Land Business

Farming | Estate management | Sales

Winter 2014/15

CLA Game Fair debate: would our countryside be better off out of the EU?

Green houses: boost the energy rating of your rental property

Scotland says No, but what now for landowners?

A bright future

How this Suffolk estate turned its fortunes around

STRUTT & PARKER

The big picture

Ross Murray, Deputy President of the CLA, enjoys a pint with UKIP Leader Nigel Farage following their feisty debate over the pros and cons of the EU for the British countryside at this year's CLA Game Fair, held at Blenheim Palace in July. *Photograph: Philip Hollis/CLA*

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Welcome

Most people will have breathed a huge sigh of relief when they awoke on 19 September. The No vote in the Scottish independence referendum means that the UK remains intact, and the myriad uncertainties that a Yes would have brought have been avoided. However, this isn't the end of the matter for those living in Scotland. The SNP government still intends to introduce sweeping reforms to land ownership and agricultural holdings, which are set to have a huge impact on landowners north of the border. Robin Maitland, Land Management Partner in Strutt & Parker's Banchory office, shares his thoughts on this vital issue on page 16.

Independence of another sort was on the agenda at this year's CLA Game Fair. Strutt & Parker hosted the CLA Game Fair Theatre over a sweltering July weekend, and it was a full house for our debate on the British countryside's role in the EU. What followed was a discussion as heated as the weather – see what our illustrious panellists had to say on page 24.

Elsewhere in this issue, we visit the Bawdsey Estate in Suffolk to show how a 'back to basics' approach to estate management has paid dividends over the years (page 10), explain how landlords can enhance the energy efficiency of their cottage portfolios and why now is the time to do it (page 18), and tackle the thorny topic of succession (page 22).

We hope you enjoy reading Land Business, and we value your feedback – please visit *struttandparker.com/land-business-survey* to tell us what you think of this issue.

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Head of Consultancy

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Head of Estate & Farm Agency

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We'd like to hear what you think of this issue of Land Business – please share your thoughts via our online survey at struttandparker.com/land-business-survey

FARMING COMMUNITY WADES IN

The Addington Fund, a farming charity supported by Strutt & Parker, came to the rescue of farmers on the Somerset Levels following the flooding there last winter.

The seasonal flooding of the Levels was unprecedented in both the volume of rainfall and the long period of inundation. With farmland submerged, cattle yards flooded and fodder and straw stocks ruined, there was an urgent need for supplies of the latter.

The response of the agricultural industry was exemplary, with offers of silage, hay and straw, as well as haulage and the use of buildings to house evacuated cattle – and even a supply of waders. The Addington Fund helped with the costs of transporting donations to the fodder bank and its onward haulage and distribution to recipient farmers.

David Canty, from Strutt & Parker's St Albans office, teamed up with Al Brooks, Farm Manager at Waddesdon Farms and an Addington Trustee, to organise the transportation of straw from Buckinghamshire to Bridgwater. 'Driving a lorry onto the Levels and seeing everything first-hand was an experience,' said Al, 'but the response from the farmers we helped was something else.'

The work will continue into next winter. 'We are currently revisiting farms to assess the level of need,' said Ian Bell, Director of the Addington Fund. 'We still have pledges of fodder and straw and we have a need, so it is up to us, with the support such as that from Strutt & Parker, to bring it all together.'

Will Gemmill, Head of Farming

SCOTTISH TENANT FARMERS' RENT FEARS

A recent rent review decision by the Scottish Land Court to award a rise on a Borders arable farm of around £34 per acre has caused concern in the tenanted sector.

The case of Capital Investment Corporation of Montreal Ltd v Elliot was the first rent review decision since the landmark 'Moonzie Case' in 2012, which set out new rules for the first time since the Agricultural Holdings (Scotland) Act 2003 came into force. As many reviews were being held back pending the outcome of these cases, tenants now fear large rises.

The basis of the rent review procedure is being examined by the Agricultural Holdings Legislation Review Group (AHLRG). But it is not due to report until December 2014 and there is no guarantee it will change the current system, which is based on open-market rental comparables.

During this interim period, the three principal representative bodies of the tenanted sector – the National Farmers Union of Scotland, Scottish Land & Estates and the Scottish Tenant Farmers Association – have agreed to peg rent increases to the rise in the Consumer Prices Index, as well as to form an Agricultural Review Panel to 'sense check' any proposed rent changes.

This initiative is voluntary, with no legal status, and should the AHLRG decide to leave unchanged the review system, it may have a short shelf life.

Andrew Hamilton, Land Management

TOP TIP

PROPERTY

Code of practice for the private rented sector

Coming into immediate effect, the Private Rented Sector Code of Practice outlines recommended and mandatory best practices for landlords and letting agents. It has been developed at the request of the Department for Communities and Local Government in order to improve the stock of privately rented homes in the UK. →

A new property tax to dwell on

The Annual Tax on Enveloped Dwellings (ATED) aims to further discourage individuals from using companies or other envelopes to own UK residential property not used in a genuine commercial business.

The ATED is charged on 'non-natural' persons – the company or collective investment vehicle – with holdings in UK residential dwellings. It is based on the property value, with Capital Gains Tax charged at 28%.

Currently, the ATED relates to residential property valued at £2 million and above, but from 1 April 2015, the charge will also be levied on those valued above £1 million; from 1 April 2016, this will be extended to those over £500,000. Also, Stamp Duty Land Tax of 15% previously applied to property purchases of £2 million and above, but as of 20 March 2014, this threshold is now £500,000.

Chargeable property needs to be revalued every five years, with the first date being 1 April 2017. The deadline for filing ATED returns and making payments is 30 April each year.

Charlotte Kershaw, Land Management

Corporate members of LLPs to be outlawed?

The government is considering banning corporate members of LLPs, having already proposed to outlaw corporations acting as company directors.

Unlike limited companies, LLPs make no distinction between directors and shareholders, and are instead made up of only 'members'. Corporate LLPs, which include one or more companies among their members, are often set up for valid commercial reasons, particularly within the rural sector.

Some professional bodies have objected to the proposal, arguing that there is no case for including LLPs within the prohibition and asking the government to look at other ways to achieve its transparency and accountability goals.

The government announced the proposal in its response to its discussion paper Transparency and Trust: Enhancing the Transparency of UK Company Ownership and Increasing Trust in UK Business. The original consultation included no mention of the idea, and there is no indication, at this time, as to how such organisations will be affected.

Jonathan Smith, Head of Tax

WOODLAND BURIALS SURGE

There are now more than 130 woodland burial grounds in the UK, with many leased to burial companies by private landowners. Such sites can offer plots for full or ash burials, and often prohibit fixed structures such as headstones in order to preserve the surrounding environment.

Rents are often based on the turnover of royalties, and we have seen agreements at 10% for plot sales and 5% on all useable items, which includes the use of any on-site buildings. Site extensions are often sought by tenants, who are responsible for all planning and professional fees, with a one-off payment to the landlord.

On expiry of a lease, it is often considered that there will be no future income generated from the site, other than the lasting amenity value.

Russell de Beer, Land Management

TOP TIP

EMPLOYMENT

Workplace pensions

While the auto-enrolment of employees into workplace pension schemes won't happen until May 2015 for companies with fewer than 50 staff, employers should consider remuneration packages before then. It may be beneficial to make contributions to employees' pensions rather than rewarding them through simple bonus structures, in order to successfully manage this unavoidable pressure on employment costs.

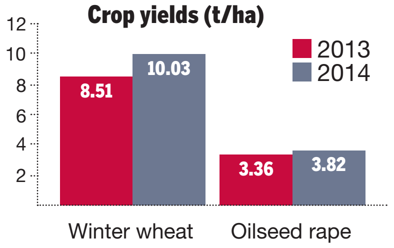
YIELD BOOST FOR FARMERS

For most farms, the harvest of 2014 has been a significant improvement on that of 2013, providing some much-needed relief following a flat-line trend in yields in recent years.

Early results indicate that winter wheat yields are up by 18% on last year, oilseed rape is up 14% and winter and spring barley is up 12%. Against the backdrop of falling commodity prices, this should help farms get near to or achieve budget – in particular, where quality wheat was being grown, as this crop has unusually high premiums given the poor quality of harvests elsewhere in Europe.

The next challenge for Strutt & Parker's farm consultancy and our agronomists will be to deliver similarly strong yields while coping with CAP reform, greening and the problem weed black-grass, but we are confident that we have the strategy to achieve that. With a fair wind assisting commodity prices next year, we are planning for a prosperous 2015 harvest.

Richard Means, Farming



CLARITY ON LISTED BUILDING CONSENT

Strutt & Parker's planning team is often asked to advise on cases where the sale of a Listed property is jeopardised following the discovery of works that have been undertaken without the appropriate Listed building consent.

With no immunity period after which such works become lawful as there is for works requiring planning permission, the problem can be difficult to resolve.

Breaching Listed building control is a criminal offence punishable by fine or imprisonment. In many cases, it can be far from clear whether works that are proposed to the interior of a Listed building, for example, or perhaps to a structure forming part of its curtilage, will require consent.

New regulations introduced last year allow someone contemplating works to a Listed building to apply for a certificate of lawfulness. The principle is similar to those employed for planning uses and developments, although there is no provision to apply it retrospectively. Nevertheless, it seems possible to apply for a certificate of lawfulness as if the works have not been undertaken and require the local authority to make a determination on that basis. This may be useful for potential purchasers.

Craig Noel, Planning

TOP TIP

TAXATION

Principal Private Residence Relief

Principal Private Residence Relief (PPRR) can exempt from Capital Gains Tax any profit made on disposal of a property that has been an individual's main residence. Owners of more than one property can choose which one is their main residence and, therefore, qualifies for PPRR. However, HMRC is proposing the removal of this choice. It is unlikely that this would be introduced before April 2015, but in the meantime, PPRR strategies should be reviewed. ➔

BUILD-TO-LET OFFERS GOOD LONG-TERM RETURNS

As the residential property market has started to recover, the press has been full of comment about problems with affordability for first-time buyers.

A fundamental lack of supply – combined with recent changes to the mortgage market that make finance even harder to secure – has inevitably contributed to upward pressure on house prices. As a result, more households are renting for longer.

Home ownership in the UK peaked in 2001 at 70%, with 9% of households renting property from the private rental sector. By 2011, 16.5% of households were renting privately, and the number is projected to increase to 37% by 2025.

This trend has created an opportunity for the well-informed landowner with good relations with his local planning authority, especially in areas with higher property values. Through sensitive negotiation based on an estate's track record in the private rental sector, it may be possible to secure consents to build new properties for retention and letting without the need to go down the affordable housing route.

Provided that rental demand is identified in advance and the houses built are tailored to local requirements, the returns from building-to-let can be significant, as the land is already owned and the cost of building remains sensible if properly managed.

Nick Watson, Land Management

ADDITIONAL RELIEF ON PLANT EXPENDITURE

Landowners and farmers who invest more than £250,000 in plant and machinery should consider their replacement policy in light of the second temporary extension to the Annual Investment Allowance (AIA). This allows businesses to claim 100% tax relief on plant and machinery costs up to £500,000 a year until 31 December 2015, after which the allowance will drop to £25,000.

This extension came into force on 1 April 2014 for corporation tax and 6 April 2014 for income tax. The Treasury estimates that 99.8% of businesses will receive 100% upfront tax relief on qualifying expenditure.

In order to qualify for the AIA, the item of plant or machinery must be in use when the claim is made. So the timing of expenditure is key, particularly with machinery used on a seasonal basis, such as combine or potato harvesters. Consideration should be given to bringing forward planned acquisitions to take advantage of the extra allowance.

Jeremy Dawson, Land Management

COOKING UP A STORM

Food With Heart is a really special cookbook. Published by Strutt & Parker in aid of Great Ormond Street Hospital Children's Charity, it features 52 recipes by some very famous names, including David Cameron, Elizabeth Hurley, Joanna Lumley and Jeremy Clarkson. If you want to find out what the Prime Minister cooks up in Downing Street or the secret of Simon Cowell's perfect cottage pie, now is your chance. Even the cover is special – it features wonderful artwork by David Hockney.

Food With Heart is exclusively available from Strutt & Parker offices for a minimum donation of £10.

TOP TIP

EMPLOYMENT

Autumn 2014 changes in employment law

A number of changes in employment law came into force on 1 October. Among them were the introduction of antenatal rights for fathers and partners to take time off work, and the increase in the national minimum wage for employees over 21, from £6.31 to £6.50 per hour.

Green light for barn conversions

By John McLarty,
Planning Department

Although they are complicated, the new permitted development rules on the conversion of agricultural buildings to residential use provide a fantastic opportunity.

In April, the government introduced the latest changes to its rules for permitted development for the conversion of agricultural buildings as part of its ongoing plan to create a three-tier planning system. Under this system, only the largest-scale proposals will require full planning permission, and developers of smaller proposals need only notify the council before the new use commences. The remaining medium-scale proposals will require prior approval. In such circumstances, councils consider a limited range of issues, which are defined by national regulations.

