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Bruton Knowles | **RURAL**

Rural Property Services

www.brutonknowles.co.uk



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Introduction

Welcome to the Autumn Newsletter from Bruton Knowles highlighting current issues through the rural community.

Since becoming Head of Rural for Bruton Knowles in March of this year, I have been absolutely delighted with the hard work and commitment of my now extended Rural Team who have made determined efforts to offer a wide range of professional services throughout the rural community.

Whilst the majority of the Rural Team are based in our Gloucester and Leominster offices, we are able to offer national coverage through our network of satellite offices across the UK and strive to provide the best service across a wide range of Rural topics. There is no doubt that the economic outlook has become more difficult over the last eighteen months with interest rates and product costs increasing, therefore, there has never been a more important time to be able to offer services across the rural community which provide support to landowners and farmers. Please feel free to contact any of our team if you think we can help you, telephone numbers across the team are within this newsletter.

Inheritance Tax

There was a lot of press coverage over the summer that the Government were considering reforming and even scrapping Inheritance Tax. Specifics are yet to emerge, although they could be announced in the 2023 Autumn Statement due on 22 November. However, caution should be applied! IHT is expected to raise £7.2bn this tax year. It has been with us in its current form since the introduction of Estate Duty in 1894 and only 4% of Estates are liable. Total abolition would leave a substantial gap in government finances. This could give rise to other tax ramifications, e.g. changes to tax treatment on gifts, applying Capital Gains Tax on death or some other form of wealth tax.

Outright abolition of IHT is less likely than reform of the existing rules. The freezing of the £325,000 tax threshold since 2009, and rises in rural property values, have meant more families paying IHT. A cut in the tax rate, currently 40%, is being spoken of, this opens up the possibility of tightening the rules governing the very valuable agricultural and business reliefs currently enjoyed by the rural community, to pay for a rate cut. We await whether there will be a change in government in 2024, possibly resulting in a starkly different view of IHT.

Whatever happens, it will not reduce the need for tax planning or the importance of having an appropriate well drafted Will in place. Estate planning involves many considerations and with effective, professional advice from your Valuer, Solicitor and Accountant will be essential to ensure that your family do not pay more tax than is necessary. We would advise clients to use the current uncertainty over the future of IHT as a reason not to delay seeking sound professional advice on this vital area.



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Agency

Bruton Knowles have been involved with a range of agency transactions over the last 12 months. We have seen the market respond to the outbreak of COVID-19 where the demand for rural property is increasing, with many people able to work from home and therefore minimising the requirement to be located within the Urban Core. As a result, properties are now achieving well in excess of the guide price.

Recently, the housing market has been affected by the cost of living crisis and the rise of interest rates. Arguably, this affected some buyers' ability to afford the high end value properties but transactions have continued to be completed for properties of this nature. However, these potentially require a slightly longer period of time for the marketing campaign. With this in mind, the market requires properties to be sensibly guided to ensure deals are completed in a timely fashion.

Despite the market peak in November 2022, we do not believe the UK housing market to have experienced a significant long term shift, this is supported by statistics, such as the average UK house price increasing by 1.7% over the last 12 months to June 2023.

The farmland market varies in strength dependent on location. We anticipate the market to strengthen once the Biodiversity Net Gain regulations are enforced, with businesses looking to utilise carbon off-set. This will introduce another type of purchaser into an already competitive market. We believe this will also be evident with a rise in price for the less productive land types. For the more productive land, we are seeing a slight increase in supply coming to the market, making it an exciting prospect for land sales, with more purchasers in the market. For sales of farms and land, please contact the Bruton Knowles Rural Team.



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Grants

The phasing out of the Basic Payment Scheme (BPS) is well under way, with 2023 being the final year that claims can be submitted. In 2024, the move to delinked payments, where the requirement to actively farm is completely removed and payments will be based on a reference amount, which will taper down to zero by 2027.

Farmers looking to replace the shortfall in BPS income should now be considering the Grants available, including Countryside Stewardship Scheme (CS) and Sustainable Farming Incentive (SFI) Scheme. A well planned SFI application could have the potential to replace lost BPS income, without major changes to the current farming setup. Further SFI actions could also be added to the agreement, as they are released over the coming years. In addition, CS capital grants are available to work alongside chosen SFI actions such as fencing and hedgerows. There will also be a revised CS scheme for 2024 and Bruton Knowles will be able to advise on this when details are released.



Compulsory Purchase and Compensation

In a bid to boost regional economies and transform utilities, transport, and connectivity for millions of people, local authorities are now starting to push forward large-scale infrastructure projects. We are now seeing a number of projects of this nature crossing our desks including the "A417 Missing Link" and the "Cotswold Visual Impact Provision Scheme".

We actively engage early with clients to ensure maximum compensation and to mitigate the inevitable effects of any scheme. Utilising our in-depth knowledge and technical skills, we have developed a reputation for representing both landowners and tenants when dealing with compensation claims.

Our team are able to advise on a range of infrastructure matters including:-

- CPO schemes, including road and utilities
- Undertaking loss of income and loss of profit negotiations
- Wayleaves and easements
- Telecoms and digital equipment matters



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Contract Farming Agreements and Tenancy Advice

Within the farming community, Bruton Knowles have a long and well-respected history of providing Contract Farming Agreements, Tenancy advice, support and management whilst working on behalf of landlords and tenants.

