy is a dramatic intervention to get our housing market moving."

Help to Buy second home threat [1.101]. The headline-grabbing homeownership initiative is named Help to Buy – a £3.5 billion extension to the firstbuy shared equity scheme and the newbuy mortgage guarantee scheme. There are concerns that the guarantee scheme could fuel a boom in second homes. Amid confusion over the rules for the scheme, George Osborne has refused to rule out the use of the scheme for this purpose. Duncan Stott, spokesman for campaign group PricedOut, said: "Help to Buy is bad enough on its own, but to also open it up to second homebuyers would really rub salt in the wounds of Generation Rent". Sky News gives a good summary of the Help to Buy proposal which it compares to the ill-fated Fannie Mae and Freddie Mac schemes in the USA

Affordable housing [1.105]. The government will double the affordable homes guarantee programme from £225m to £450m, supporting the building of an extra 15,000 affordable homes starting in England by 2015. Tenants will be able to buy their social home after just three years. In London the discount will be raised from £75,000 to £100,000. The Local Government Association said that George Osborne had missed a "golden opportunity" to build 60,000 homes over five years by failing to lift the borrowing caps imposed as part of the move to self-financing last April. The Local Government Information Unit said that with 400,000 development plots already approved, it was good to see government recognise that the real stumbling block is access to finance.

Build to Rent [1.108]. The government is boosting the £200m build-to-rent fund announced in December's Autumn Statement to £1bn to underwrite the building of privately-rented homes.

Zero Carbon Homes [1.109]. There has been little on the government's commitment towards the promise of all new homes being almost zero-carbon by 2016. The government will "consult on next steps, including on the means of delivering allowable solutions" by the summer. The UK Green Building Council welcomed the promise: "George Osborne's re-commitment to zero carbon homes from 2016 is the one shining green beacon in today's Budget".

Infrastructure

"We can provide the economy with the infrastructure it needs."

Funding [1.88/1.89]. Whitehall cuts will be used to boost infrastructure spending by £3bn a year from 2015/16. The extra cash for major projects would come from government departmental savings, including an extra £35 million from Defra by 2015. Details of how the new infrastructure fund will be allocated will not be revealed until June, but much is expected to flow into the single pot funding for the local enterprise partnerships (below).

Specialist support [1.96]. George Osborne also pledged to implement "a series of reforms to effect a step change in its approach to infrastructure delivery." Government departments will not be allowed to slack on infrastructure delivery. The Treasury will create an "enhanced central cadre of commercial infrastructure specialists" within IUK (Infrastructure UK; a department of the Treasury). These experts "will be deployed into infrastructure projects across government." By the summer, "tough new Infrastructure Capacity Plans will be in place to drive forward progress in key government departments."

Strategy [1.97]. The government wishes to ensure "investors have the confidence to make long-term decisions on major infrastructure projects." It is to look at "options for making more use of independent expertise in shaping its infrastructure strategy".

Major projects [1.96]. The Budget Report also talks of an enhanced Major Projects Authority – the Cabinet Office unit that oversees project performance – though no details are given. Last year, the Commons public accounts committee slammed delivery of public infrastructure projects and called for all departments to adopt the MPA's approval assurance standards. However, the Budget Report is silent on how the MPA will be enhanced.

Energy - Mostly Fracking

"Shale gas is part of the future. And we will make it happen."

Planning [1.93]. New planning guidance will be issued alongside proposals to allow local communities to benefit from having shale gas wells in their areas by July 2013. The Budget 2013 document promises the guidance would "provide clarity around planning for shale gas during the important exploration phase for the industry". It says: "As the shale gas industry develops the government will ensure an effective planning system is in place and by the end of the year will produce guidance for the industry to ensure the planning system is properly aligned with the licensing regime and regulatory regimes principally: health and safety; and environmental protection. The government will keep under review whether the largest shale gas projects should have the option to apply to the major infrastructure regime." Neil Sinden for CPRE said: "We will make sure… the beauty and tranquillity of the countryside aren't compromised by intrusive development related to shale gas". Planning lawyer Angus Walker suggests that fracking projects are already covered by the major infrastructure scheme.

Community incentives [1.93]. The government will "develop proposals by summer 2013 to ensure that local communities will benefit from shale gas projects in their area." The Chancellor confirmed that the sector will be overseen by the new Office of Unconventional Gas and Oil (nicknamed Off-U-go by Angus Walker). It will be responsible for publishing the local community benefit guidelines. It is not yet clear whether the funding for these incentives would come from public funds or the companies, but the Guardian is suggesting that the part of the tax paid by drilling companies might be diverted to community coffers. The newspaper has obtained a letter from fracking company Cuadrilla proposing such a scheme. Andrew Pendleton of Friends of the Earth, said: "It's extremely cheeky of them to ask for this – it sounds like they're asking for extremely scarce taxpayers' money in order to do what they think will be a very profitable activity". Andrew Austin, chief executive of IGas Energy thought community fears about fracking misplaced. "Most of the concerns are fears in advance, once people have actually seen things happening they're much more comfortable with it when they see what difference it can make locally," he said.

Industry incentives [1.93]. The government will consult on tax incentives to encourage shale gas production. The Financial Times reports Deloitte as estimating the proposals will reduce the effective rate on tax on shale gas production from 62% to 30%, but cites other commentators as saying the incentives will not have much effect due to long delays in shale gas returning a profit.