The prior approval rules introduced in 2013 relate to flexible commercial or employment use for agricultural buildings. This process has been used frequently since then, and councils have taken the view that this can be treated as a valid consideration for application for full planning permission.

However, the highest-profile changes – which represent an exciting opportunity in terms of value for many farm owners – are the new rules introduced in April this year regarding the conversion of agricultural buildings to residential use. These changes have received a high degree of interest from landowners, and there have been a large number of these applications across the country. Although many owners are still getting to grips with the new regulations, the number of conversions undertaken since April nevertheless allows us to draw some conclusions.

While the legislation applies across all of England, implementation varies according to local interpretation. Even so, it remains important to comply with all relevant criteria of the prior approval process to ensure a successful outcome. In practice, many of these are not dissimilar to those required for planning permission. It is important, for example, to ensure accurate definition of the curtilage for the converted building and that the dimensions of the proposed building do not exceed those allowed under the regulations. So it is worth noting that the upper limit for residential conversions qualifying for prior approval is 450 sq m – 50 sq m less than flexible commercial or employment use.

'LOCAL AUTHORITY PLANNERS NOW TAKE A MORE POSITIVE STANCE TO RURAL DEVELOPMENT AND CHANGE OF USE IN GENERAL'

Unfortunately, these rigid criteria will leave many owners outside the rules and looking for other options to deliver new development. On a positive note, however, it has become clear in recent months that councils have significantly changed the way in which they consider rural planning applications.

As with the earlier permitted development changes for employment, the most interesting aspect of the new residential rules is that local authority planners now take a more positive stance towards rural development and change of use in general. Whether it is a barn that doesn't meet all of the criteria for prior approval, a Listed building or a proposal involving more substantial building works, council planners are now guided by the clear support for conversion and reuse of rural buildings set out by government policy. Such conversion proposals can now be discussed with planning officers on a more positive footing to ensure the necessary planning permission can be successfully obtained.

Although in such cases a planning application will still be required, local planning authorities are now more open to discussion and may be able to provide a route to overcome the status quo that, in many cases, has seen barns standing empty or underused for many years. When it comes to the conversion of agricultural buildings or, indeed, other rural development, the opportunity for a positive discussion with local authorities has rarely been so good.

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As part of the Bawdsey Estate, the Ramsholt Arms on the River Deben has been renovated and is now being leased to a tenant

Back to basics

Having suffered from inadequate infrastructure and constrained financial arrangements, the diverse Bawdsey Estate on the Suffolk coast is now thriving thanks to Strutt & Parker's estate management team

The Ramsholt Arms sits in an idyllic spot on the banks of the River Deben close to the Suffolk coast, with magnificent views from the wide terrace over the river and the dozens of boats moored there. Once a hunting lodge, the pub is part of the Bawdsey Estate, which covers 3,200 acres of farmland, grassland and woodland that stretch along the north bank of the river south of Woodbridge.

Today, the pub is thriving and the estate is profitable. But when Strutt & Parker was asked to take over the management in 1997, there were some serious problems to address. The Ramsholt, despite its favourable location, was losing money and the estate cottages were deteriorating, with rents significantly less than market rates. Also, the farming infrastructure was inadequate, and the arrangements with the farm contractor were weighted against the estate, bringing in only a small percentage of the profit in a good year.

The estate was acquired by Sir Robert Adeane in the 1950s. The current beneficiary is James Adeane, who asked Charles Loyd, Partner and head of Strutt & Parker's Land Management team for the Eastern region, to become a trustee of the estate as well as to manage it 17 years ago. 'Bawdsey is a wonderfully diversified estate with a lot of separate interests,' says Loyd. 'As a starting point, we needed to make sure that each element was running as efficiently as possible and was able to reach its maximum income potential. What was needed was to go back to the basics of estate management and do them brilliantly.'

RESIDENTIAL REFURBISHMENT

The estate's residential properties needed an overhaul. Several were uninhabitable, all needed some degree of refurbishment and only six were being let on commercial terms.

Loyd believes that in order to get the most out of residential property, a firm grasp of detail is important. 'You need to be familiar with tenancy legislation and focus on the risks involved in the business,' he explains. 'An awareness of term dates and tenants' liabilities will help to maximise income. For instance, ensuring that term dates fall due in the spring, rather than autumn or winter, will reduce cash flow risks, and knowing that the meaning of "to keep and leave decorations in good repair" also includes an implied covenant to "put them in good repair" will help during discussions at the end of the tenancy.

'Offering quality accommodation in a good state of repair will attract the right tenants at competitive rents and ensure a →

Words: Cherry Maslen Photography: Amy Shore high retention rate, which reduces rental voids, letting costs and wear and tear on the property,' he adds. 'Providing a good management service to tenants – which means answering calls at the weekend in emergencies – is important, too.'

The Ramsholt Arms has been refurbished and is being run by an energetic new landlord as a tenant, paying an annual rent of £40,000 and eliminating any risk to the estate. Acknowledging that neither the trustees nor the beneficiary are experts in the pub trade, Loyd says: 'From an estate investment point of view, offering a quality asset in full working order on commercial terms to someone experienced in that business is the least risky way of profiting from ownership of that asset. That principle must apply to all situations which involve third-party arrangements.'

Elsewhere on the estate, several barns have been refurbished and let. While office space is not on the agenda given Bawdsey's location, obtaining some form of income from an unused asset was a must, given the costs of insurance and repairs. Even the former farm office has been converted for use as temporary accommodation for harvest workers.

FARMING POTENTIAL

Bawdsey's main source of income is the 2,200 acres of farmland. But with a lack of effective infrastructure, especially an inadequate irrigation system, the farm was nowhere near reaching its income potential when Strutt & Parker took up the reins.

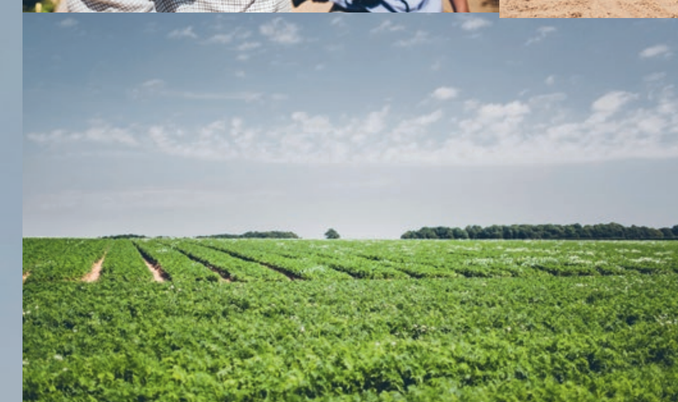
> 'QUALITY ACCOMMODATION IN A GOOD STATE OF REPAIR WILL ATTRACT THE RIGHT TENANTS AT COMPETITIVE RENTS AND ENSURE A HIGH RETENTION RATE, WHICH REDUCES LETTING COSTS'

A new contractor was found in Westrope Farming – locally based and with a proven track record. The contract farming agreement is reviewed every three years, providing an incentive for the contractor to invest in machinery and look after the land. 'There is a big diversity of soil here,' says Westrope Director Andy Rankin, who is Bawdsey's Contract Farm Manager. 'The estate is about a third heavy marsh clay; the rest, on the higher ground, is light, loamy sand. It's like running two farms, but it means that we can grow a wide range of crops, provided we have enough irrigation.'

Bawdsey's farm would never be profitable without a reliable water supply, and the existing irrigation system badly needed improving. The trustees financed an extension to the irrigation main and replaced the two ineffective diesel pumps, which used a large amount of fuel, with two modern electric pumps. Two reservoirs were also built to supplement the natural water supply and to ensure maximum use of the abstraction licences.

'Water security is of paramount importance, not only from an income point of view, but also from a capital perspective,' says Loyd. 'Good estate management means constantly looking at where the next threat might come from and devising ways to counter it.'

Initially, the contractors grew cereals and sugar beet, but with the investment in the irrigation system and the good relationship built up between contractors,



Clockwise from top: one of the cottages in the estate's residential portfolio; Bawdsey's varied soils have allowed the farm to diversify; investment in irrigation has reaped rewards; Gamekeeper Paul Neal (left) with Strutt & Parker's Land Agent Matthew Hague. Below: fluctuating grain prices have vindicated the estate's varied selling policy for its cereal crops

owners and estate managers, they now grow a wide range of root crops, which can thrive in sandy soil if they have enough water. 'We have been able to take a long-term view and risk adding new crops,' says Rankin. 'We grow carrots and parsnips and have recently introduced onions, which in these conditions we can harvest early.'

Further investment followed with the erection of a 2,000-tonne grain store, which enabled a more varied selling policy for the cereal crop that has proved beneficial with recent fluctuations in grain prices. 'If one has more confidence in the asset, it is sensible to explore one's attitude to risk,' says Loyd. 'At Bawdsey, with a good contractor farming a well-equipped unit, the trustees decided to take on more of the risks of farming in order to benefit from the upgraded assets. That has proved more than successful, with some excellent returns over the past five years.'

NATURAL ASSETS

Bawdsey's 300 acres of grassland alongside the River Deben is not included in the farming contract. Last winter's floods did serious damage to stretches of the sea wall, demolishing some sections and flooding the grassland, normally let to a cattle grazier.

The estate is investing in rebuilding the damaged sections. 'Instead of bringing in clay to rebuild the wall, which would be hugely expensive, we're digging the clay from the old dykes,' says Matthew Hague, Land Agent at Strutt & Parker's Ipswich office, who is responsible for the day-to-day management of the estate. 'We've been working with Defra as there are limitations as to what is allowed, and a good working relationship with all environmental bodies is a must.

'Rebuilding the wall is a considerable investment of more than £40,000, but there are a number of possible sources of grant funding. Knowledge of these is essential in managing environmental assets.'

Bawdsey's management team has capitalised on the protection given to the region's natural assets. The estate itself falls inside the Suffolk Coast and Heaths Area of Outstanding Natural Beauty, and its salt marshes lie within the Deben Estuary, which has been designated a Special Protection →

Area for vulnerable bird species, a Site of Special Scientific Interest and a Ramsar site for the habitat it provides wintering birds. Thus the estate was eligible to enter Higher Level Stewardship (HLS), involving management obligations beyond normal farming practice.

The Entry Level Stewardship payment for Bawdsey is £31,000 a year. The HLS brings in another £25,000, of which £16,000 is for the management of the grassland. The estate also claims the Single Farm Payment for the grassland, plus there is the fee from the grazier. When you add all these payments together, the grassland becomes a valuable asset, with total income at around £175 per acre.

WOODLAND FOCUS

Bawdsey has recently begun a woodland management plan to encourage biodiversity and create a habitat for wildlife and birds, which will have multiple benefits for the estate. The 200 acres of woodland, largely sycamore, had been neglected over the years and never properly thinned, creating dense thickets where nothing would grow to support wildlife.

The management team found woodsman Colin Sheppard to thin the woods and leave brash for habitat, which has already proved effective in attracting birdlife. Not only does the estate receive a £3,950 annual grant towards costs, but the creation of habitat for birdlife will have considerable benefits for Bawdsey's shoot, which is an important part of the estate calendar.

'Shoots and conservation go hand in hand,' says James Adeane, who oversees the shoot. 'I'm delighted we are finally able to improve our woodlands. We will retain some of the cleared glades but we'll also be able to plant more diverse species, including native trees, which sycamores are not.'

Gamekeeper Paul Neal looks after the shoot from his cottage on the estate. 'We rear partridge and pheasant for the shoot but we're also trying to build up the wild duck population by maintaining the wetlands,' he explains. 'That's part of the HLS scheme, but it also has a positive effect for the shoot.'

Hague adds: 'The woodland management policy required creative thinking in order to get what we wanted, which was a qualified, conscientious woodsman to work alongside the keepers. That involved the trustees financing the purchase of appropriate woodland machinery.

'As part of the arrangement, Colin is tied to working on the estate for at least six months a year. He also rents one of the refurbished barns where he has a firewood business, so everyone benefits.'

At Bawdsey, everyone involved works as a team, whether they're in the Strutt & Parker office sorting out budgets and leases or on the ground at the estate itself. 'Getting the right people in the right roles and making sure they are happy to support one another is key,' says Loyd.

Part of the teamwork is making sure everyone understands the plan and what Loyd refers to as 'the numbers'. 'Good financial discipline and clarity is extremely important to the success of any estate,' he says. 'You need to know the course you are following at all times, and that can only come about if you have a detailed grasp of day-to-day figures and a team which understands the impact of its decisions.

'A major part of my role is to ensure financial sustainability for the family, while ensuring nothing prevents them from enjoying what they have,' Loyd adds. 'It is a privilege to help an owner manage their estate, and to play a central part in ensuring that the journey of ownership and stewardship is a success.'

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Clockwise from top left: Colin Sheppard, Bawdsey Estate's woodsman; clearing some of the estate's 200 acres of woodland; the sea wall is being rebuilt after being damaged by recent flooding; Sheppard with Strutt & Parker's Matthew Hague

Entitled to an explanation

By George Chichester,
Farming Department

Despite the best intentions, the latest Common Agricultural Policy (CAP) reforms relating to basic payments and land transfers bring complications for farming businesses and a raft of potential pitfalls for land transactions.

