



Landscape

THE OCCASIONAL NEWSLETTER OF LAND PARTNERS. EXPERTS IN LAND MANAGEMENT AND FARMING



in or out?

As June 23 approaches farmers and landowners will be going to the polls with a difficult choice to be made for the food and farming industry and for the country as a whole.

The choice seems to boil down to, are we best sticking with the status quo or going for the undefinable benefits of self-determination?

The NFU and CLA have acknowledged the arguments on both sides and have produced some useful guidance on the issues.

Of course the arguments go way beyond agriculture but immediate concerns will include -

If we remain in the EU:

- Will CAP support continue beyond 2020?
- Will we be held back by slow growth in European economies?
- Will we be able to cope with the influx of migrants to the EU?
- Can we demonstrate 'value for money' for our net £10bn contribution?
- Can we avoid the drift towards increasing union?
- How will the EU budget cope with the accession of new, generally poor, countries such as Turkey?
- How will the countryside be managed in marginal farming areas?

If we leave the EU:

- Will the UK government maintain producer support at similar levels?
- Will there be any 'bonfire' of red tape?
- Will we retain unfettered trade access to the EU markets?
- Will we be able to negotiate trade deals with other countries without harming UK agriculture?
- Will we be able to source seasonal workers?
- Will there be contagion in other EU countries?
- Will UK economic growth be slowed down?

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welcome

It's been a busy period since our last Newsletter and over a year since Rachel's arrival and the move into our new offices. Both are now very familiar and settled in!

Putting together the newsletter offers us a good opportunity to look back at all the things we have tackled in the past year and a chance to look forward at what we see coming over the horizon. The first part of 2015 was dominated by BPS forms with hours spent familiarising ourselves with the online system, only to have the plug pulled at the 11th hour and find ourselves back with the paper versions. It was a great relief to submit our heap of forms, mostly accompanied by at least one RLE1 form and pray that the system was going to have been simplified by 2016 submission. Other positive activities in 2015 included the completion of our first full farm sale and I have been compelled to mention my positive activity in that I got engaged in March and am due to become Mrs Littler on the 11 June.

BPS Applications

Looking forward to 2016, we are hopeful that there is no *de ja vu* on the BPS form fiasco. The online system is being constantly improved and we have completed several applications already. See our article on the subject.

EU Referendum

We are currently in a strange period of debating the merits of remaining in or leaving the EU, with the referendum now set and all and sundry declaring their allegiance. Simon casts an eye over the impact of a Brexit on agriculture in his article. Neither result presents any stability as if we vote to leave, we then enter into a protracted process of negotiating our way out and even if we remain, the next mid-

term review of the CAP looms.

Current issues

We see a little more activity on the tenancy front, with current farm incomes prompting tenants to look at rent levels and consider succession strategies whilst the commercial unit test may be easier to comply with. Michael takes a look at current issues facing farmers on page 7. We look forward to increasing our property management and letting as Rachel progresses with her ARLA qualifications. Rachel explores the current push towards increasing legislation in the private rental sector on page 5.

As always, we are happy to discuss any issues that arise with you and if we cannot help solve your conundrum, will endeavour to point you in the right direction. Without sounding too gloomy, the only thing we can be certain of in 2016 is continuing uncertainty but we hope we can provide assurance where we can!



Belinda Young

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The EU's contribution to world GDP has fallen from 30% to 17% since 1980 but it remains the single most important block. The UK has the 5th largest GDP and there can be little doubt that countries would want to trade with us.

There remains a question over the power that we would have in any global trade negotiations. The UK would have the opportunity to rebalance its relationship with favoured nations but there must be a fear that the Leave campaign's aim for cheaper food means opening our market to cut price imports.

British exports to the EU are now 44% of total exports (down 10% in 10 years) but the food and drink sector sends 62% of its exports to the EU. We might struggle to replace the EU as a market if they impose trade barriers. The Leave campaign argue that there would be no incentive for the EU to create barriers as they want to import goods as much as we want to export them (70% of UK food imports come from the EU). It is likely that access to markets will require adoption of mirrored legislation on environment and welfare issues.