Other measures. For a roundup of other green and far from green measures, see Business Green.

Heseltine Puts LEPs into Gear

"The plans will boost the UK's competitiveness nationally and drive local growth through the local Growth Deals that we will be negotiating with every Local Enterprise Partnership."

No Stone Unturned. Last October, Lord Heseltine issued a report calling for radical changes in the way that the government funded support for economic growth (; see the November 2012 eBulletin). The report proposed a decentralised approach to break central government's monopoly on resources and decision making. Money and power, he argued, should be devolved to the 39 local enterprise partnerships (LEPs) to drive forward growth in their local areas. On Monday, the government said that it has accepted "in full or in part" 81 out of the 89 recommendations in the report . The government says its response marks the start of a journey in "local economic development." It is proposing "a progressive process in which freedoms and flexibilities on economic development are gradually devolved to areas as local leaders take on and grow into their new responsibilities."

Growth Deal. The government confirmed its December 2012 statement that it will negotiate a local Growth Deal with every LEP, "with the allocation of the Single Local Growth Fund reflecting the quality of their ideas and local need." Local areas are being asked to draw up and submit strategic growth plans before entering an iterative negotiation for growth deals which include "new levers, resources and flexibility."

Single Local Growth Fund (the single pot). The government confirmed its earlier confirmation that it will be creating a single pot of Whitehall funding that LEPs can bid for. The value and content of the pot will not be revealed until June, but money for transport, housing and skills will be included. The Telegraph reports Treasury sources as suggesting the pot could be worth "tens of billions" of pounds over several years, but other reports suggest rather lower figures . The level of funding that LEPs will draw from the single fund will depend on the quality of their strategic growth plans. The government will assess the plans on the basis of "governance, capability, strategy and growth". LEPs judged to lack "effective governance" may benefit from single pot funding but spending decisions would have to be signed off in Whitehall. David Cook, director of Thames Valley Berkshire LEP, welcomed the single pot proposal: "We can now direct funds to the groups with the greatest needs" . Susan Priest of the South East LEP (SELEP) however criticised the competitive nature of the single pot fund: "While it is disappointing a bidding process will be followed, we will press for a flexible system to be put in place that allows the business-led partnership to secure funds commensurate with the vast opportunities we have for growth in the South East." SELEP is offering to pilot a 'flexible' alternative .

EU funds. LEPs will also be able to control "a significant proportion" of the European Union Structural and Investment Funds from 2014. Their growth plans should include investment strategies on how they will spend the European cash.

Economic strategies. The LEPs will be awarded £250,000 of new public funding – "resourced through departmental efficiency savings" – in 2014 and 2015 "specifically to devise their local economic strategies and create the foundations of their implementation."

LEP governance. The government says it prefer councils to form combined authorities with other councils in the same LEP. "As a minimum", the government would like councils to form a joint leaders committee with others in the LEP to manage spending of devolved money. The North East LEP welcomed the proposals, its seven councils having last week announced their intention to become a statutory combined authority by 2014 . Susan Priest, director of the 35-council strong SELEP, was unenthusiastic and called for the government to reconsider its governance demands to ensure they are "appropriate for the task". SELEP fears a joint leaders committee would be will be too large to function effectively.

Planning. The government states that local authorities must: "co-ordinate land use planning functions and align adopted local plans, including the use of local development orders, across local authorities in a LEP area." It says that: "LEPs will be asked to work with local authorities to put in place bespoke approaches to land use planning, including the use of local development orders or other means to simplify the planning process for economically important projects." The plans must also show: "effective pooling of economic development spend and functions across the LEP area [and] a co-ordinated approach to strategic spatial planning."

Whitehall. Heseltine had recommended that ministers and top civil servants help drive economic growth in the regions. The Local Government Chronicle reports, however, that the "chancellor is minded to give the 'sponsor' role to lower-grade Whitehall directors and director generals rather than permanent secretaries and politicians." The Chronicle also claims that George Osborne has declined to create dedicated senior local growth team to work in the regions. Instead, officials already operating in the regional offices of government departments will be "working together" but not necessarily as a single unit .

Universities. The government has asked Sir Andrew Witty, Chancellor of Nottingham University, to lead a review into the role universities can play in supporting their local areas to grow.

LEP boundaries. The government rejects Lord Heseltine's proposal that overlapping LEPs should review their boundaries, though it says it will not stand in the way of LEPs that wish to do so. Across England, 37 local authorities are in more than one LEP.

Councils. The government says it "shares Lord Heseltine's view of a future where local authorities put economic development at the heart of all they do" but does not plan to impose any additional economic duties on councils. It will, when an opportunity emerges, legislate to allow conurbation mayors "where the authorities want this." The government rejected Heseltine's proposals that two tier councils should become unitary authorities, though it will not block councils that wish to do so. It will also welcome councils moving to four-year whole council elections, but will not direct them to do so.

Thames Gateway. The government rejected Heseltine's proposal that it establish a new development corporation for the Gateway with access to funds from the single pot.

Aviation capacity. Heseltine's urging that the government make a decision on aviation capacity in the South East before the 2015 election fell on deaf ears.