



Real Estate briefing note | March 2016

#10ThingsSH the Real Estate Development sector should know about the 2016 Budget

While many developers, investors, funders and their advisors were sipping champagne at MIPIM, George Osborne, the Chancellor of the Exchequer and holder of the United Kingdom's credit cards, delivered his 2016 Budget.

As ever, the vote-winning, attention-grabbing, highlights of the Budget were announced in the House of Commons and were quickly seized upon by the media. However, beyond the eye-watering increase in SDLT rates, the interesting nuggets for the real estate sector were buried in the detailed Budget Report, published once Mr Osborne had delivered his speech.

The top ten things from the 2016 Budget that we think will impact the real estate development sector are:

Stop press!

- 1 Our headline is that the Government wants to streamline the planning system again (!) in order to maximise its chances of delivering 400,000 affordable homes by 2020/21 whilst continuing to protect the green belt. This sounds like an unenviable task to us and brings with it risk to both developers and the Government. For many objectors (and voters) the green belt is to be protected at all costs and herculean efforts will be made in many quarters to prevent planning permission being granted. All these proposed changes mean that the next twelve months will be spent reading consultation papers from DCLG (Department for Communities and Local Government)...

"More zonal planning system"

- 2 The Government – and we quote – "will bring forward measures to enable a more zonal and 'red line' planning system". The Government notes its wish to make "maximum use of permission in principle, to...reduce the number of stages developers must go through to get planning permission". It is hard to argue against this sentiment, but we have no idea what the Government really means here – watch this space.

Planning conditions

- 3 As part of its streamlining, the Government is going to look at planning conditions. Legislation will be introduced to ensure that pre-commencement conditions (which prevent construction works from starting until certain studies or assessments are undertaken or further approvals are obtained) can only be imposed with the agreement of the developer. Given that pre-commencement conditions often relate to fundamental mitigation or aspects of the underlying development scheme, we cannot see local planning authorities being comfortable with this and instead will either seek to include similar planning controls in Section 106 Agreements; or will threaten to refuse planning permission unless developers agree to the imposition of such conditions.

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Appeals and call in

- 4 Where the Secretary of State calls in a planning application because it has more than local importance, or he recovers an appeal for his own determination, there is proposed to be a statutory 3 month decision period. This is a positive step and will reduce delays for some schemes. However, the actual number of schemes which this affects will be relatively small and quicker decisions are not always better decisions.

New settlements

- 5 Garden villages and towns – settlements of between 1,500 and 10,000 homes - are on the political radar once again – as flagged in the Government's recent consultation on changes to the National Planning Policy Framework. The Government wants to give capacity support for local authorities (funding for extra officers?) and to introduce new legislation to speed up and simplify the process for delivering new settlements. This is terrific news and should help to ensure the delivery of large numbers of homes (up to 100,000?) in properly designed and master-planned places.

Local plans

- 6 The Government has pledged to look at the possibility of reducing the weight of outdated plans in decision-making. Local authorities need long-term spatial plans to shape development in their areas, but there is often insufficient flexibility when those plans become outdated. On the subject of Local Plans, the Government announced its wish to speed up the preparation and adoption of Local Plans – a laudable aim but risks being achieved at the expense of thorough consultation and examination.

Compulsory purchase

- 7 An intention to reform Compulsory Purchase Orders was also announced – although no details given. The Government is keen for the CPO process to be "*clearer, fairer and quicker*". It is absolutely true that the system needs overhauling, but it may be time to rip up the CPO rules and start again, rather than adding yet another sticking plaster to what we currently have. Certainty is a great thing for everyone involved in a CPO, but there is an extremely difficult line to draw between fairness and speed in CPO; and fairness needs to work both ways: to landowners whose interests are acquired (often individuals or small businesses) and to developers benefitting from the CPO who foot the bill for compensation.

Station regeneration

- 8 Land around stations is being earmarked for more housing, commercial development and regeneration; the Government is teasing us by announcing that proposals for specific sites will be announced shortly. The recent NPPF consultation noted that the Government was considering greater housing densities around commuter hubs (rail and bus stations).

Starter homes – the new affordable housing?

- 9 The Government launched the Starter Homes Land Fund, inviting local authorities to access £1.2bn of funding to remediate brownfield land to deliver starter homes.

Carbon reduction commitment – gone!

10 So this isn't too important for developers, but it is very significant for the real estate sector and we cannot contain our delight that the CRC Energy Efficiency Scheme is on the way out. It was too complicated and didn't achieve its aim of improving the energy efficiency of buildings. The CRC will be replaced by changes to the Climate Change Levy and should be revenue neutral – but the administrative pain of CRC compliance will soon be gone.

How can Stephenson Harwood help?

More than ever, planning, environmental and climate change issues are at the heart of law and policy - Stephenson Harwood's environment and planning group helps its clients successfully navigate these complex regulatory frameworks. For further information please contact us.



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