The first issue is a pause in the processing of applications to transfer payment entitlements. Single Payment (SP) entitlements will be reallocated as Basic Payment (BP) entitlements on 1 January 2015. At present, SP entitlements can be transferred to an incoming farmer subject to a six-week processing period. The deadline for such applications was 21 October 2014.

Applications for transferring BP entitlements, once these have been allocated, will not be accepted until mid-January 2015. Therefore, for a Michaelmas completion, unless the transfer form was submitted before or promptly after completion, confirmation may not arrive until the following spring. This is a long time to wait and is perilously close to the 2015 claim period if, for some reason, the application is deemed invalid and the buyer needs to source entitlements from the open market instead. In such cases, the buyer would be advised to ensure a substantial retention.

The second issue is that BP entitlements will be transferred only to an 'active' farmer, whereas SP entitlements can be transferred to any farmer. Ideally, buyers should have submitted a transfer application before 21 October to avoid any risk of their being deemed not to be an active farmer at the point of transfer. This may be appropriate for a new entrant into agriculture, who may not yet qualify as an active farmer.

The third problem is that under the new rules, surplus entitlements will be lost. Under the present regime, the entire holding of entitlements would usually be transferred to the buyer in a whole-farm sale. However, many farmers hold a few more entitlements than the area on which they claim.

With the new rules in mind, buyers should purchase only sufficient entitlements for the area that qualifies for payments and should avoid surplus entitlements that will trigger a capital loss next spring. Buyers of small areas should also beware that the minimum claim area will rise to 5ha next year, so they should not purchase entitlements if their claim area will be less than 5ha.

'UNDER THE NEW REGULATIONS, ONLY "ACTIVE" FARMERS WILL QUALIFY FOR THE TRANSFER OF BASIC PAYMENT ENTITLEMENTS'

The next potential problem relates to the new 'greening' rules. These are complicated, but it is worth noting that farmers with arable land more than a certain size will have to grow three different crops and to put 5% of the land into an Ecological Focus Area (EFA). A further complication arises when land is divided into lots. In such cases, buyers will either have to show that each lot has its own greening measures or that the new land dovetails with an existing holding. The problem is exacerbated by the fact that the new rules allow certain cropping – such as nitrogen-fixing crops, green cover crops or fallow – to count towards an EFA obligation, as these are likely to represent full fields or even blocked areas of a farm and are unlikely to be spread evenly across different lots.

A similar issue is likely to arise in cases where a farm receives Environmental Stewardship funding, particularly if Entry Level Stewardship (ELS) or Higher Level Stewardship (HLS) points count towards the EFA obligation. There are occasions when a landowner is claiming ELS or HLS payments and a farming tenant is claiming SP – referred to as a dual claim. This may apply, for example, where the landowner wants to claim on woodland or parkland that is not let to the tenant. Such landowners should beware that their payments may decline next year because Defra will assume that the tenant could make use of the ELS land to meet his new greening obligations, even though in practice he may not do so or be in a position to do so.

Finally, larger businesses should consider the implications of the anti-avoidance rules relating to 'degressivity' if they expand beyond the €150,000 threshold for this new measure.

We will enjoy working with our clients and colleagues in other professions in helping to avoid these and lesser pitfalls in the coming months.

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WHAT DOES NO MEAN FOR LANDOWNERS?

While the idea of Scottish independence has – for now – been banished at the ballot box, potential reforms mean that there are still challenging times ahead for landowners north of the border. Robin Maitland, Partner in Land Management at Strutt & Parker's Banchory office, looks beyond the No vote

It is tempting to think that we go back to where we were. With a remarkable turnout of 84.6% of the electorate, Scotland decided to stay a part of the United Kingdom as 55.3% of those who voted said No to independence in the referendum. So, it's business as usual, then?

But landowners in Scotland were already in a challenging place prior to 18 September, with most issues affecting the rural sector north of the border already devolved to Holyrood. Had the outcome been a Yes, it could be argued that the political pressures facing Scottish landowners would have been reduced, because the politicians would suddenly have other priorities in matters that are not presently devolved.

Throughout the referendum campaign, rural issues were rarely on the agenda. The televised debates focused on arguments about currency, the NHS, pensions, Trident and oil, with no questions about rural matters. However, landowners should not be lulled into a false sense of security, because the challenges are already out there.

Photography: Getty, iStock

A number of threats come from the Land Reform Review Group (LRRG), which has been given a wide remit to examine Scotland's system of land ownership. In prefacing its recommendations for change in its report 'The Land of Scotland and the Common Good', the LRRG stated that 'the purpose of such change should be to promote the common good of the people of Scotland', which gives an indication of the socialist direction of the proposals. It also says that 'significant changes are required to make Scotland's system of land ownership a more efficient and effective system for delivering the public interest'. Accordingly, its proposals are indeed radical.

> THREATS COME FROM THE LAND REFORM REVIEW GROUP, WHICH HAS BEEN GIVEN A WIDE REMIT TO EXAMINE SCOTLAND'S SYSTEM OF LAND OWNERSHIP... THE ULTIMATE AIM IS TO TRANSFER ONE MILLION ACRES INTO COMMUNITY OWNERSHIP BY 2020

For example, the LRRG recommends that there should be a limit on the acreage held by any private landowner (no limit is proposed, raising the question of how one equates 50,000 acres of west-coast moorland with 2,000 acres of Angus arable); that no legal entity outwith the EU can register title to land; that Crown Estate involvement in Scotland should end and be devolved to the Scottish parliament (in effect nationalising Crown estates); and that compulsory purchase powers should be extended, for instance over vacant land.

The ultimate aim is to transfer one million acres into community ownership by 2020. However, there has been little assessment of the economic implications to support the LRRG proposals, and affordability may limit some of the more radical suggestions.

Meanwhile, the SNP's independence manifesto White Paper, 'Scotland's Future', stated that 'taxation powers are needed to… address wider land reform'. The proposed transfer of further fiscal powers to Holyrood, under the Scotland Act 2012 and through pledges made by the Westminster parties in the run-up to the vote, could pose major challenges to landowners. The LRRG makes proposals about Land Value Taxation, reintroducing sporting rates, removing exemptions for agriculture and forestry from business rates, and removing reliefs for farmland in capital taxation. The LRRG was, of course, making recommendations to a possible independent Scottish parliament with full tax powers; we wait to see what a Scottish parliament with greater devolved tax powers is able to do.

Agricultural holdings legislation is also on the agenda. The SNP government has set up the Agricultural Holdings Review Group (AHRG), whose final report is expected in December. The AHRG has considered wide-ranging matters concerning farm tenancies, from rent reviews to improvements and retirement. It has also explored the extension of the right to buy, inevitably focusing minds.

The AHRG is likely to concentrate more on a conditional right to buy that is limited to groups such as tenants with landlords who persistently fail to fulfil their obligations. It acknowledges that it would need to robustly justify that the policy is in the public interest, in relation to human rights legislation. Notably, the AHRG has not referred to the wider issue of fairness, stating that it is essentially a political matter.

Therein lies the issue relating to an absolute right to buy. The political vision is for a dynamic tenanted sector, providing opportunities for new entrants. In practical terms, few will see how an absolute right to buy is consistent with encouraging landowners to let land in order to create such opportunities. It is therefore essential that politicians understand this, if they genuinely wish to achieve a tenanted sector 'forming part of the sustainable future for Scottish farming'.

Scotland has voted No to independence, but the challenges remain. Legislation on land reform and agricultural holdings is due before Scotland's 2016 election. We don't know what tax changes will be introduced, and the extent to which these affect landowners will depend on what further fiscal powers are devolved to Holyrood.

In confronting these challenges, there is one important lesson from the independence debate. The Better Together campaign was diminished by the pro-independence lobby for being negative. In arguing against change, it is hard not to appear negative. So landowning interests must engage with politicians to demonstrate the positives, because ultimately it is the politicians who will frame the legislation that landowners will have to live with.

To this end, the lead provided by the landowners' representative body, Scottish Land & Estates, is welcomed. In the week of the referendum, it launched the Landowners' Commitment, reflecting its desire to express the positive story of landowners in Scotland. This is to be welcomed, because the message is indeed overwhelmingly positive.

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Performance review

With minimum energy efficiency standards required for rental properties by April 2018, landlords should investigate the range of initiatives available to owners to help upgrade their properties

When it comes to energy consumption, British homes are some of the most inefficient in the world. More energy is used in our housing than in our industry or road transport, and our stock of mostly 20th-century buildings simply leak heat like sieves.

To combat this waste and help the UK meet its tough greenhouse-gas emissions targets, the government is encouraging homeowners to slash their fuel bills. For owner-occupiers, that means incentives – subsidised insulation, grants and home-improvement loans under the Green Deal scheme. For landlords, too, there are incentives – but there is also a hefty stick to go alongside the carrot.

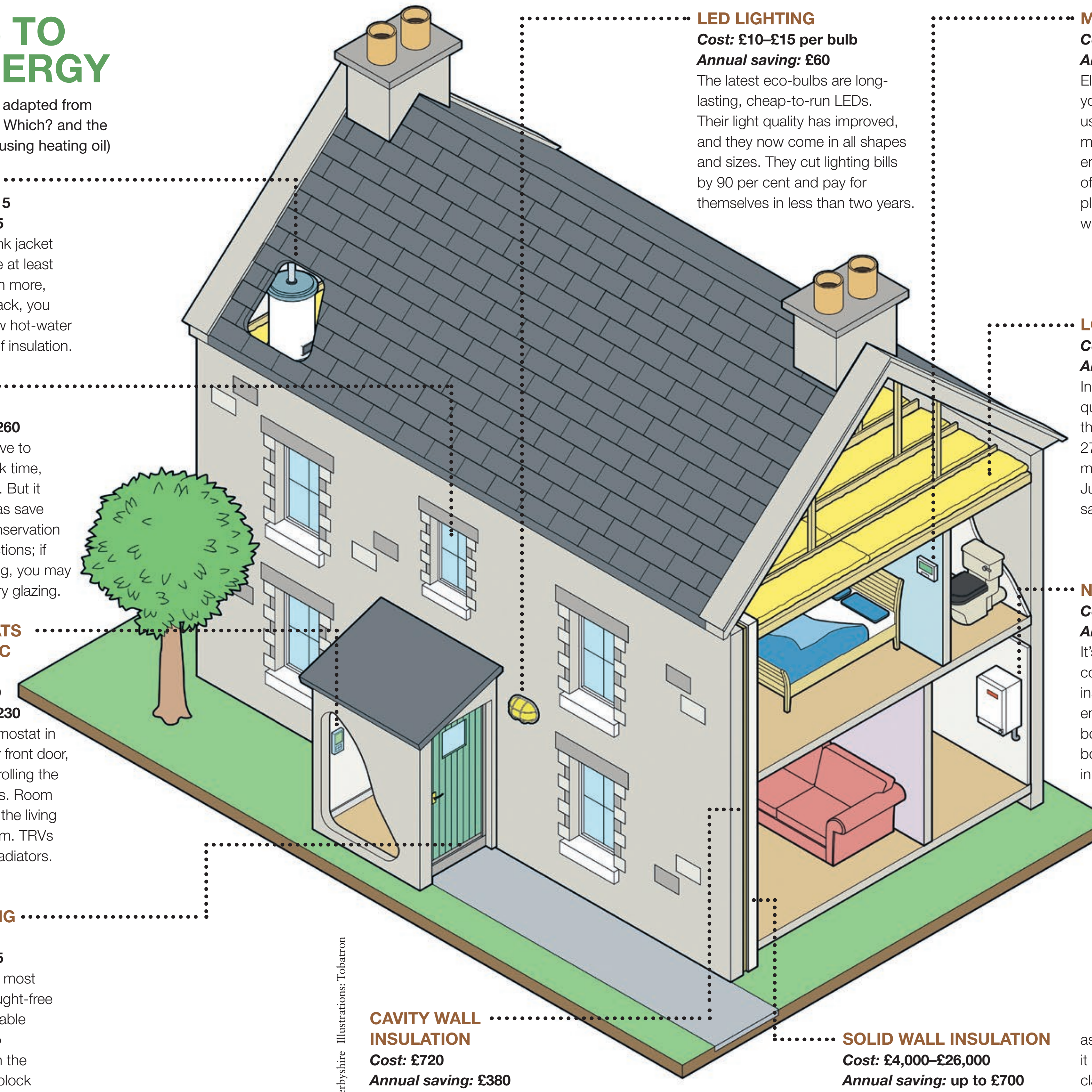
The Energy Act 2011 states that by April 2018, landlords will be able to let only those properties with a minimum standard of energy efficiency, or that have been upgraded with all the works specified under the Green Deal and other subsidy initiatives.

Rental properties must already have an Energy Performance Certificate (EPC). These estimate the amount of energy needed to heat and light a home and assign it a band, from A (for the most efficient) to G (for the least). They are valid for 10 years and, if dated after 1 April 2012, there is no need to get a new one to qualify for Green Deal funding.