Recently, Bruton Knowles have seen an increase in the number of Contract Farming Agreements and we are perfectly positioned to offer a full managed service and help our landowners to manage their farming business. The market for land to contract farm and rent remains strong and we have offered farms, pasture, and arable blocks to the market. We have been delighted with record demand for all land types, with premium values being achieved for the productive arable land with longer term lengths. It was anticipated that after the announcement of BPS removal, rents would reduce to compensate, however given the buoyancy and competitive nature of the market, we have seen little evidence to support this. We work for a variety of clients and are well placed to ensure they achieve their aims whilst advising on the best Tenancy or Contract Farming Agreement to protect their interests.

Renewables

The UK's transition towards net-zero targets has meant many rural landowners have been impacted by the shift towards renewable energy, particularly solar PV, on-shore wind and battery storage. Over the last year Bruton Knowles have acted on several projects of various sizes, working on behalf of landowners and developers to advise on a relatively novel concept for many. We have been instructed by landowners to negotiate terms for Option and Lease agreements for battery storage and solar schemes as well as assist through the early planning and management of projects. We work closely with developers to facilitate the initial stages of projects by identifying feasible locations for renewables and instigating early conversations between a landowner and a developer. Our battery storage and solar projects are now more than 1700 MW. We will be continuing to increase our renewables portfolio, to assist the nation's transition to 100% clean energy production.



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Rural Property Management and Lettings

Parties with a property portfolio will need to be mindful of the impact of climate change objectives as well as the cost of living crisis on tenants, properties and business activity. Whilst there is demand for let properties, it is likely there will be commercial and residential tenants who may find themselves struggling to meet their rent in the cost of living crisis. Landlords are facing the prospect of further legislative and regulatory changes associated with carbon net zero such as improving energy efficiency, as well as ensuring a fairer deal for tenants. We offer a full management service for estates and smaller rural portfolios as well as lettings, tenancy and strategic property advice and would be pleased to discuss your needs with you at any time.



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Renewables
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After a tricky couple of years for many in the farming industry, the rest of 2023 and beyond does not look like it will provide a significant turnaround in prospects for many UK farm businesses. Many economists predict an economic downturn is expected to continue next year and 2023 could be a slower year for growth than 2022. The changes in agricultural policy, further impacts of climate change, interest rates and volatile input and commodity prices are all likely to be key influences within the rural economy.

Despite these ongoing challenges, new and exciting opportunities are emerging. Now is a good time for farmers to start gathering information and data to help them work out the best ways to respond to the challenges they will face moving forward.

There are several key areas that farmers and landowners should watch for in the coming 12 months to give their businesses the best chance of success during what is likely to be a difficult period for many.

Higher working capital requirements

Harvest 2022 is likely to have been a profitable year for those arable growers who purchased the bulk of their inputs before the massive increases in input costs and benefited from buoyant grain prices.

Input costs for harvest 2023 will be significantly higher and commodity prices have also eased back from the highs seen earlier in the year. Higher working capital requirements for harvest 2023 will put a squeeze on profitability and have a big impact on cashflow. Farmers should assess if they are likely to have sufficient working capital moving forward into 2024 and consider cash flow budgeting ahead.

Mitigating the energy crisis

The energy crisis is opening significant opportunities for landowners in the delivery of both large- and small-scale renewable energy schemes. Developers of large-scale solar projects are prepared to pay rents of about £1,000/acre (index linked) along with a percentage of turnover. Battery storage site rents are typically around £2,000 MW. Roof and ground mounted solar PV schemes can help farmers and landowners cut their electricity bills by reducing the amount of energy they buy in. Farmers who already have a solar array, but do not have an export meter fitted, could consider getting one installed amid some excellent rates being paid for exported electricity.



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Nature Recovery

Environmental groups who are pushing policymakers to recognise the importance of nature recovery is just as significant as reducing greenhouse gas emissions. Looking ahead, active habitat management will become more important. Research has shown wildlife habitats can have a positive effect on crop production with farm profits increasing even if the area cropped is reduced. As ever, the challenge remains in securing appropriate funding – from the public and private sector, but Regenerative Agriculture and Biodiversity Net Gain opportunities have potential to be a valuable opportunity for many.

Development

At Bruton Knowles, we continue to offer excellent professional services to support landowners in obtaining planning consent for development and sales. We engage at an early stage, offering preliminary advice on planning strategy and work with landowners to consider the best options to progress.

We advise on the following:-

- Planning strategy
- Land Pool Trusts
- Option agreements
- Sales of sites
- Promotion agreements
- Conditional contracts

The process of obtaining planning and marketing can be challenging and it is our aim to reduce this. Bruton Knowles endeavour to provide a high level of support and advice throughout the process. For an initial informal discussion, please call John Amos.



John Amos FRICS FAAV
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Valuations

After its launch in 2020, Bruton Knowles National Valuation team continues to grow and now covers England and Wales providing secured lending valuation advice to a range of clients.

As part of the National Valuation team, Bruton Knowles' Rural department provides specialist advice on the valuation of farms, estates, equestrian and lifestyle country properties.

As a national company, Bruton Knowles' Rural department continues to have its roots in Gloucestershire, and maintains a strong involvement with the local market, both within Gloucestershire and surrounding counties.

With the merging of Bruton Knowles and Leominster based John Amos & Co, our home patch has been extended, with experienced rural valuers based in Herefordshire, Shropshire and links into Wales.

We offer valuation advice for a wide range of purposes, from formal Red Book reports to letter appraisals. Other services we provide include, but are not limited to:-

- Secured lending
- Probate
- IHT advice
- Capital Gains Tax
- Sales
- Acquisitions
- Matrimonial matters
- Dispute Resolution
- Business Restructuring
- Asset and portfolio valuations

We would be happy to answer any queries you may have about valuations or the type of service you may require. For further information please contact Ellie McDowell.



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