



## WELCOME

As I write this article, the storm clouds are beginning to gather, which must surely mean that it is the start of another English summer, and its time for the summer edition of SWAG.

Following our recent spring newsletter, there continue to be developments and change afoot in regard to both matters of planning and farming. The East of England Plan (EEP) was finally published on the 13th May after significant delay and uncertainty. This set out the regional strategy for planning and development in the east of England to the year 2021 and so is particularly important for

anyone who has long term aspirations of developing their land.

The term Eco Towns has also recently come to the fore, following the publication of a consultation document by Government, which identifies a shortlist of 15 proposals scattered around the country. The nearest of these is at Elsenham in Essex, which has been earmarked for a minimum of 5,000 new homes.

Finally our farming clients will no doubt be aware of recent press coverage concerning the loss of EU subsidies under the set-aside

payment scheme unless they agree to make environmental improvements to their land. This is understandably raising concerns for farmers who fear that they will be disadvantaged by stricter regulations that do not apply to competitors in Europe.

These and other topical issues of interest are outlined in a little more detail in this newsletter, which I hope you will find informative and dare I say enjoyable! ■



MARTIN RANNER

# TAXING DEVELOPMENT – THE COMMUNITY INFRASTRUCTURE LEVY

A key issue for the Government in delivering a 'step change' in housing provision is how to finance the infrastructure this housing requires – including new roads, schools and healthcare.

The original proposal, involving a nationally administered tax capturing increases in land values, was universally rejected so the Government has now proposed a 'Community Infrastructure Levy' (CIL), commonly known as a roof tax, which will be collected and administered by the Local Authority.

Importantly, all development except for householder permitted development is potentially within the scope of the Levy (although this is subject to further clarification) meaning it could apply to developments such as new agricultural buildings and conversions.

The Levy will be based on the cost of a list of infrastructure requirements published by the Local Authority. It is intended to be collected at the point development commences. Authorities do not have to put in place a CIL, they may prefer to continue using the section 106 system,

however in major growth areas (such as at Harlow for example) it is intended to be a key part of infrastructure delivery.

The rates for different types and sizes of

development will be set by the Authority, although central Government is likely to place a cap on the maximum CIL that may be levied. ■



# Meet The Team



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## East of England Plan

After a considerable period of delay the East of England Plan has now finally been published.

As always, the controversial issues are those relating to housing numbers. In this respect the final Plan does not differ significantly from previous drafts, despite expectations that the proposed growth at Harlow North might be amended or even deleted.

So at Harlow a minimum additional 16,000 houses must be delivered between 2001 and 2021, at Harlow North, East and on a smaller scale to the West and South. 810 of these have already been built, leaving 15,190 to be provided. Even with a following wind the planning processes required mean the delivery of the first houses before 2012 is unlikely – requiring 1,688 houses to be built annually until 2021 to meet the target in the Plan. The largest growth area will be Harlow North, where eventually (post-2021) potentially in excess of 10,000 houses will be provided.

Despite the Government's intention to deliver a 'step change' in housing provision for the majority of other districts the housing allocations confirmed in the plan do not appear to differ significantly from 'business as usual', aside from Uttlesford where the authority are facing considerable challenges in delivering their allocation of 8,000 houses by 2021.

However, appearances can be deceptive. Unlike under previous Regional Plans the housing numbers are minima not maxima, and there is a strong expectation on Local Authorities to deliver in excess of the numbers allocated to them. Also, the East of England Plan is facing an immediate review to increase housing numbers still further in order to meet the Government's new targets announced last summer in the planning white paper. This review must be complete in 2011.

National Government has also now made clear that it expects Local Authorities to anticipate the outcome of this review when they prepare their Local Development Frameworks (LDFs). New guidance on producing LDFs published in June outlines that they must be flexible enough to accommodate changing housing requirements at the national level.