Although the standard needed by 2018 has not yet been established, the consensus is that it should be Band E. Landlords will only be allowed a rating below this if they can show that they have done everything they can under ➔

10 WAYS TO SAVE ENERGY

(Cost and saving figures adapted from the Energy Saving Trust, Which? and the Carbon Trust, based on using heating oil)



Words: David Derbyshire Illustrations: Tobatron

HOT-WATER TANK INSULATION
Cost: **£15**
Annual saving: **£30–£55**
A well-fitted hot-water-tank jacket is essential and should be at least 74mm thick. To save even more, albeit with a slower payback, you can spend £500 on a new hot-water tank with a built-in layer of insulation.

DOUBLE GLAZING
Cost: **£2,500–£5,500**
Annual saving: **up to £260**
Double glazing is expensive to fit and has a long payback time, often more than 15 years. But it will reduce noise as well as save on fuel. If you live in a conservation area, there may be restrictions; if you live in a Listed building, you may only be allowed secondary glazing.

ROOM THERMOSTATS AND THERMOSTATIC RADIATOR VALVES (TRV)
Cost: **£300–£400**
Annual saving: **£100–£230**
Many homes have a thermostat in the hall next to a draughty front door, making it useless at controlling the temperature in living areas. Room thermostats should be in the living room and master bedroom. TRVs can be fitted cheaply to radiators.

DRAUGHT PROOFING
Cost: **£100**
Annual saving: **£15–£75**
Usually the cheapest and most effective investment. Draught-free houses are more comfortable at lower temperatures, so occupants can turn down the thermostat. You need to block draughts around doors, windows, suspended floors and unused chimneys, but take care to leave some form of ventilation.

LED LIGHTING
Cost: **£10–£15 per bulb**
Annual saving: **£60**
The latest eco-bulbs are long-lasting, cheap-to-run LEDs. Their light quality has improved, and they now come in all shapes and sizes. They cut lighting bills by 90 per cent and pay for themselves in less than two years.

MONITORS
Cost: **£20**
Annual saving: **varies**
Electricity monitors that tell you how much energy you are using are an effective way to monitor your usage. They encourage people to switch off lights, turn off TVs, DVD players and computers at the wall, and avoid waste.

LOFT INSULATION
Cost: **£395**
Annual saving: **up to £350**
In a badly insulated home, a quarter of heat escapes through the roof. Houses need at least 270mm of loft insulation, yet many have just 100mm or none. Just topping up insulation can save £25 a year.

NEW BOILER
Cost: **£2,500**
Annual saving: **up to £700**
It's worth considering a new condensing boiler if yours was installed before 2006 – the year energy-efficient condensing boilers became mandatory. New boilers can pay for themselves in less than 10 years.

CAVITY WALL INSULATION
Cost: **£720**
Annual saving: **£380**
Houses built after 1920 usually have cavity walls that can be filled with insulated foam, beads or mineral wool. Those built in the past 10 years should have cavity wall insulation already. If you are installing it from scratch, it usually pays for itself in four years.

SOLID WALL INSULATION
Cost: **£4,000–£26,000**
Annual saving: **up to £700**
Solid walls let through twice as much heat as cavity walls. Internal walls can be clad with insulating boards, but as each is around 10cm thick, it makes rooms smaller. External cladding can improve the appearance of ugly homes and protect brickwork, but is more costly and may require planning permission.

‘On a typical rural estate, 30–40% of rental properties will fail the 2018 minimum energy efficiency standard’

the Green Deal and other subsidy schemes to bring the property up to an E or higher.

According to Alexander Creed, Strutt & Parker’s Head of Resources & Energy, a shocking number of properties on rural estates fail to meet that target. ‘I know of one estate where 57 properties were assessed for EPCs and 56 failed,’ he says. ‘That’s an extreme case, but on a typical rural estate, around 30–40% will fail to meet the 2018 standard.

‘As the price of energy continues to increase, it will be harder to find tenants who can afford energy bills in houses that haven’t been made more energy efficient. Fewer people will want to rent them, there will be less rental income and they will be much harder to market.’ It is not just domestic rental either – it affects commercial units too, he adds.

Although this represents a potential problem, says Kieran Crowe, of Strutt & Parker’s Resources & Energy team, there is also a range of incentives that owners can use to help them prepare for 2018. Indeed, one of the most useful – the Green Deal Home Improvement Fund, launched in June – appears to have been too successful. This £120-million cashback scheme offered £7,600 for home-efficiency improvements – with landlords of multiple properties eligible for up to £160,000 – but ran out of cash by the last week of July and was suddenly closed. It is possible that it will reopen with smaller grants.

Remaining initiatives include the Green Deal loan scheme, which homeowners and occupiers can access to fund insulation with the loan being repaid via savings on bills. However, the scheme is complex and its interest rates uncompetitive. Only 3,898 households had taken up the offer by the end of July.

There is also the Renewable Heat Incentive (RHI), designed to encourage carbon neutral heating in homes and businesses. The domestic RHI, launched in April, pays a guaranteed tariff for every unit of heat generated for seven years. For a ground-source heat pump, the tariff is 18.8p per kW/h; for a biomass boiler, it is 12.2p per kW/h. The scheme also covers air- and water-source heat pumps and solar thermal panels.

If landowners have several properties clustered together, they could be eligible under the non-domestic RHI initiative for a district-heating scheme, where, for example, a biomass burner would heat a handful of homes. Landlords can also get assistance through the Feed-In Tariff scheme, under which energy companies pay for each unit of electricity generated. This scheme covers solar photovoltaic, wind, hydroelectricity, anaerobic digesters and micro combined heat and power schemes.

Strutt & Parker can offer specialist advice to landowners, whether they have one or 100 properties to upgrade, points out Creed. ‘We can provide strategy to mitigate the risk,’ he says. ‘It’s good to start now as there is ample time ahead – and if you have no cash on the estate, there is a range of support payments to assist.’

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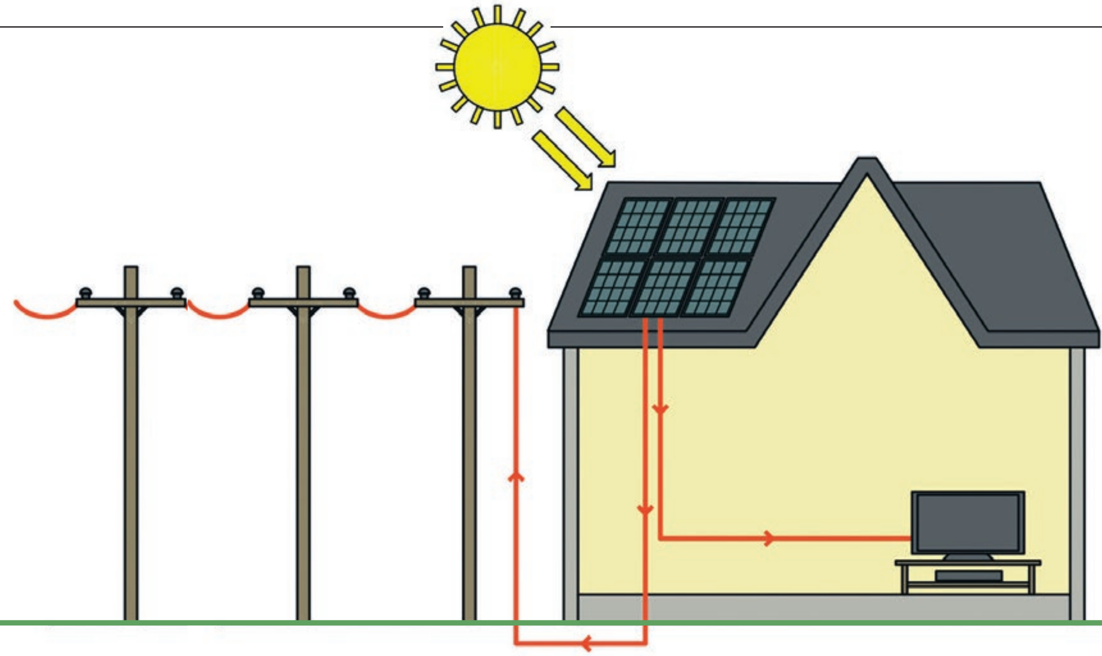
HOME ENERGY UPGRADES

These technologies generate carbon-neutral power and heating – as well as a return on your investment through government incentives



SOLAR PHOTOVOLTAIC (PV)

***Cost:* £7,000**

***Annual savings and income:* £785, including Feed-In Tariff income**

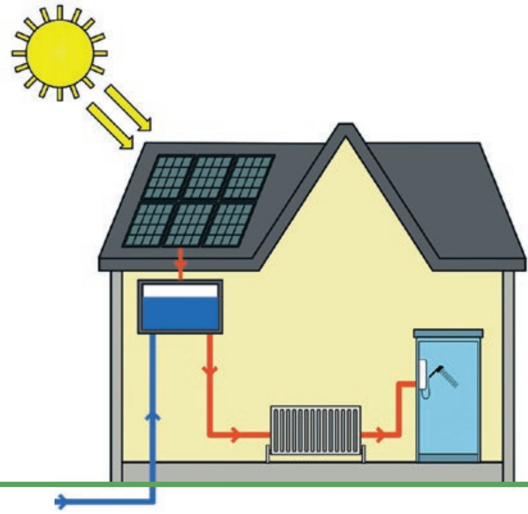
Solar PV panels convert sunlight into domestic electricity. They can fit almost any size of roof and, once installed, need little maintenance. The best performance comes from south-facing pitched roofs.

SOLAR WATER HEATING

***Cost:* £4,800**

***Annual savings and income:* from £360, including RHI income**

These are panels on your roof that heat up water for your bath, shower and central heating. On average, it can provide up to half your hot water over a year. They need 2–4 sq m of roof space and a roof within 90˚ of a south-facing aspect.

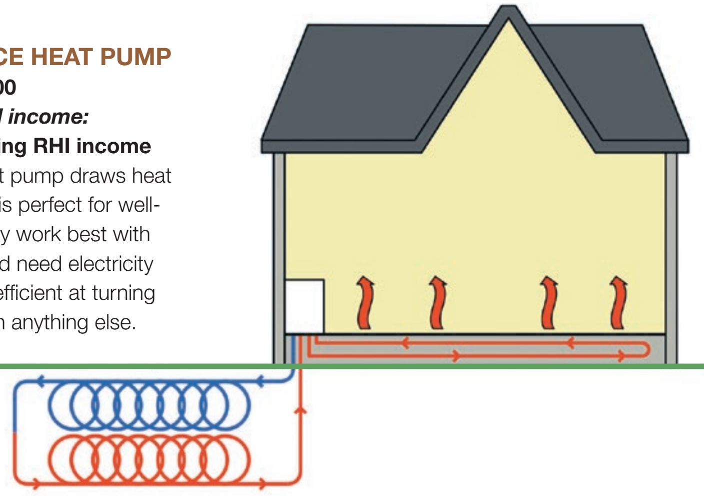


GROUND-SOURCE HEAT PUMP

***Cost:* £9,000–£17,000**

***Annual savings and income:* from £1,800, including RHI income**

A ground-source heat pump draws heat from the ground and is perfect for well-insulated homes. They work best with underfloor heating and need electricity to run, but are more efficient at turning electricity to heat than anything else.

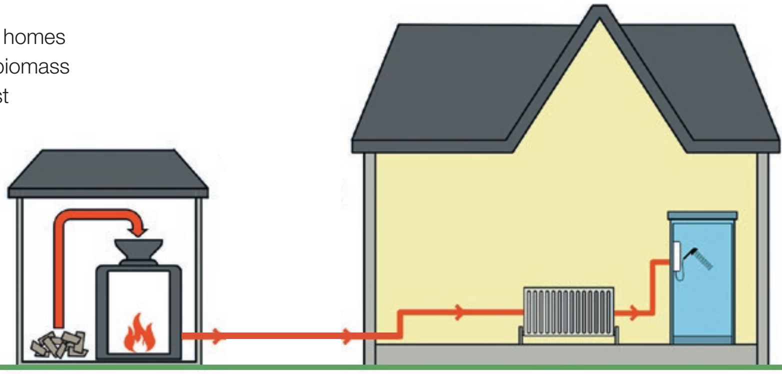


BIOMASS GENERATOR

***Cost:* £4,300–£13,000**

***Annual savings and income:* £1,700–£2,000, including RHI income**

Particularly good for homes without mains gas, biomass generators work best in district schemes shared between several properties. Wood pellets or chips should be cheaper than oil and a similar cost to natural gas.