British receipts from CAP are £2.9bn against a contribution of £4.6bn. On the face of it there are savings to be made even if payments stay at their current rate. There would be no ring fencing for this budget and it would have to compete with other claims on the money. In previous CAP negotiations the UK government has called for the CAP to be phased out. We do not know what will happen to the CAP budget after 2020 but neither do we know the

priorities of any new UK government elected in 2020.

Immigration is an emotive issue, especially with EU citizenship being swelled by refugees from the Middle East and North Africa. A migrant workforce is essential to the wider food processing industry, providing 38% of the workforce in 2014.

On a practical note a vote to leave will start a two year period of extraction from the EU and potentially a longer period before third party trade agreements are finalised. This could result in paralysis within the industry as investment in land or equipment will be dependent on income projections. An early, cross party, agreement on agricultural support will be required to maintain confidence in the industry. A withdrawal of support will inevitably lead to a reduction in land values and rents.

Land Partners do not presume to tell you how to vote but perhaps the Scots were right when they decided 'better the devil you know'!

Why is it no surprise that only 2,848 Countryside Stewardship (CS) applications were submitted in 2015?

countryside stewardship

Simon Dixon Smith



Dedication was required to plough through over 730 pages of guidance and information made available in late July. Mid-tier applications had to be submitted by the end of September and higher tier by the end of October 2015. This is a poor renewal rate for the 11,000 ELS and HLS agreements that expired in 2015, rising to 16,000 expiries in 2016.

DEFRA and Natural England are well aware of the problems. There is no scope at this stage to alter the scheme and its options but a complete re-write of the guidance for 2016 applications should make understanding the scheme more straightforward.

Applications in 2016 are now open with Higher Tier Expressions of intent due by the end of April.

What is on offer?

The CS seeks to 'protect and enhance the natural environment, in particular diversity of wildlife and water quality'.

There are 3 main types of agreement:

- Mid-tier £412m available over 5 years
- Higher tier £380m available over 5 years
- Capital grants £85m available over 5 years

The money available is a fraction of the £2.1bn allocated to existing ELS and HLS agreements.

Mid-tier agreements have the choice of 133 management options and capital items that should cover 3-5% of the farmed land. Higher tier is appropriate where there are more environmentally significant sites and woodland and 244 management options and capital grants should cover 5-10% of the farmed land.

Capital grants are split into 3 main categories:

- Hedgerows and boundaries
- Water quality grants
- Woodland grants

Generally agreements will last for 5 years and all start on the 1 January. 'Dual Use' of land by, say, a landlord and tenant, for different scheme types is permitted from 2017.

Enhancement and protection of 'priority features' in the local area and adoption of the 'wild pollinator and farm wildlife package' will help application ranking in a competitive system.

Record keeping requirements have been criticised and these have been moderated for the latest application round.

There is every chance that the scheme may be more thoroughly looked at in the CAP mid-term review in 2017 but in the

meantime a low number of applications increases the chances of receiving an agreement offer.

Example rates on offer

Overwintered stubbles	£84/ha
Wild bird seed mix	£640/ha
Arable reversion	£311/ha
Buffer strips	£353/ha
Beetle banks	£573/ha
Woodland creation	£1.28/tree

If you would like to consider an application please contact Simon Dixon Smith or Belinda Young.



In Essex and Suffolk, over 11,000 acres of land came to the market in 2015

where is the silver li

a review of land sales in the East

It has been clear since late Spring 2015 that confidence is waning in the agricultural land market.

Prices achieved in mid 2015 were in many cases lower than those in 2014 and by the end of 2015 a continuing crisis in confidence was resulting in guide prices coming down and some properties failing to find a buyer.

It is not all doom and gloom. Recent research has suggested that land prices across England rose marginally in 2015 but there is little doubt that the trend has been negative in the East of England.

