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Dear Mike

Abolition of Land Remediation Relief

The recent budget saw the Treasury accept proposals from the Office of Tax Simplification ("OTS") for abolition of Land Remediation Relief ("LRR"), albeit following a consultation concerning the transitional arrangements.

The HBF, as the representative of home builders who construct more than 80% of new homes in England and Wales, would like to register our disappointment at the proposal which we feel was not the subject of an adequate prior consultation by the OTS.

OTS Review on Withdrawal

The OTS review recommending withdrawal was flawed. The tax relief was not designed so that individual sites could be incentivised, rather it was designed to reward companies who routinely take on the additional risks of contaminated and derelict land, and it succeeded in this. The tax relief is strongly skewed towards the home building sector and its withdrawal would adversely affect companies at a fragile time in the sector's recovery.


Nor did the review consider the significant connections between regeneration of brownfield sites and other major policy areas in its assessment of value (these are outlined below and in Table 1).

The HBF understands the Government's desire to simplify tax and recognises and welcomes the intent to reduce the Corporation Tax burden in the future. However the original rationale to encourage the reuse of sites introduced in 2001 and reinforced during the 2009 review remains sound.

The proposed timing of LRR withdrawal will be particularly challenging for contaminated sites. The other key incentive for polluted sites, namely landfill tax exemption for contaminated land remediation, which was closed to new applications in November 2008, will terminate completely at the end of this tax year.

Broader Environmental and Sustainability Considerations

In addition to the withdrawal of the two financial incentives discussed above, the government is currently conducting a major review of planning, and under the decentralisation and localism agendas will return decision making powers to local communities. Centralised targets and brownfield first planning policy have been scrapped. The National Brownfield Strategy on prioritisation of brownfield land has been withdrawn.

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In the light of such changes, authorities who may want to see brownfield and contaminated sites developed for housing would in practice rely more heavily than before on the availability of suitable incentives for house builders to encourage builders to take on such sites. The impact of the withdrawal of the current financial incentives may therefore be increased by the planning and strategic changes being implemented as well as spilling over and having negative consequences for other closely related policy areas as indicated in Table 1. A carefully considered replacement for LRR and the other withdrawn incentives could militate against these effects and, depending on its design, have other added benefits.

Replacement Incentive

The HBF believe that, in light of the government's specific commitment to the home building industry to reduce the overall burden of regulation during the current parliament, monies saved by the abolition of LRR (estimated by the Treasury \ OTS at £40m annually) should be ring-fenced to fund a replacement scheme to LRR.

In the HBF's view it would be appropriate for the government to introduce a replacement for LRR which acts as both a reward and a site specific incentive (which can be factored into land bids); which promotes sustainable land use (including but not limited to contaminated /derelict land regeneration); and that can effectively empower local decision makers to favour sustainable land use and sustainable development. It should also link in with existing processes, be simple to administer, and be certain and transparent.

The precise form of a replacement will need to be the subject of detailed discussions. However the replacement should seek to promote the development of brownfield/ contaminated sites where these form part of an identified supply of land for housing in adopted local plans, in line with the pending government definition of the presumption in favour of sustainable development. It should retain simplified versions of incentives for contaminated and derelict land. The financial mechanism most favoured by members at this stage would be a reduction in the contribution to the CIL (Community Infrastructure Levy). However, we believe other appropriate mechanisms should also be considered.

Proposed Transitional Arrangements

HBF members also have concern that there are a number of contaminated sites that have been acquired or committed to partly in anticipation of the tax relief benefit being realised but whose remediation and development are delayed, beyond the proposed April 2012 cut off date, due to planning changes or the continuing fragile economy.

Given the above the HBF would strongly appeal to the Treasury to defer withdrawal by at least two years so that the impact of both landfill tax exemption withdrawal and LRR withdrawal do not fall in the same period and to allow more time for sites already acquired to be remediated before the deadline. Also, given the generally slower sales rates being witnessed it is proposed that any residual qualifying remediation expenditure that remains unexpensed at the final cut off date is deemed to be expensed in that year thereby ensuring the full benefit of the relief can be realised as intended and that developer traders (as opposed to capital investors) are not unduly penalised due to the method of taking the relief.

Given the issues outlined above, we would be grateful for an early meeting with you to discuss how best we might work with you to find a solution to our concerns about the future impact of the current incentives' withdrawal.

Kind regards

Michael Powell

Michael Powell
Finance Director

Table 1: Brownfield Regeneration: Links with other policy areas

Infrastructure Provision	Brownfield sites are often served by existing physical infrastructure networks (roads, services etc). The use of these, upgraded if necessary, is typically a far more efficient use of resources (cash and physical resources) than extending networks to new areas. Brownfield sites are also more likely to be served by existing social infrastructure (schools, hospitals etc).
Travel and Transport	Urbanised areas often already have developed transport infrastructure reducing travel times and distances. Emergency response times to urban infill areas are often less than those to urban fringe
Carbon Emissions	Brownfield development can be more carbon efficient due to less associated infrastructure works, and reduced travel distances. The latter is significant over the lifetime of the building.
Regeneration and Urban Blight	Brownfield development is essential for the regeneration of areas of urban decay and dereliction. Derelict, undeveloped brownfield sites can be eyesores, encourage anti-social behaviour, and be the cause of perceived and real threats to communities. Bringing land back into use has positive impact on the local community, including health benefits, a better sense of place, sense of security (where anti social behaviour is associated with derelict sites) and enhanced local property values
Greenfield protection	Brownfield development reduces the burden on greenfield, helping also to protect green belt land.
Contamination Legacy	Brownfield regeneration is a sustainable solution to actions from an unsustainable past, clearing up historic wastes, chemical pollution of soil and groundwater, and asbestos in redundant buildings.