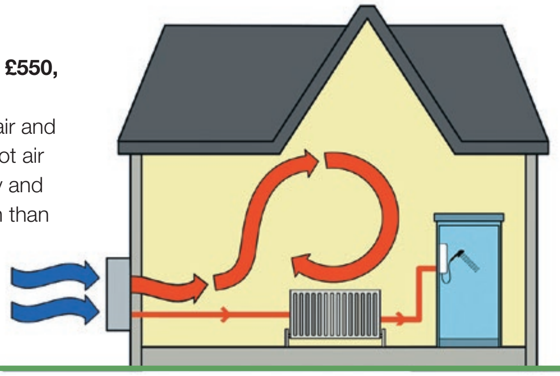


AIR-SOURCE HEAT PUMP

***Cost:* £6,000–£10,000**

***Annual savings and income:* from £550, including RHI income**

These absorb heat from the outside air and either release it inside the house as hot air or use it to warm up the water supply and radiators. They are harder to maintain than ground-source systems, and some can have just a 12-year lifespan. Savings are higher – up to £1,000 – if you switch from oil or gas.



It's over to you now...

Succession is one of the biggest challenges facing landowners – but it is one that is definitely best tackled head on to avoid further problems down the line

It is said that only two things in life are certain: death and taxes. And although never truer than when it comes to rural estates, many landowners, while accepting the inevitability of the latter, try to avoid or procrastinate addressing the former. But as land management spans generations and most landowners wish to preserve their estates for their heirs, they must broach the sensitive subject of their own mortality in order to plan ahead to pass on their assets in the most suitable and tax-efficient manner possible.

Having worked with the same clients for many generations, Strutt & Parker has developed a deep understanding of the common succession issues that affect landowners. Now, in partnership with the CLA, Strutt & Parker is running a series of meetings designed to help landowners draw up their succession plans and prepare the younger generation to take on the mantle. The first meeting – 'Successful succession: it's good to talk' – explored the best ways to broach the subject and work within the family to find the most suitable option for each individual business.

'Every family and business is different, so there is no "one size fits all" when it comes to succession planning,' says Ralph Crathorne, Strutt & Parker Partner in Land Management. 'However, there are many common concerns and mistakes that people encounter, so it can help to draw on other landowners' experiences and to bring in an independent expert to facilitate the discussions.'

There are three vital questions that must be confronted. When are you going to hand over your assets? Who is going to inherit them? How are you going to approach and structure the handover? 'One of the most important aspects to successful succession planning is transparency and managing peoples' expectations,' says Crathorne. 'That is why it is so important to talk – but we understand that it is not always easy to do so.'

Often, families find it helpful to bring in an independent facilitator to navigate the potential pitfalls and take the emotion out of what can be a stressful discussion. Working with other professionals and accountants can also help, although it is important not to let tax drive your decisions, says Crathorne.

'One of the most common difficulties that the older generation has is how to treat all their children equally. Sometimes an estate cannot support the whole family, so how can they preserve the business without treating some of their children unfairly?' Often, assets can be divided into farming assets and non-farming assets, and handed on in that way. But where this is not possible, having a frank discussion with the whole family present can really help.

'THE WORST THING IN ANY INHERITANCE IS A NASTY SURPRISE – IF PEOPLE KNOW WHAT TO EXPECT, THEY CAN COME TO TERMS WITH IT'

'Explain the reasons behind your decision, and make sure your chosen heir actually wants to take over the business,' says Crathorne. 'Don't make assumptions about what other people want. Often, they may surprise you. The worst thing in any inheritance is a nasty surprise – if people know what to expect, they can come to terms with it and avoid family disagreements down the line.'

Another common mistake is not allowing the younger generation to have an active, decision-making role in the business, he adds. 'Giving up control can be extremely hard, but if your heir feels that they aren't trusted, he or she may become frustrated and could even leave the business rather than continuing to work within the family.'

Of course, the older generation must also provide for themselves during their retirement. They should take care that for tax purposes, they don't hand everything over to their heirs, thus leaving themselves financially dependent on them in the process.

'There is always a huge amount to consider when it comes to succession planning – but the alternative could, at worst, break up both your family and your estate,' says Crathorne. 'It may be difficult, but it is good to talk, so get on and take the first step.'

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Words: Olivia Cooper Photography: Corbis

WHAT IS THE SUCCESSORS' CLUB?

A joint venture with the CLA, the Successors' Club meets three times a year in London, and is aimed at those who are five years either side of a succession. Each meeting revolves around a key issue chosen by the group, and includes technical detail as well as the opportunity to mix with like-minded people in an informal after-work atmosphere. Recent topics have included how to appproach succession discussions, developing strategic goals to maximise an heir's enjoyment of the estate, and business structures to facilitate succession.

The next meeting will be held in the new year at Strutt & Parker's head office at 13 Hill Street, London W1J 5LQ. Meetings are free to join – to express your interest, please contact Ralph Crathorne on 01227 473716 or email *ralph.crathorne@struttandparker.com*

REAL-LIFE SUCCESSION PLAN FAILURES TO AVOID

- A father became incapacitated, and his heir and business partner discovered huge hidden debt in a private bank account that he was due to inherit.
- A son and partner in the business didn't realise that his father hadn't allocated any profit to him over the years. His personal drawings had therefore left him hugely in debt to his father. Despite a family fall-out, he could not leave the business.
- The pressure of being heir-in-waiting for decades, with all the responsibilities but no authority, led to the heir having a breakdown.
- Excessively complex tax planning resulted in land being owned in multiple trusts with multiple beneficiaries, who had conflicting objectives – leading to a very unhappy estate.
- Overzealous tax planning by parents led to very wealthy grandchildren but an impoverished son.
- Fifteen years after the death of their father, siblings wanted to swap the properties left to them, but by that time the Capital Gains Tax liabilities prevented them from doing so.
- The younger generation were so confident of their succession that they never took on gainful employment, only to find that the estate could not support their lifestyles.
- Siblings became crippled by envy when the eldest son and heir sold the estate following their father's death, resulting in a family breakdown.
- A father was pre-deceased by four of his heirs over a 30-year period.

STAY IN OR GET OUT?

Would the British countryside be better off if we left the EU? In a fiery debate at this year's CLA Game Fair, four panellists presented forthright views on whether leaving Europe would be good or bad for our rural economy

Held on a sweltering July weekend in the grounds of Blenheim Palace in Oxfordshire, this year's CLA Game Fair attracted huge crowds, many of whom flocked to a packed CLA Game Fair Theatre – sponsored by Strutt & Parker – for the debate on the impact of the European Union on the British countryside. The star turn on the four-person panel was Nigel Farage, Leader of the UK Independence Party (UKIP), who elaborated on his party's vision of a Britain freed from the shackles of European legislation. Ian Coghill, Chairman of the Game and Wildlife Conservation Trust, was sanguine about the EU, asserting that legislation from Brussels is no worse than that of our own government. *Daily Telegraph* columnist Robin Page stridently claimed that rural Britain was being 'trashed' due to overpopulation, and Ross Murray, Deputy President of the CLA, proposed that it's better for the UK to attempt to reform the EU from within.

Words: Marc Grainger Photography: Strutt & Parker, Ben Evans, Nick David

NIGEL FARAGE
Leader, UK Independence Party

For over 40 years, British agriculture has been under the control of our friends in Brussels. But there is a fundamental change taking place in British politics because the penny has dropped: 75% of our laws are made somewhere else.

UKIP is for maintaining the single farm payment, albeit with a taper on the larger land blocks – so in the short term, the effect on British agriculture of us leaving would be negligible.

> 'A CHANGE IS TAKING PLACE AS THE PENNY HAS DROPPED: 75% OF OUR LAWS ARE MADE SOMEWHERE ELSE'

The endless series of regulations drives farmers bonkers. I'm sure many of you have incurred a huge cost removing white asbestos. From what I can work out, it isn't much more dangerous than talcum powder. What about food labelling? The Red Tractor is a con, because many things that are labelled with that have actually been part-produced or processed inside the EU.

To those landowners who have benefited from wind turbine subsidies, UKIP is not the party for you. We will not transfer taxpayers' money to rich people for a technology that blights our countryside, brings no benefit in CO_2 emissions and will put up energy prices by 20% by 2020. But for those who believe we should run our own country and our own agriculture, we will have a referendum, you will have a voice – and in the long term, being back in charge of our own land management will bring benefits for the British countryside.

IAN COGHILL
Chairman, Game and Wildlife Conservation Trust

The world we find ourselves in is complicated, slippery, contradictory and unfair. Any system that has 60 million or 600 million people run by 150 or 200 is going to suffer from compromises and bad decisions. The jury is out as to whether you can make better decisions in the parish council at Chipping Norton or in Brussels.

So it's not entirely clear that where the governance comes from is the critical issue. Is the EU good or bad for the countryside? Yes! My view is that if you substitute the EU with any other administrative body, you get the same answer.

> 'THE EU DOES DO DAFT THINGS, BUT OUR SPLENDID PARLIAMENT HASN'T GOT A GOOD TRACK RECORD EITHER'

The EU does do daft things. Recently, they wanted to protect all of Europe's permanent pasture after 2015. They made the mistake of telling everybody who owned permanent pasture that if it hadn't been ploughed by 2015, they'd protect it. So everybody ploughed it up.

Would it be better if we got out and left everything to our splendid parliament? Well, it's got a good track record, hasn't it? The Dangerous Dogs Act, [banning] beef on the bone, badgers, and finally, hunting with dogs. There was more time spent in the parliament that banned hunting with dogs than on the Iraq war, education and social services combined, and it produced a piece of legislation which is both disgusting and incompetent.

My view is simple: there is no perfect method of government, so let's make the best of what we've got. →

What the audience said

"NIGEL FARAGE IS TO BE CONGRATULATED... HE'S UPSET THE APPLE CART BRILLIANTLY"

"I FEEL THAT THE EU TENDS TO INTERFERE WITH MOST THINGS WE TRY TO DO"

"TWO WORDS – VALUES AND TRADITION – I THINK MAY BE DILUTED IN THE EU"

ROBIN PAGE
Countryside correspondent for the *Daily Telegraph*

I'm seeing the countryside that I love trashed before my very eyes. The population is out of control, and population and the environment should not be considered separately.

The EU's freedom of movement means that we're back to a Europe in which people cross the whole continent to come here, and we can do nothing about it. This is not a racial problem, it is an environmental problem. Our population is already 64 million; it's going to be 71.4 million by 2030. The population in the southeast is going to rise by 23% by 2035. By 2050, the rivers in the driest parts of the UK will be flowing at 35% less than they are now.

'WHETHER WE LEAVE OR STAY IN THE EU, THE COUNTRYSIDE IS KNACKERED AND OUR FARMS AND WILDLIFE ARE DOOMED'

We are building at an absurd rate. There is already a demand for seven million hectares of land that we haven't got. That demand is for the multiple needs of 70 million people: more food, more space, more energy – we are now growing biofuels as our self-sufficiency in food disappears.

We are on a downward slope and we have to change people's perceptions, but we cannot if we're not given an opportunity – most of our MPs and our media are urban. So whether we come out of or stay in Europe, the countryside is knackered, our farms are doomed, and our wildlife is doomed as well. We need to get back on the streets like we did 12 years ago to fight for our countryside.

ROSS MURRAY
Deputy President, CLA

Why should we remain in the EU? Well, €25 billion over the next seven years for starters, not just in direct payments for farming but also through the Rural Development Programme. In England alone, with the value of farming at £7.5 billion, CAP support in 2012 was just over £2 billion, or 27%. Agricultural subsidy is as much as 60% in Norway and over half in Switzerland, so the argument that we can survive and compete against others who will still receive public funds is a complete fallacy. Would a UK government support homegrown farming to this extent? I doubt it very much.

'WOULD A UK GOVERNMENT SUPPORT HOMEGROWN FARMING TO THE EXTENT THAT THE EU DOES? I DOUBT IT VERY MUCH'

If you want to moan about EU legislation, bear in mind that it is often gold plating by our own politicians that causes the problem. The EU is exasperated by our inability to rid this island of bovine TB.

I understand that immigration is a contentious issue. But be under no doubt that fruit and vegetable farming is totally dependent on a willing source of seasonal labour.

What UKIP proposes is isolation dressed up as independence in a highly interdependent world. We'd be mad to bolt now. Stick with it, seek marriage guidance counselling and reform our ways of operation. We countrymen have to look after ourselves, even if it means welcoming the support that EU membership brings.

' IT SHOULD BE UP TO THE UK TO DETERMINE WHAT WE DO, NOT THE EU'S FACELESS BUREAUCRATS '

' WHAT'S APPROPRIATE FOR US MAY NOT BE APPROPRIATE FOR OTHER COUNTRIES '

' I DON'T KNOW ALL THE PROS AND CONS, BUT I THINK WE'D BE BETTER OFF OUT '

' YOU CAN TALK THE TALK ABOUT SUBSIDIES, BUT OUR NATIONAL SOVEREIGNTY IS AT STAKE '

Can the growth in farmland values last?

By Mark McAndrew,
Estate & Farm Agency Department

The performance of farmland values in recent years has been phenomenal, but concerns have begun to surface about a potential bubble. So it is a good time to compare farmland's investment performance with other assets and look at what might be in store in the future.

The UK farmland market is seeing ever-increasing interest from investors ranging from private individuals and family offices to charities, universities and financial institutions. This interest stems from our transparent legal system, political stability and established markets, among other factors.