The Government continues to drive forward housing delivery at all levels, and recent statements by Planning Minister Caroline Flint have indicated that whilst we may be entering a downswing in the housing cycle market, fundamentals have not changed and the Government do not intend to alter their targets. However, with sites being mothballed across the region already, ambitious delivery targets can only be met by a buoyant housing market. ■

## Eco-Towns – Top Down New Town Planning

Whilst much has been made of their environmental credentials, the fact remains that eco-towns are an audacious attempt to bypass regional and local planning to provide new settlements that will contribute to the Government's ambitious housing targets.

Following an invitation to landowners and developers to submit proposals for between 5,000 – 20,000 houses, 15 locations (including Elsenham) were shortlisted. 10 will be selected by central

Government as final locations at the end of this year. This final list will be accompanied by a national eco-town planning policy that will effectively permit planning applications for these settlements to be forced through the planning process despite, in the majority of instances, not being featured in Local or Regional Plans.

The houses being delivered will then count towards the additional housing numbers the Government hopes to achieve by 2016. Local Development Frameworks and Regional Plans will be reviewed to include them – but, of course, after the decision as to where development should take place is made. ■





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## House Extensions

With that now familiar term, 'the credit crunch' having a negative affect on the current housing market, many property owners now feel 'trapped' in their property and will no doubt continue to do so at least until such a time that confidence in the market begins to recover. In these circumstances, extending your property offers an attractive alternative to entering the vagaries of the housing market and in general a well designed extension can add significant value. An extension can also allow the owner to remain in their existing property by creating the desired accommodation,

whilst insulating the owners to an extent from the current market difficulties.

In this regard Sworders have the in-house expertise and experience to advise our clients on how best to extend their property in order not only to maximise their chance of securing planning permission if necessary, but also to achieve an extension that provides the best possible uplift in the value of the property, whilst of course meeting the future needs of occupants.

For those who are perhaps considering extending their property, for an initial



consultation without obligation, please contact Martin Ranner, who will be pleased to advise you. ■

## Wind Turbines

With the growing costs of fuel, it may now be time to consider alternative methods of reducing costs to your business and home.

By building a small wind turbine either self-standing or attached to the grain store you will be able to benefit from the high

energy prices by selling surplus energy back into the National Grid.

Planning policy supports this type of scheme so, for advice and guidance on securing a wind turbine, please contacts us to discuss your options. ■

## The End of Set Aside

On 20th May 2008 the European Commission outlined a response to mitigate the effects of rising global food prices.

It is understood that the European Commission will remove set aside entirely, however the detail and the way in which this will be done is yet to be confirmed. Payments were suspended in 2008 and now the European Union has ruled that this should be a permanent suspension. It is understood that farmers will continue receiving these payments from the EU, however there may be a requirement to make further environmental improvements of between 3% – 5% of your total acreage.

Along with abolishing set aside there is also a structured phase out of milk quotas by 2015 and further decoupling of support. It is

understood that through cross compliance there will be new requirements, which will be added to, retaining environmental benefit that set aside provided, in particular to improve water management.

The European Commission are also looking at moving aid to rural development. Across Europe farmers receiving more than €5,000 currently have a 5% reduction in modulation which is transferred to the Rural Development Budget. The Commission has proposed increasing this rate to 13% by 2012 and there could be some additional cuts as follows:- 3% for farmers receiving more that €100,000 per year, 6% for those receiving €200,000 per year and 9% for those receiving €300,000 per year.

## Record Land Sale

Although renowned for negotiating high prices for small paddock sales, Sworders have recently been able to negotiate the sale of a small site to Thames Water with the price reaching seven figures per acre.

