

HM Treasury Consultation on the abolition of 36 tax reliefs – English Heritage response

English Heritage is the Government's statutory adviser on all matters relating to the historic environment in England. We are a non-departmental public body established under the National Heritage Act 1983 to help protect England's historic environment and promote awareness, understanding and enjoyment of it.

English Heritage has extensive experience of regeneration programmes, including a significant number of projects that have involved bringing former industrial sites back into use. As a result, we have a number of comments on the proposal to abolish Land Remediation Relief (LRR – number 32 in the consultation document).

Q1. Is the rationale for abolishing the relief sound?

Clearly, in the current economic circumstances, any financial incentive to encourage regeneration and ensure that brownfield sites are readied for development remains a valuable tool. Proposals to remove LRR need to be considered within this context.

The rationale as set out by the consultation document for the removal of LRR is based on the belief that it has failed to deliver its policy objective and is in two parts. That a) the market failure necessary for the relief has not existed in every case (that some sites are in areas where incentives are not required) and b) that remediation works are an essential part of readying land for development and would have taken place in any event. This rationale essentially revolves around the fact that LRR works at a national level – that the relief is offered at a flat rate wherever sites are located. .

This perspective fails to take into account a number of factors. Firstly, any scheme that is implemented at a national level will not take account of local variations – by definition it is not designed to do so, and to propose to withdraw LRR on this basis would appear to be somewhat perverse.

Secondly, while there will have undoubtedly been cases where developers have claimed LRR in areas of high land values (and where development is likely to have occurred regardless), the consultation fails to recognise the opposite of this factor – that LRR will have been a factor in making development more viable in economically underperforming areas and on contaminated brownfield sites.

Furthermore, we believe that the rationale for the withdrawal of LRR fails to take into account factors that are much wider than simply geographic. English Heritage believes that the withdrawal of LRR will have a negative impact on the development industry as a whole, and a consequent impact on the potential for the reuse of heritage assets located on brownfield sites.

In general development terms, while the amount of LRR claimed is modest in comparison to the overall turnover of the development industry, it still represents an important means of 'kick starting' the regeneration process on sites that may well be uneconomic without it. Where regeneration projects are marginal in terms of profitability, public sector support in various forms has often been key to ensuring that they both get underway and maintain progress. The types of contamination

subject to the tax relief are likely to be important contributors to the overall cost of regeneration.

Removing LRR is likely to mean that marginal sites will become uneconomic, while sites that are currently viable will see their profitability affected. In turn, this could mean that the proposals will have the effect of reducing the overall number of brownfield sites (and the total amount of land) brought forward for development. This will have implications for the economy and the construction sector and clearly runs contrary to the Government's objectives for economic growth and increasing housing supply.

In terms of the historic environment, the retention and reuse of historic buildings on brownfield can often create much discussion and negotiations between stakeholders, with owners and developers often regarding them as 'add ons' to their core proposals. Any additional costs or burdens on developers may well mean that regeneration schemes that include reusing historic buildings are that much harder to achieve.

The Homes & Communities Agency has recently been given responsibility for the disposal of the assets of the Regional Development Agencies, in addition to those it already holds. Among these are several hundred 'designated heritage assets' – listed buildings, scheduled monuments and conservation areas. The loss of LRR is likely to reduce opportunities for their incorporation into regeneration proposals and as a consequence their refurbishment and reuse.

2. How many claimants of the relief are there?

English Heritage does not have access to this type of data and therefore cannot comment. However, as above, we believe that the total amount of LRR claimed (£40m) represents an effective resource for pump-priming development schemes on what could be regarded as difficult sites.

3. What sector/demographic benefits?

Clearly, the individuals and organisations that directly benefit from the current arrangements are the developers who develop brownfield sites. However, what the proposals for removing LRR fail to take into account are the wider benefits that accrue from land remediation.

As already indicated, LRR can ensure the progress of developments and enable environmental improvements to the land involved. This can also involve the restoration and reuse of historic buildings.

In addition to the ability to bring degraded land forward for redevelopment (so stimulating the property market and construction industry), there are community and social benefits to be achieved from remediation of brownfield land. Bringing such sites back into use can remove blights from the local environment, which often act as a focus for antisocial behaviour.

Attractive local environments and quality of place are also important elements in investor confidence and public perceptions of quality of place and liveability – careful intervention in the form of heritage led regeneration can help create a virtuous circle of increased confidence, investment, economic vitality and care for the local environment. Research for English Heritage in 2009 demonstrated the positive and significant relationship between the historic environment and sense of place¹.

In addition, the removal of LRR would in our opinion act against initiatives to increase the supply of brownfield land ready for development and slow down the disposal of such land by public sector bodies. These factors would effectively militate against wider Government efforts to foster economic growth.

5. If the relief were retained, will the value of the relief change over time?

This will clearly depend on a very significant number of variables, not least, the state of the property market, the wider economic cycle and the current reforms to the planning system. Nevertheless, rates of relief claimed (and the benefits in terms of land available for development and increased housing supply) could be significantly boosted by simplifying the process involved in claiming LRR and raising awareness of its existence.

6. Are the proposed transitional arrangements fair and proportionate?

As previously stated, we do not believe that LRR should be abolished at the present time. However, if it is to be we believe a greater period allowing for transitional arrangements should be put in place.

Conclusions

English Heritage believes that LRR should remain as it is at present. However, an obvious amendment to the current system should HMT wish to refine LRR would be to make it available on a regional basis taking into account variations in the costs of both land and remediation works. This would mean that the system would be much better targeted at sites that are currently uneconomic and which would benefit from incentives such as this.

Separately, English Heritage has recently commissioned research aimed at identifying useful incentives for developers in relation to reusing historic buildings². This identified LRR as a potential model for targeted support for the repair and reuse of defined and problematic types of listed buildings deemed to be at risk, or those in particular regions. It might, for example, be extended to the cost of the repair of the structure and envelope of listed industrial buildings. Such assistance should only be available to new purchasers unconnected with the original owner, as is the case with land remediation relief, or it could act as an incentive for neglect. Another approach, with the same caveat, would be to allow a tapering proportion of the income from letting the completed development to be offset against Corporation Tax, perhaps

¹ Heritage Counts 2009 – www.hc.english-heritage.org.uk

² Encouraging Investment in Heritage at Risk – forthcoming

50% to 0% over 10 years. This would incentivise medium term interest and investment in an area rather than an 'in and out' approach, and could provide a significant tool in bringing forward land and buildings for development. We would be pleased to discuss the detail of how such schemes would operate.

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