Farmland has been seen as a 'safe' investment in the recent unsettled economic times. Most importantly, during the past 20 years, tenanted farmland has consistently generated double-digit returns both in the short and the longer terms (see 'Rural return benchmarking: total returns' graph, page 28), achieving average annual returns of 12.7%, compared with 7.4% for the equities market and 8.4% for the commercial property market. However, over a 33-year period, it has been outperformed by these sectors – with annualised returns of 8.6%, compared with 12.1% for equities and 9% for commercial property.

Over the long term, the main source of returns on investment in farmland has been capital growth and a rise in gross rents. In recent years, income returns have fallen to such an extent that capital growth has contributed the lion's share of total returns. This has led to murmurs of a price bubble – investors always get nervous when capital growth becomes the principal source of returns.

However, the key point is the degree to which gross rents are able to drive capital growth. Rents from farmland grew at 8.8% in the past five years and at 3.8% over 20 years (see 'Drivers of rural returns' graph, page 28). In comparison, commercial property rents grew at just 1.8% per annum between 1993 and 2013.

But deciding whether to invest in farmland isn't just about taking a view on likely absolute returns. A number of other factors complicate the matter.

Rents and expected future rents from farmland are linked to expectations of commodity and food prices. Commercial property rents, on the other hand, correlate more directly with UK economic growth. With this independence from GDP performance, tenanted farmland can help to diversify investment portfolios, potentially performing relatively poorly during a boom in the equity and wider property markets, but helping to provide balance during leaner periods.

'A STRONG DRIVER FOR PRIVATE INVESTORS ARE THE TAX ADVANTAGES OF OWNING LAND'

A strong driver for private investors are the tax advantages of owning land. These benefits do not appear in the total returns I referred to at the outset, but they have a big impact on the ultimate net financial returns to a private investor or family nonetheless.

So what does the future hold? We expect that returns will moderate somewhat in the years to come. Agricultural commodity prices fell marginally in 2013 and have fallen significantly in 2014. But investor demand remains strong, helped by the sector's diversification and tax attributes. Consequently a capital value shock feels unlikely, even against a background of moderating rents.

In the longer term, rises in agricultural commodity prices are likely to come from future population growth, the effects of climate change, the use of land for biofuels, and an increasing demand for meat among the growing middle class in the developing world. Conversely, improvements in farmland yields from technological innovation will prove the key counterweight to such pressures. Falling demand for food could also reduce prices, although that seems unlikely considering the projected growth in the global population.

Thomas Malthus was famously proved wrong about the ability of the Earth to support an increasing population. However, the likely demand for food suggests that he could yet be proved right. Technological improvements may head off his forecasts of doom, but even if we see weak food pricing for a period, you wouldn't blame investors for hedging their bets and including enough farmland in their portfolio to ensure that he is not laughing at them from beyond the grave.

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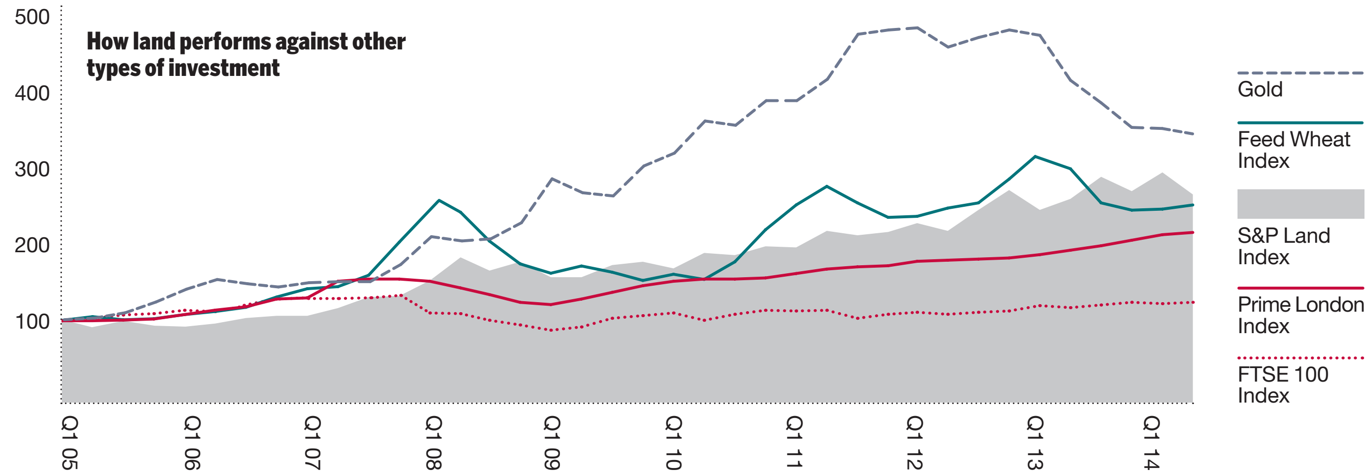
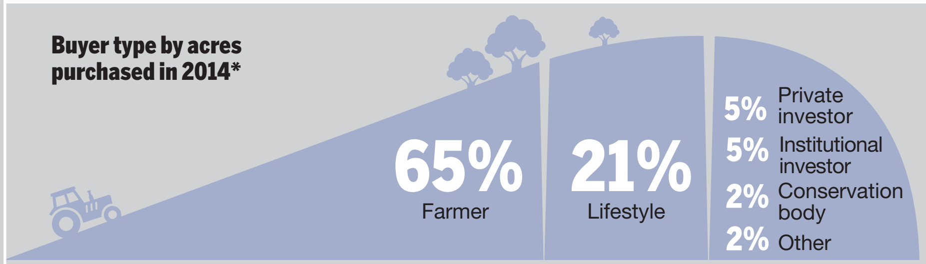
The investment performance figures, including capital growth, quoted in this article are based on the IPD UK Annual Rural Property Index. This is a valuation-based index and is in contrast to the transaction-based Strutt & Parker Farmland Index.

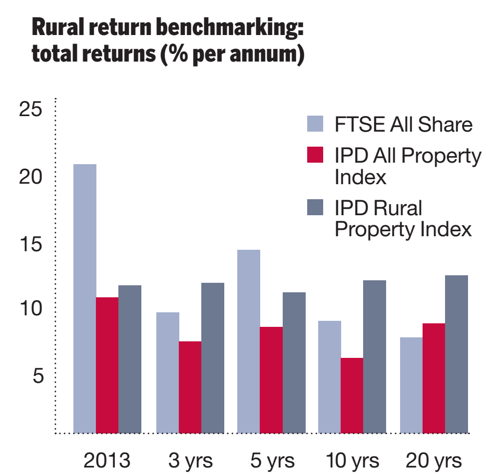
How the land lies

Key statistics and research from Strutt & Parker

LAND



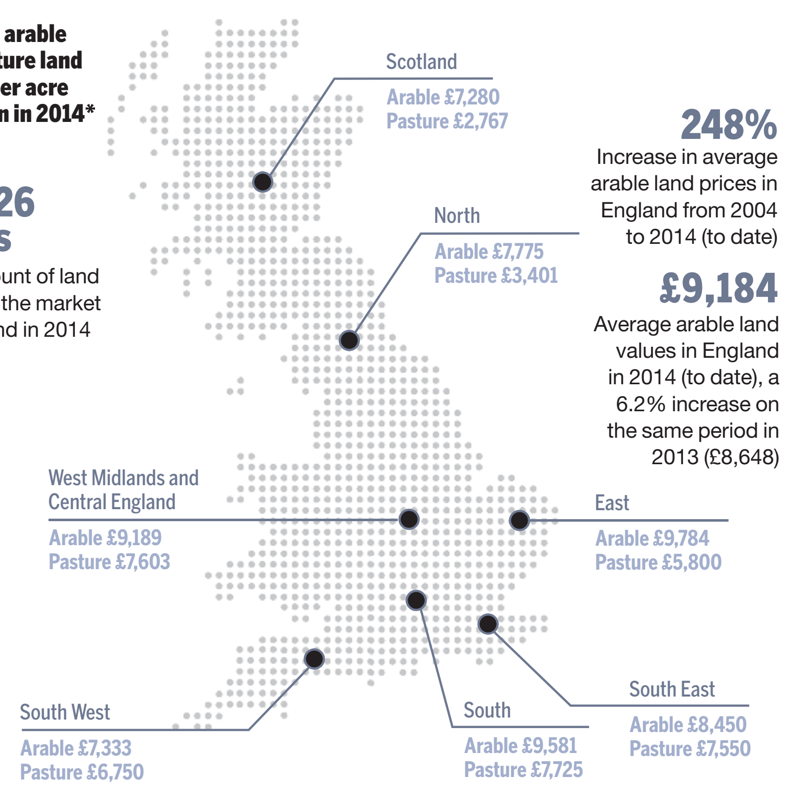




Average arable and pasture land values per acre by region in 2014*

64,126 acres

The amount of land entering the market in England in 2014 (to date)

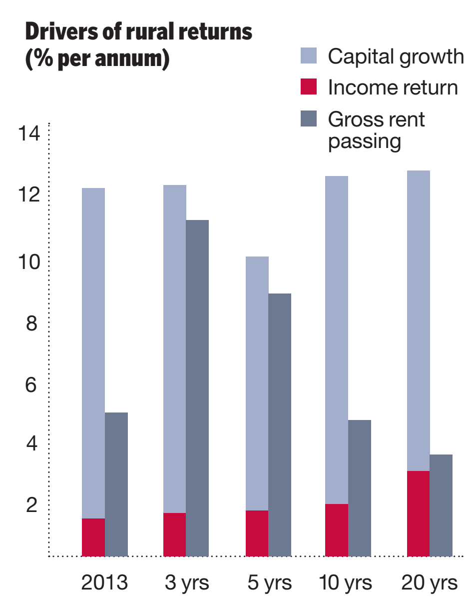


248%

Increase in average arable land prices in England from 2004 to 2014 (to date)

£9,184

Average arable land values in England in 2014 (to date), a 6.2% increase on the same period in 2013 (£8,648)



*Data accurate to 31 August 2014 unless otherwise noted

COMMODITIES

Arable crops (per tonne)

Milling wheat
- **£140** Oct 2014
- **£164** Oct 2013

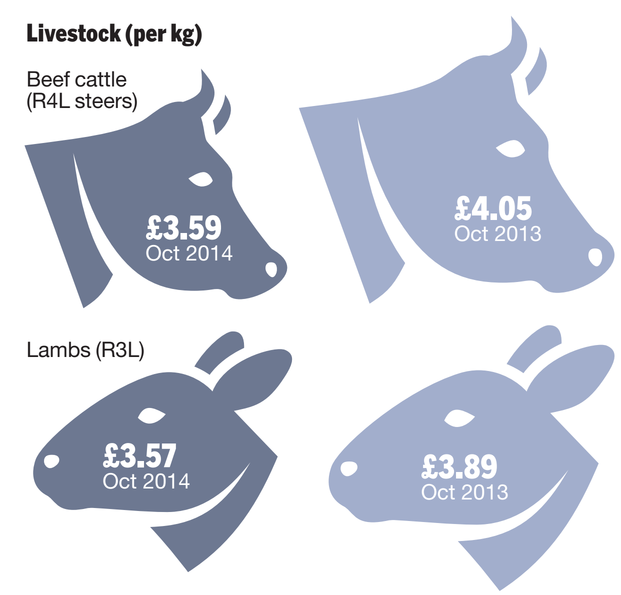
Beans
- **£164** Oct 2014
- **£222** Oct 2013

Feed wheat
- **£101** Oct 2014
- **£154** Oct 2013

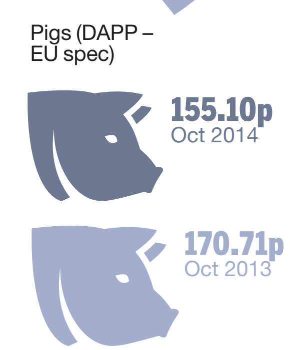
Feed barley
- **£100** Oct 2014
- **£132** Oct 2013

Oilseed rape
- **£228** Oct 2014
- **£294** Oct 2013

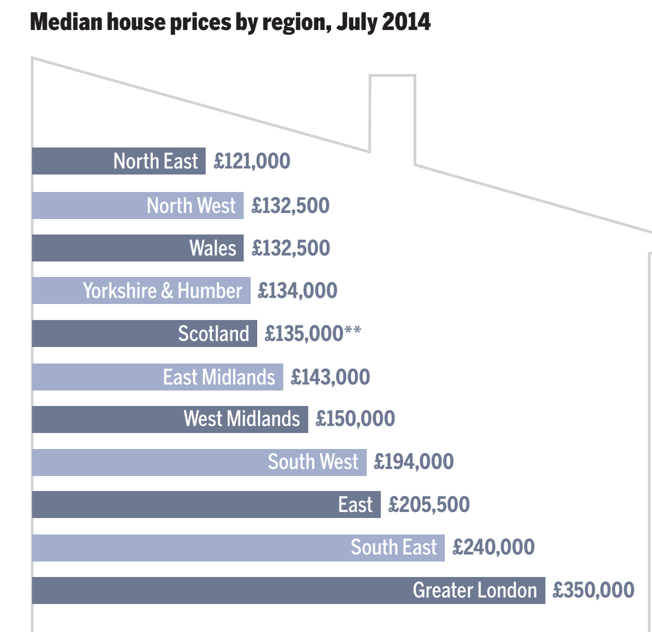
Livestock (per kg)