Essex saw over 4,000 acres in the market but divided between 21 locations this meant a modest average block size of 190 acres. There were only 3 offerings over 350 acres and one of those failed to sell. The only complete farm of any size to sell was the 680 acre Margaretting Hall.

Suffolk fared rather better with more than 7,000 acres of land coming to the market though this total was dominated by two large estates of over 1,500 acres. One on the coast sold privately and the other was the Rushbrooke Estate at Bury St Edmunds that completed just before Christmas.

Blocks of 50-250 acres have been common place and a successful sale still generally requires a keen buyer in the local area. The price achieved will be entirely dependent on the level of competition and prices have ranged from £11,500/acre down to £8,500/acre with the vendor's willingness to sell limiting the downside.

Lending institutions remain keen to support the industry but whilst collateral is rarely a problem there is concern about serviceability in a low commodity price environment. It is fortunate that interest rates remain low but most recent borrowings have been on a variable interest rate basis.

Simon Dixon Smith



The outlook

There seems to be general consensus that downward pressure on the land market will continue. We had expected non-farming money to start drying up as other asset classes recover but the recent turmoil in the stock market perhaps still makes land look like a safer bet. Annual yields on land



Residential Lettings and Property Management

Rachel Chilton



There have been significant changes in several areas of legislation in connection with the UK residential lettings industry and property management during 2015.

are now below 2% and in many cases less than 1%. No sector of farming is bucking the trend and there will be farmers who cannot maintain their level of drawings from realised profits.

Landowners are still sitting on a valuable asset and there will undoubtedly be those that see 2016 as an opportunity to reduce debt, raise cash to maintain lifestyle or to invest in other areas. This desire to release value will increase if interest rates rise.

The prospect of Brexit may well slow the market in the run up to a referendum. The consequences of Brexit are unclear at the moment. Whilst farmer's organisations are remaining broadly neutral on the matter at the moment it is clear that a lot of new thinking will be required in DEFRA if the vote is to leave the EU. This eventuality will bring significant uncertainty to the future prospects for agriculture.

It is noteworthy that at least one national agent is predicting land prices to fall over the next 5 years and if you are thinking of selling we would advise that action is taken sooner rather than later. Once land starts coming to the market supply and demand factors are likely to create further price pressure.

Land Partners has advised on the purchase or sale of over 1,200 acres in 2015 and are well placed to discuss your needs. Please contact Simon Dixon Smith.

On 26 March 2015 the Government passed the Deregulation Act. This contains important changes to Tenancy Deposit Protection for landlords and letting agents in England and Wales. A June deadline was set for Landlords to protect a deposit received on their rental property. Initially it was for deposits taken from tenancies after April 2007 but the government extended this legislation to include ALL deposits taken no matter when the tenancy started. This saw a surge in schemes like the DPS (Deposit Protection Service) and TDS (Tenancy Deposit Scheme) being used to register tenant deposits. The government set quite a steep fine for landlords found not to be complying with this legislation and as yet we thankfully have not seen any prosecutions.

NOTE: If landlords fail to protect their tenants' deposit they could be fined up to three times the amount of the deposit.

September 2015 saw changes to the Section 21 Notice. The Deregulation Act 2015 introduces a number of important changes to when a landlord may serve a Section 21 Notice in order to regain possession of their property. The changes affect all new assured shorthold tenancies in England that start on or after 1 October 2015. All remaining assured shorthold tenancies in England will be swept under the new rules on 1 October 2018.

From the 1 October 2015 ALL residential tenanted properties are meant to have installed smoke and carbon monoxide alarms where required. Despite Peers protests about the timetable, this legislation went ahead. Even though there have been campaigns run by local fire service stations there are still a large number of landlords unaware of this additional requirement, which again carries a hefty fine if your tenant decides to report you. There is a short 'grace period' in which the landlord has to act on any notice served.

