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Legal Alert

November 2018

Budget 2018 and development

While the focus of the Chancellor's speech was predominantly on convincing us that austerity is over, developers will have been watching the Autumn budget with interest. This year's speech was not as development-focussed as the last, when the stamp duty concession for first time buyers was particularly eye-catching. This is perhaps understandable, as next year's spending review is likely to make greater changes to Government spending, and many of the proposed changes to planning policy are at an early stage.

What's new?

1. Last year's stamp duty concession will be extended to first-time buyers on properties valued at up to £300,000 and to first-time buyers of shared ownership properties valued at up to £500,000. Note that this change applies retrospectively, so any first-time buyer who has made a purchase since the 2017 Budget will benefit. Also of interest to first-time buyers was the announcement that the Help to Buy scheme will be tweaked from 2021 so that it is only open to first-time buyers, before the scheme ends completely in 2023.

2. Use of the private finance initiative (PFI and PF2), under which private companies provide public services and infrastructure, is to be abolished for future projects. The Chancellor explained that the schemes do not deliver value for taxpayers or genuinely transfer risk to the private sector, as we saw with the collapse of construction firm Carillion.

3. A further £500m for the Housing Infrastructure Fund will be made available, £291m of which is set to go to London. This takes the available pot to £5.5bn, which Hammond says will build 650,000 homes. Addressing the Letwin Review into why the UK is not building enough homes, the Chancellor hinted that we can anticipate reforms to the planning system to speed up house-building. Interestingly, Hammond contradicted the Prime Minister's recent sentiments that greedy, 'landbanking' developers are to blame for the housing crisis, noting that the Letwin Review concluded that the practice is "not part of the business model for major house builders, nor that this is a driver of slow build out rates".

4. On the infrastructure front, the Chancellor said the funding would be increased by £38bn by 2023/24. He specifically announced the Government's support for the contentious Cambridge-Oxford Arc, with the aim of seeing a million homes built between the cities by 2050. A cross-country rail company has also been established in order to support this development.

5. High streets also received a boost, with a £675m fund to help local councils support them. This in itself will not reverse the decline of the high street, but when coupled with the announcement of changes to permitted development rights, this may help to keep

our high streets vibrant. A recent Government consultation proposes to widen permitted development rights to convert shops to a "wider range of uses, allowing more leisure and community uses such as gyms, libraries, health care and office use as well as homes". Specific suggestions include allowing shops (A1) financial and professional services (A2), hot food takeaways (A5), betting shops, pay day loan shop and launderettes to change to office use (B1). The consultation also proposes to widen the A1 use category to allow more flexibility.

6. In terms of residential development, the Government consultation proposes that permitted development rights will also include developing "certain existing buildings upwards". This, they say, has the benefit of boosting housing density in areas of high demand, while preventing garden-grabbing. This will undoubtedly be controversial, as it opens the door to unsuitable development and plays down issues such as overshadowing, access, and engineering works to strengthen walls and foundations. The consultation also proposes extending permitted development rights to build larger residential extensions, and to allow a change of use from storage or distribution to residential.

7. Following the conclusion of a separate consultation, the Government is now considering how best to update its CIL guidance in order to make it more palatable to those local authorities who have not adopted charging schedules.

How was the budget received?

Whilst the budget gives a greater indication as to how the Government intends to reach its headline figure of 300,000 new homes per year, there are doubts as to whether these measures are extensive enough to achieve this. Many of the above measures are subject to further consultation and may be watered down considerably before implementation or even rejected.

There was also a conspicuous omission from the Government's plan. The chief executive of the National Housing Federation, Kate Henderson said that "we desperately need tens of thousands more social homes to be built every year" and that "the housing crisis will never be solved until the price of land radically changes". Whilst Theresa May recently announced at the Conservative Party Conference that the borrowing cap applied to local authority housebuilding is to be lifted, see our coverage here, this budget seems a missed opportunity to really incentivise local authority building.

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