Milk (per litre)

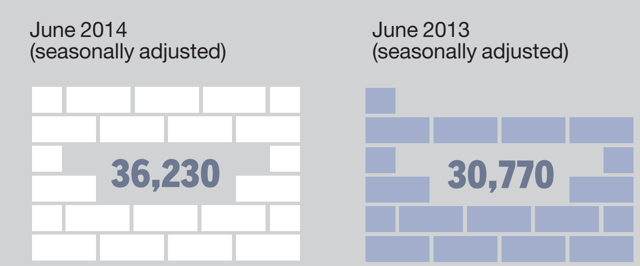


RESIDENTIAL PROPERTY



**Data for Scotland for June 2014

Housebuilding starts in England



Housebuilding

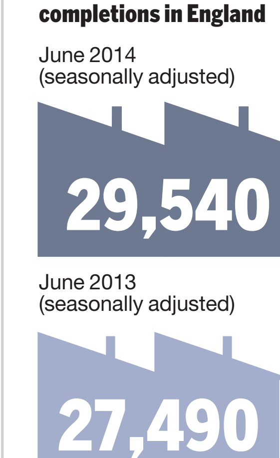
137,780

annual housing starts in the 12 months to June 2014, an increase of 22% compared with the previous 12 months

114,440

annual housing completions in England in the 12 months to June 2014, an increase of 7% compared with the previous 12 months

Housebuilding completions in England



Sources: Strutt & Parker Farmland Database, Property Database, DCLG, Savills Property Index, Yahoo Finance, IPD, Financial Times, Defra, Land Registry, ONS, Farmers Weekly

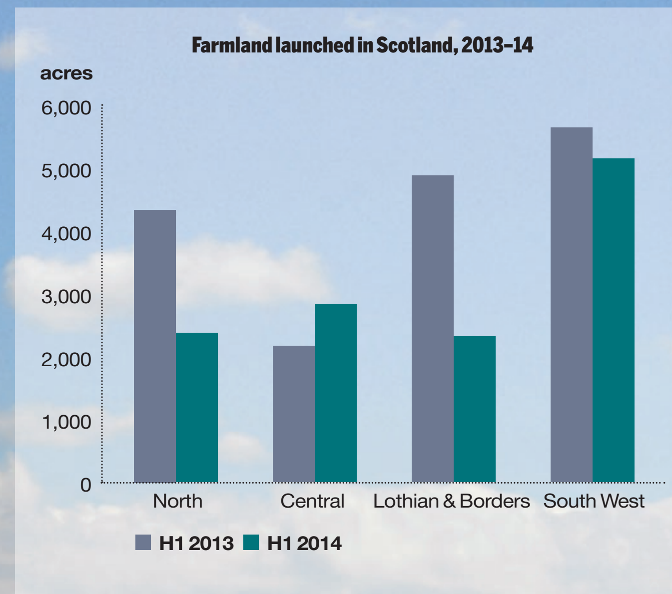
Regional update / Scotland

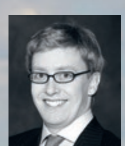
A lack of arable acres in 2014 has continued to drive up the value of prime land. There was a slow start to the year, with fewer than 10 farms coming to the market before June, and the total area of land offered for sale was down by about 4,500 acres compared with this time last year. Livestock farms and small blocks of bare arable land have dominated, and a lack of commercial arable farms accounts for the variance.

No prime commercial arable farms have come to the open market in 2014 – compared with six in 2013, all of which sold competitively and at closing dates. Such units are sought after by buyers from outside Scotland, particularly those from southern England who can often double their acreage by buying in Scotland. Demand for these units is also fuelled by the fact that they make up less than 5% of the whole of Scotland's landmass.

Correctly priced stock farms continue to find buyers, although the CAP reform is causing some uncertainty due to the sector's reliance on Single Farm Payments. With average arable values continuing to rise since the turn of the year and grassland values remaining constant, the price differential is widening.

The uncertainty in the run-up to the referendum over whether Scotland would vote for independence did cause the market to stagnate. But with Scotland electing to remain in the UK, we have already seen an increased number of enquiries and offers for farms on the market, together with opportunities to win new instructions.





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A portfolio of arable farms – Orwell, Hattonburn and Tarhill: 387 acres with a superb house site overlooking Loch Leven in Kinross-shire. Guide price over £2,450,000

North

The Cragg Estate: agricultural and sporting estate in the Rede Valley. Under offer. Guide price over £3,750,000

Northumberland, Cumbria, Durham, Yorkshire, Lancashire

The North of England has seen little change in land prices over the past 12 months. Postcode differentiation in land prices has undoubtedly become more pronounced, but where realistic guide prices have been set, successful sales have been agreed ahead of expectation.

Neighbouring farmers have remained the strongest purchasers over the past six months, with sale prices from 10% to 25% over the guide prices being achieved in some instances. Where land has been overvalued, vendors have seen slow interest, leaving some blocks of land unsold this year – a rare occurrence in the land market over the past five years.

The investor buyer has become more savvy as they are distracted by other investment opportunities. While we have seen excellent yields across the region in 2014, the low commodity price is having an impact on the extent to which farmers are prepared to go to secure blocks of land in the vicinity. Where vendors and their agents have been realistic, the sales of farms and estates across the region have produced pleasing results.

We remain optimistic about land values. While huge price rises seem unlikely in the short term, continued interest in land from a diverse spectrum of purchasers supports the already strong land market.

With a growing world population, the need to provide food and the desire to be involved in food production is only going to intensify, which will no doubt mean demand will remain strong and thus support capital growth over the medium to long term.

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East Central

Derbyshire, Nottinghamshire, Lincolnshire, Leicestershire, Rutland, Huntingdon and Peterborough, Northamptonshire, Warwickshire

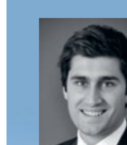
The East Midlands saw a year-on-year decline in land availability of about 15% at the end of Q2. This follows an increase in land coming available in 2013; however, there are signs that a larger acreage may be brought to the market in the autumn.

The price rumours from open-market sales mask a significant number of off-market deals, and this has resulted in a year-on-year increase in land values of more than 13% in the first two quarters.

We have begun to see landowners selling for commercial reasons. Often, this is to release capital to invest elsewhere while continuing to farm on either a contract-farming basis or on a long-term farm business tenancy. There are also an increasing number of farmers wishing to sell in order to move to a larger unit, often further north where land prices are more appealing.

The decrease in commodity prices has reduced farmers' confidence. Consequently, there is slightly less competition for smaller blocks of land, particularly those with a high guide price. However, large blocks of land remain attractive to institutional buyers and individuals looking to make use of potential tax advantages. This continues to drive values upwards, albeit more cautiously.

The autumn will be significant in determining the transactions that will evolve into 2015, and it will be interesting to see if black-grass starts to have an effect on land values. →



Sam Holt, London
020 7318 5172
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13% the average annual increase in land values in the East Midlands

Rewlach Farmhouse: around 177 acres, part of a compact dairy farm with modern facilities and traditional buildings, near Buxton in Derbyshire. Guide price £1,550,000

Strutt & Parker **Land Business**

West Midlands

Worcestershire, Herefordshire, Shropshire, Staffordshire, Cheshire, Wales

The West Midlands has continued to see strong demand, particularly for significant blocks of versatile land. The bulk of demand comes from existing farming businesses: Cheshire's dairy farmers have had an appetite for expansion as pressure on their bottom line has eased. This has resulted in a slight reduction in the level of supply to the market, which has sustained current prices.

Most of the land and farms we have sold since January have exceeded their guide price, with particular premiums paid by farmers who want to ensure that holdings remain in one block. This has pushed the non-agricultural buyers out of the market. One example is a 143-acre dairy unit near Chester that sold for more than £12,000 per acre – 16% over its guide.

Average prices in the region have increased marginally from 2013 to around £9,000 per acre for arable land and £7,500 per acre for pasture. As you move into Wales, there is a greater demand for lowland pasture, tightening the gap between pasture and arable prices. The sale of 24 acres of pasture in North Wales attracted five competitive bids, all of them above the guide price of £9,000 per acre. It was eventually bought by an institutional purchaser, who paid more than £16,500 per acre.

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Green Farm: 143-acre dairy farm in Cheshire. Sold for in excess of the guide price of £1,500,000

East Anglia

Hertfordshire, Norfolk, Suffolk, Essex, Cambridge

The East Anglian farmland market was buoyant throughout the winter of 2013–14, and prices have continued to rise during the first half of 2014. The year began with the sale of Nordelph Farm, near Downham Market, an outstanding 1,618-acre block of Grade 1 commercial farmland. A sale was agreed quickly for a sum that was considerably more than its guide price of £15,750,000. We subsequently experienced a buoyant market throughout the region, with the sale of several blocks of bare land in west Essex (where we broke price records) and also in Cambridgeshire, Suffolk, Hertfordshire and Norfolk, where farms and farmland sold quickly and well.

As we predicted last year, the average price of the region's arable land rose by about 17% to £10,697 per acre in the first half of 2014, well above the national average of £9,184. As farmland values tend to correlate with wheat prices (which are down) and interest rates (which may rise, albeit slightly), the market may plateau in the second half of 2014. However, supply remains scarce and for every farm sold, there are generally a good number of under bidders who remain keen to secure a deal.

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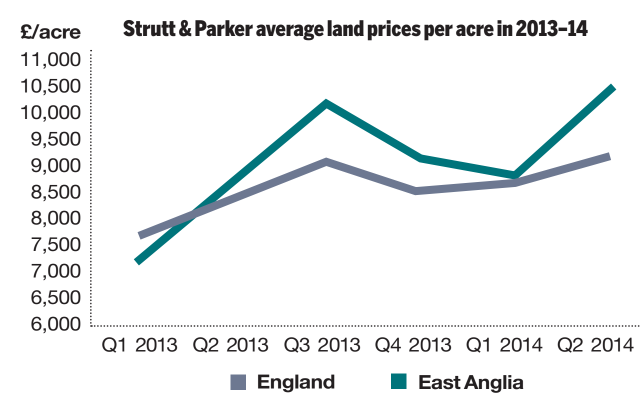
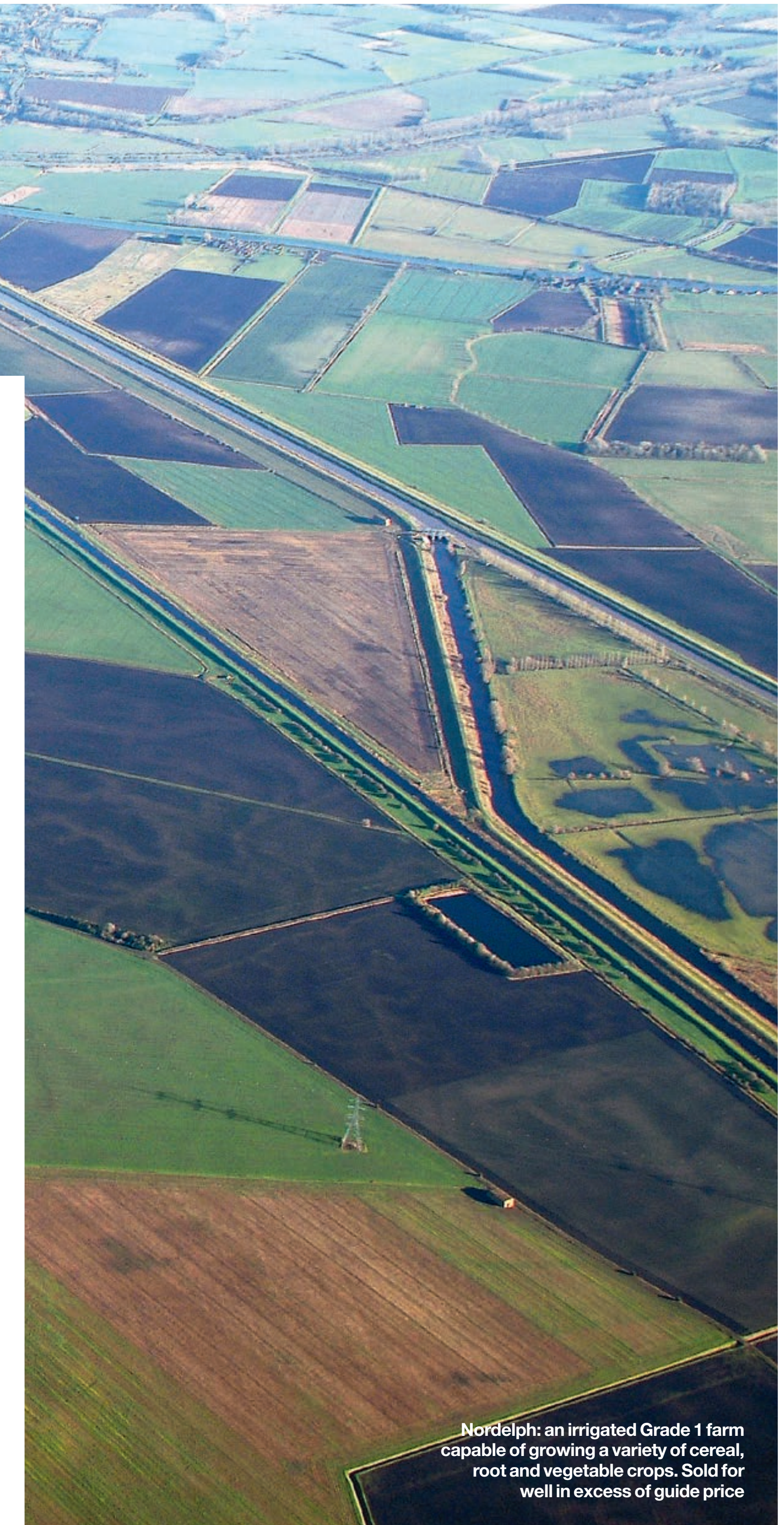
Strutt & Parker average land prices per acre in 2013–14





Nordelph: an irrigated Grade 1 farm capable of growing a variety of cereal, root and vegetable crops. Sold for well in excess of guide price

Central

Bedfordshire, Berkshire, Buckinghamshire, Oxfordshire, Gloucestershire

The market has never been so quiet. Land prices in these five counties are underpinned to a degree by non-farming money, but at the time of writing, the prices of feed wheat, oilseed rape and finished cattle are at an all-time low, with only finished lambs just above their early 2012 low. Farmers appear to have gone into hiding and are reluctant to be either buyers or sellers.