Rolled out on 1 February 2016 all Landlords are required to get photographic ID of all prospective adult occupiers under The Right to Rent Scheme introduced by the government. This is to determine whether all occupiers aged 18 and above have the right to live in the UK.

If you use a tenant referencing agency you still need to see original documents and make copies yourself.

NOTE: The Right to Rent check applies to new tenancy agreements on or after 1 February 2016. Existing tenancy agreements are unaffected and landlords will not be required to carry out retrospective checks.

If after reading this article you would like advice or assistance, please contact Rachel Chilton who will be happy to help with making sure you are up to date on all legislative changes and your property is compliant.

In the new Government's first budget in July a new Residence Nil Rate Band (RNRB) was announced. The value of this, added to the current Nil Rate Band of £325,000, means that a couple could, in certain circumstances, shield £1m of value from inheritance tax from April 2021. It will be introduced in the 2016 Finance Bill and final wording is awaited.

IHT savings

The new relief will give an individual a new band, eventually worth £175,000, that can be set against the value of their main residence. This band will be phased in over 4 years from 6 April 2017, starting at the level of £100,000.

The important qualifications for this relief are:

- The transferor must have lived in the property at some point, or be expecting to occupy it after vacating job-related accommodation
- The residence must be inherited by lineal descendants

- The net value of the deceased's estate must be less than £2m + twice the value of the relief in the year of transfer.

The relief tapers away at the rate of £1 for every £2 that the net estate is worth more than £2m. This provides an incentive to keep the value of the estate low. At current agricultural land values it would not require a very big farm before this limit is breached.

Planning points

Where the house is unlikely to benefit from Agricultural Property Relief it may be worth considering gifting APR/BPR relievable land prior to death to reduce the value of the retained estate.

Even where APR may be available on the house, land could be gifted but common occupation retained as required by the 'Hanson' case.

Where a farmhouse is worth less than £500,000 and the total value of the estate is less than £2m then there may be no objection to letting the land to a third party rather than continuing to farm in hand to try and secure APR on the house.

The relief is transferable between spouses but only if each spouse would have qualified for the relief at their date of death. Assets need to be split between spouses accordingly.

Failed PETs may be a useful planning tool to get assets out of an estate last minute, provided neither an 'immediate lifetime charge', nor a capital gains tax charge are triggered.

Where there is an APR qualifying farmhouse worth less than £1,166,666, but the total estate falls below £2m, then the spouses combined RNRB could relieve the 30% non-agricultural value in the house.

Downsizing to a new property worth less than £350,000 after 8 July 2015 will be possible whilst retaining the full value of spouses' combined relief.

The relief can be claimed on the proceeds of the sale of all or part of a property after 8 July 2015 provided the other qualifications are met.

Remember to factor in the ability to carry forward unused RNRB allowance not used due to a spouse's death occurring before 6 April 2017.



Simon Dixon Smith



the perfect storm

back to basics

Michael Chapman



A N A G R O N O M I S T ' S V I E W

This time last year we entered the spring with a level of positive optimism, crops looked well, fertiliser was cheaper than last year, grain prices were strong and potential output looked good. This gave us confidence to provide the crop with a robust disease control strategy. Once all the major decisions had been made, in terms of level of expenditure, the markets started to collapse.

This slide continued as a result of the strong pound, high global production and falling demand. The only light at the end of the tunnel was that most growers had taken advantage of the higher prices at the start of the marketing period, locking it to some profit, but this all culminated in the saying: *"The only certainty about a high input, high output farming system is the high input!"*

This year is very different. Crops look well, especially the later drilled 2nd wheats, disease pressure is higher due to the milder winter and rusts, septoria and mildew are present on a lot of the varieties.

The opportunity of marketing grain at a price which is 'acceptable' is gone, but fertiliser is cheaper - as long as it was bought at the right time.

So what can we do?