It was only when the agent for Thames Water complained to our client afterwards, that we learned that we had achieved the highest acquisition price per acre ever paid by Thames Water for a pumping station site! ■

## Associate

Congratulations are in order to Martin Ranner on becoming an Associate in April. Martin is our planning specialist and joined Sworders in 2007 following positions to Principal level at both East Hertfordshire and Uttlesford District Councils where he was responsible for overseeing a number of major planning schemes. ■

This will undoubtedly have a major effect on the subsidy you receive and, as such, this may be the time to consider entering into an environmental scheme to make use of the increased modulation. ■

# To Sell or Not to Sell?

Agents are often asked by landowners whether they ought to be selling or buying land and given that generally agents charge twice as much to sell land as to buy it, it is hardly surprising that occasionally there is some doubt as to the impartiality of their advice.

We rarely recommend selling unless there are specific reasons to do so and indeed have, on a number of occasions, received instructions to sell farms only to advise on alternative possibilities that have generated substantial capital and/or income and thus negated the need to sell.

However, with the recent upturn in agriculture and land prices having, in broad terms, doubled over the last two to three years, an increasing number of landowners are considering the possibility of a sale. In most cases there are more reasons for retention than sale, including Inheritance Tax benefits, contract farming and FBT opportunities and enhanced returns therefrom, Income Tax efficiency and lifestyle and amenity benefits of owning land around the farmhouse.

However, where the next generation (if there is one), has no interest in farming, there can be opportunities to secure substantial premiums for off-lying fields and parcels of land with the benefits being:-

- no impact on the amenity and setting of the farmhouse
- little impact on income (in some cases we can further enhance the income from the retained land)
- premium price being achieved for smaller parcels, in recent cases generally ranging from £8,000 – £18,000 per acre.

For farmers who are farming in hand, sale of any land creates a disproportionate increase in fixed costs per acre for the balance and therefore there has to be a serious premium before it become beneficial. However, in an increasing number of cases where land is contract farmed or farmed under an FBT, sale of an off-lying parcel can make a substantial difference to the retained property. Whilst the chance of paying just 10% Capital Gains Tax on Business Asset Taper Relief disappeared in April, Roll-over Relief remains in place and where a diversification project includes an element of newbuild, Roll-over Relief can usually be



obtained into the new structure. Of course, most of us do not appraise our assets regularly or consider alternative scenarios but the following example might apply to a significant number of landowners to differing degrees.

## WORKED EXAMPLE

Farmer Brown-Darling has a 530 acre farm contract farmed, of which 30 acres are off-lying. He is in no hurry to sell the 30 acres and therefore able to spread the sales in smaller lots over a period of 18 months. As a result, Mr Brown-Darling secures an average price net of costs and Capital Gains Tax of £12,000 per acre (£360,000). Mr Brown-Darling foregoes an income of £135 an acre on an FBT rent, ie £4,050 per annum. The yield (i.e. return on capital value) from that 30 acres was therefore just 1.125%.

Mr Brown-Darling invests the £360,000 raised in obtaining planning and doing up a traditional range of farm buildings, converting them from being a potential liability (providing an annual repairing and insuring liability on the business of several thousand pounds per annum) into an asset worth £750,000 which then generates a net income of £50,000 per annum.

Mr Brown-Darling increases his net income by £45,950 along with a reduction in his repairing liabilities. In summary, Mr Brown Darling increases his asset value by £390,000 and increases his net income by £45,950.

Mr Brown-Darling is now delighted that he was persuaded by his agent to consider this possibility, even though it took a rather unfair example from the agent to finally persuade him. Before getting the instruction, his agent asked him to consider a hypothetical example whereby he'd only owned 500 acres, didn't own the off-lying fields but had a spare £360,000 in his bank account which he was about to spend on doing up his buildings to provide him with a net £50,000 per year income. The agent then asked him to consider whether he would prefer to do up those buildings or instead spend the £360,000 buying the off-lying 30 acres for a net income of £4,050 per annum, a return of 1.125%.

It is thought processes like this that Sworders believes gives their clients the edge and led to the slogan:-

***Forward looking, lateral thinking and that's just our clients! ■***

The articles featured in this publication have been selected and prepared with a view to disseminating key information and are not intended to be comprehensive nor to provide advice. Before taking action advice should be sought for specific queries.