At the beginning of 2013, there were 3,700 acres on the market, and a year later that amount had shrunk to 3,200 acres. The only farm of any size that we marketed in the first six months of 2014 was the Lands of Sparsholt, an 855-acre property on the border of Oxfordshire and Berkshire. There was a smattering of sales in Gloucestershire and Oxfordshire but little or nothing in Berkshire or Buckinghamshire.

Statistics become fairly meaningless when the sample size is so small, but the lowest price paid for arable land was £7,750 per acre and highest more than £10,000 per acre. Like last year, pasture had a similarly wide range – £5,500 to £10,000 per acre – the latter figure being influenced by amenity value.

There appears to be little change on the horizon, but there is still a good number of investors and other non-farming buyers out there, so it might be a good time to sell. ➔

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The Lands of Sparsholt: 855-acre commercial arable farm. Sold for in excess of the guide price of £8,000,000

Strutt & Parker **Land Business**

South East

Sussex, Surrey, Kent

Very little new land has become available in the South East during the first half of 2014, and there has been a drop of 30% compared to the first half of 2013. This is partly why land prices have held strong. The average price of arable land for the six-month period is £8,450 per acre, a healthy increase of £1,000 per acre from Q4 of 2013. The largest block that we sold at the beginning of the year, to an institutional buyer, is Langley Bottom, which is around 730 acres of arable land and woodland.

There appears to be an increasing sense of optimism among buyers in the residential farm and estate market. We have several farms that are either under offer or about to complete, all of which have been the result of competitive bidding. The key here remains to get the pricing right in the first instance in order to attract the initial interest.

Matthew Sudlow, London
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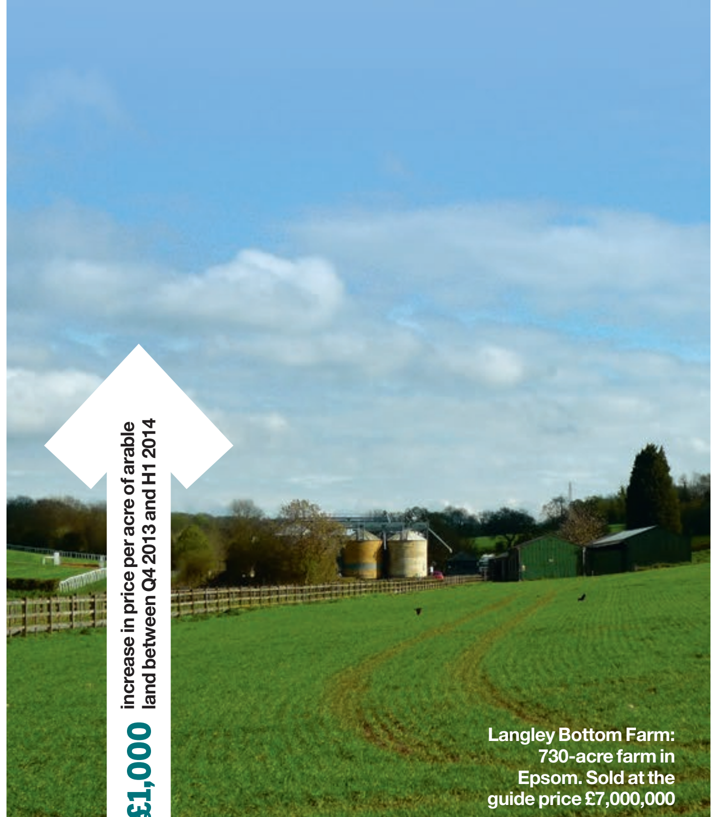

£1,000 increase in price per acre of arable land between Q4 2013 and H1 2014

Langley Bottom Farm: 730-acre farm in Epsom. Sold at the guide price £7,000,000

South West

£7,250+ The average price per acre of arable land in the South West

Trelonk Estate: 330-acre arable farm and fine Georgian house in Cornwall. Guide price over £4,750,000

Cornwall, Devon, Somerset

The land market in the South West continues to be one of two halves. Grade 3 and 4 pasture that doesn't adjoin the land of farmers looking to expand is proving difficult to sell and pricing needs to be sensitive. On the other hand, good-quality arable land and pasture, especially Grade 1 and 2 land, is selling very well, with many large blocks of land achieving more than £10,000 per acre. The average price of arable land is still well above £7,250 per acre, with pasture figures rising.

The same can be said for commercial versus residential farms. These tend to follow the country house market which, although starting to pick up, is still below the peak of 2007. Commercial farms are selling well, as shown with the recently agreed sale of the Trelonk Estate in Cornwall, where we had to ask buyers to submit best and final offers due to the volume of interest.

However, this year's highlight sale is the Bantham Estate in South Devon. This 700-acre estate attracted significant global interest, prompting a sale by best and final offers that exceeded the guide price of £11,500,000.

James Baker, Exeter
01392 229418
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South

Holt Manor: 93-acre estate near Bath. Guide price £6,500,000

Dorset, Wiltshire, Hampshire

The land market in the South of England has followed the national trend, with large-scale commercial arable farms attracting the most interest and commanding the highest prices. Average arable land prices reached £9,581 per acre at the beginning of the third quarter of 2014 – fractionally up from the previous year. Average grassland values are around £7,725 per acre.

In the first half of 2014, only 6,490 acres came to the market, which represents a drop of more than 30% on the previous year. However, this is partly due to a single large property that was sold last year, creating an artificial picture. Nevertheless, the drop in supply is likely to mean that land values remain strong for the coming 12 months.

One highlight instruction that is currently on the market is the outstanding Holt Manor, near Bath – a fine Grade II Listed manor house standing in almost 100 acres of land. Following the successful sales of two other small estates, in Dorset – East Blagdon Farm and Thornhill Park – we expect that Holt Manor will attract a significant level of interest.

Charlie Evans, Salisbury
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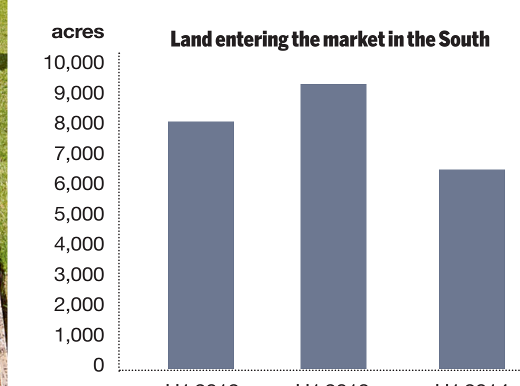

Sales highlights

Bantham Estate
Devon

716-acre coastal estate | 3 farms | 21 properties | Golf course
Guide: in excess of £11,500,000 | Sold September 2014
james.baker@struttandparker.com / 01392 229418

East Blagdon Farm
Wiltshire

232-acre residential farm | 8-bedroom farmhouse
4 cottages | Farm buildings | Guide: £5,000,000
Under offer
charlie.evans@struttandparker.com / 01722 344010

Eastlands Estate
West Sussex

588 acres | 6-bedroom main house | Additional 5 properties
Equestrian facilities | Guide: £11,000,000 | Sold July 2014
matthew.sudlow@struttandparker.com
020 7318 4668

Valuations

Our specialist rural valuers work closely with our team of Estate & Farm agents to ensure they have up-to-the-minute information and an accurate feel for the latest trends in the market. If you are considering selling, please get in touch for a free, no-obligation market appraisal:
mark.mcandrew@struttandparker.com
020 7318 5171

Manton Estate
Wiltshire

2,155-acre quintessential country estate | Substantial equestrian facilities | Principal house | Staff accommodation
Guide: £26,000,000 | Under offer
mark.mcandrew@struttandparker.com / 020 7318 5171

Blackburn Farm
Berwickshire

650-acre arable farm | Farmhouse and 5 cottages
Pheasant shoot | Guide: £4,750,000
Sold December 2013
robert.mcculloch@struttandparker.com
0131 718 4593

Poslingford Hall Farm
Suffolk

830-acre commercial farm | 6-bedroom period farmhouse | Cottage and farm buildings | Guide: £8,600,000 | Sold September 2014
giles.allen@struttandparker.com / 01473 214841

The Grange
East Yorkshire

682-acre arable farm | Farmhouse and 4 holiday cottages | Planning permission for 4 further cottages
Guide: £6,500,000
Sold August 2014
claire.whitfield@struttandparker.com
01670 500870

Q&A

Following his successful eight-year tenure as President of the National Farmers' Union, Peter Kendall was appointed Chair of the levy-funded Agriculture and Horticulture Development Board in April this year. Here he discusses the role of research and development in the agricultural industry

Interview: Dave Flanagan

Why has there been a lack of good independent agricultural research in the past couple of decades?

The 1990s were seen as a period of overproduction, with food mountains and concerns over environmental damage. There was also an exodus of government investment from agricultural science, which was seen as the responsibility of the private sector. At one point, the UK had 17 world-renowned agricultural institutes, but that has been scaled back to around four or five. However, the global food price spikes of 2008, combined with concerns over climate change and the growth of the global population – expected to reach more than nine billion by 2050 – have prompted the government to make a U-turn on agricultural science, with investment in the sector now increasing.

How much can research and development help the industry to boost food production?

The role that research and development has to play can't be underestimated. The challenge we face is not just about how we feed nine billion people globally, but also about how we cope with a projected four-and-a-half million increase in the UK's population over the next eight or nine years. How do we provide genuine food security in as sustainable a way as possible? We also have to think about how the UK can remain globally competitive, with all the constraints we have of being a small, crowded island and taking into account people's demands for recreation and enjoyment of the countryside. It's certainly an enormous challenge, but if we can employ good science and precision-targeted agriculture, it actually represents a fantastic opportunity for the UK.

Can the UK regain its status as a global centre of excellence for agricultural research?

I want to see UK agricultural science playing a vital role in other countries' research around the world. We talk a lot about the UK being a knowledge-based economy. The City of London and our world-leading pharmaceutical industry are championed by government, and I think at last agricultural and biosciences are also being seen as a real selling point for UK plc. If we can demonstrate that we are driving our own industry forward, that'll help us to sell agriculture solutions to the rest of the world.

'I THINK AGRICULTURAL AND BIOSCIENCES ARE FINALLY BEING SEEN AS A REAL SELLING POINT FOR UK PLC'

How does the Agriculture and Horticulture Development Board (AHDB) plan to attract new investment for this vital research and development?

I'm trying to ensure the AHDB works collaboratively to access research funding. In the UK, we have £160 million of agri-tech strategy money going through tendering. And with the last CAP reform, there's €4.5 billion put aside for the Horizon 2020 initiative [the EU's research and innovation programme]. I want to see the levy boards working together so that we can provide farmers with the tools they need to develop UK agriculture.

Do you feel there's a need to improve understanding of the importance of agricultural research within the wider, non-farming community?

The media often exaggerates the negative aspects of what I'd call exciting, innovative farming. Although the farming industry has made mistakes in the past, we have to tell a more complete story to the media and to consumers. We need the people who are excited by their iPhones, GM insulin or the vaccines used to protect their children from diseases to think the same way about food and to recognise the increasing role science will play in feeding the planet. This is an enormous challenge and it's vital that we have the best tools available to help us meet it.

Key contacts

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