- Improve attention to detail - you cannot afford a poor crop or poor field
- Use disease resistant varieties, tailor fungicide programmes to reduce costs
- Reconsider rotation to improve average gross margin
- Re-look at rotation to improve labour/ machinery utilisation to enable cost reduction
- Reconsider rotation to reduce establishment costs

- Consider higher yielding group 1 and 2 varieties, grown as feed, with potential small price premium at the end.
- Know your costs of production, so you can react to potential market opportunities with confidence.
- Make sure the basics are correct: drainage, P, K, pH and ditching
- Tailor your field and crop selection to reduce costs (don't grow a crop of early wheat on a bad blackgrass field)
- Improve the use of cultural methods for controlling blackgrass, ie. drilling date and spring cropping
- Pray for a crop disaster in the world
- Collaborate with a neighbour!

For advice on agronomy and practical farming issues please contact Michael Chapman.

"The only certainty about a high input/high output farming system - is the high input!"

Planning update

Following my article in the last edition of *Landscape*, the government has published guidance to clarify the permitted development legislation introduced in 2014.



Belinda Young

'Planning Practice Guidance' (<http://planningguidance.communities.gov.uk>) helps to address some points which had initially caused confusion to applicants and Local Planning Authorities (LPAs) alike. It is worth reading the guidance in full as it is not a long document - I have highlighted below a few key points:

Building works

The guidance acknowledges it is likely that some building operations are going to be essential to turn an agricultural building into a house and specifies that the rights allow for the installation or replacement of windows, doors, roofs, exterior walls, water, drainage, electricity, gas or other services

to the extent reasonably necessary for the building to function as a dwelling house. Partial demolition is also allowed but the guidance states unequivocally that it is not the intention of the permitted development rights to include the construction of new structural elements for the building.

Whilst there is still room for interpretation of 'reasonably necessary' and what would constitute 'partial' demolition, it is a useful steer to help an applicant assess the potential of the building and for the LPA to have a more consistent approach.

Impractical or undesirable?

I suspect that the guidance explicitly addresses the interpretation of these words included in the Order because of their application by LPAs as their fall back position on how to reject an application which they couldn't turn down on other grounds. The guidance states that the LPA should apply a reasonable

ordinary dictionary meaning in making any judgment. The guidance confirms that the permitted development rights over agricultural buildings will inevitably include buildings which would generally not be in locations where the LPA would normally grant planning permission but that is not an automatic reason to reject it. Usefully, the guidance gives examples of 'impractical' - an agricultural building on top of a hill with no road access, power source or other services and 'undesirable' if the building is adjacent to other uses such as intensive poultry farming buildings, silage storage or buildings with dangerous machines or chemicals.

From our consideration of the local authorities in our area, it is clear that there remains a wide variation of how each one considers notifications. It is also interesting to note that there appears to have been some direct impact from the publication of the guidance, if you consider the appeals. According to the Planning Jungle website, there were 63 appeals decided before March 2015, with 21% allowed on appeal but of the 237 appeals post guidance, 32% were allowed. These figures suggest a modest move towards more successful applications, but whilst this is a potentially useful route to achieving a conversion, nothing is guaranteed.

Basic Payment Scheme 2016

Deadline for claims 16 May 2016

The RPA has continued to make improvements to the online claim system but many errors and omissions from 2015 have yet to be processed or corrected.



RPA staff have been diverted to the helplines and many queries will not be resolved before May. The advice is to complete the application on the basis of what you think is correct and to send a letter or email to confirm your thought process.

Land and entitlement transfers seem to be going through quickly now but earlier transfers may be 'lost' in the system. Missing land can be added with a paper continuation sheet.

If you have received a paper application form you will not be able to use the online system unless you ring the RPA first. Mapping changes still require a paper RLE1 form.

All applicants will need to report on 'Accountable People' before a payment can be made. This covers all parties with a stake in the business who also partake in the 'risks and rewards' of the business.

The RPA helpline number is 03000 200301 or ring Land Partners for assistance.



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