

Land Business Update

Week commencing 16th November 2020

Headlines

Agriculture Act receives Royal Assent

This is a very significant piece of legislation and marks, according to Defra, an opportunity to move away from the EU's bureaucratic Common Agricultural Policy and towards a system that increases productivity, is fairer and more flexible, particularly in terms of supporting environmental actions. The Act will be supported by a large number of statutory instruments, so it is not yet possible to assess what all of its effects will be. Its main features are:

- Support payments will change significantly. They will become more focussed on the objectives of the government's 25 year Environment Plan.
- Greater transparency and fairness in the supply chain. The detail of these changes will be in statutory instruments but it is hard to see what additional powers government will have that it did not already.
- A duty to report to parliament on UK food security, which was a hard won addition to the Act by the farming sector.
- Trade, and in particular a Trade and Agriculture Commission which has a duty to report to parliament on the impact of any trade deals that the government wants to sign. We have previously reported on how effective, or not, this will be as it is historically very rare for MPs not to ratify a proposed agreement.
- Landlord and tenant changes, including for landlords to make investments on a let farm without it affecting rent reviews.

Of primary interest to farming clients in the short term will be:

- the detail of the new support schemes, including ELM, the Sustainable Farming Incentive and productivity grants
- the size and distribution of the overall budget and how it compares with the £3.2bn of spending in the UK
- how the new scheme(s) will interact with the phasing out of Basic Payments and the extent of the 'funding gap'

We are expecting guidance from Defra in early December about de-linking and the phasing out of Basic Payments, which is due to start in 2021. We will continue to closely monitor developments and issue updates to ensure you are kept informed.

Environment: UK government's ten point plan for a green industrial revolution

The £12bn plan, to kickstart a 'green industrial revolution' of 'highly skilled green jobs', has many positive elements. The announcement is meant as a statement of intent before Britain hosts next year's UN climate change summit. However, most of the spending (at least two-thirds according to the Financial Times) has been previously announced. Germany has a £40bn climate plan and France is expected to spend £30bn. The Green Alliance has said that funding needs to be an additional £24bn a year over the next four years. The Committee on Climate Change said the announcements would help cut emissions but 'does not take us all the way'. They said it was a vision, not a plan. Key points include:

- Restating the target of planting 30,000 hectares of trees every year, which includes 10,000 ha per year in England (see before for article on the latest planting in England.)
- Electric vehicle transition speeded up by changes to electricity infrastructure and bringing forward the ban on sales of new petrol and diesel cars to 2030.
- Making public transport, cycling and walking more attractive.
- Installing 600,000 heat pumps every year by 2028; to put this into context, there are currently fewer than 200,000 installed in houses in total and installation is running at @ 30,000 a year. Linked to this is the ban on installing gas boilers in new homes being brought forward by two years to 2025. There is also commitment to implement the Future Home Standard in the shortest possible timeline (but no deadline is provided).
- Offshore wind generation quadrupled to 40GW by 2030.
- Hydrogen power, with up to £500m of funding, including for a hydrogen neighbourhood and village by 2023 and 2025 respectively. A target of 5GW of hydrogen power generated by 2030 will also be set.
- Carbon capture and storage, with an additional £200m of funding to add to the £800m announced in the spring Budget. The target is now to have four, up from two, carbon capture clusters by 2030. However, this may only store @ 3-4% of fossil fuel emissions in 2030, according to calculations by Oxford and Edinburgh university professors.
- Support for nuclear power generation, with an additional £310m to bring funding up to £525m. More is expected from the government on nuclear after next week's spending review.

Major issues that were not included in the plan are a carbon tax (or a carbon border adjustment mechanism), how to upgrade the electricity network and a strategy for private sector investment. The government is expected to make further announcements in next week's spending review and also on 12th December, which is the fifth anniversary of the Paris climate accord.

Economy

Immigration Act receives Royal Assent and ends freedom of movement for EU nationals on 31st December

From 1st January 2021, the UK immigration system will treat EU and non-EU citizens equally. A new points-based system will be introduced that will allow skilled workers who have a job offer from an approved employer sponsor to enter the UK. Irish citizens will continue to be able to enter and live in the UK as they do now. The effects on the farming sector could be significant – see article below.

Growers warn government on access to overseas workers

Growers have called for clarity on whether the pilot of the Seasonal Workers Scheme will be extended. The industry estimates that it needs around 70,000 temporary workers to harvest and process crops – in addition to the 10,000 or so permanent overseas workers in the sector. Ministers say they are working on a scheme but have not confirmed any details. Businesses are already reporting that they are cutting production – partially and totally – due to the uncertainty, with some considering moving production overseas. The English Apples and Pears group said that 'it's beyond urgent'. In the last month ministers have suggested that they would like more UK workers to do the work but experience from this year's Pick for Britain campaign suggests that this would not fill the 70,000 requirement; it only filled 11% of this year's harvesting workforce according to the NFU, with very high levels of staff turnover.

Cut to Annual Investment Allowance deferred for a year to boost investment in plant and machinery

This allowance gives businesses 100% tax relief on qualifying capital expenditure. The limit of the allowance was due to be cut to £200,000 a year but will be maintained at £1m until 31st December 2021.

Capital gains tax rate should double, according to Office for Tax Simplification review

The OTS review, commissioned by the Chancellor in July, has concluded that if the government wants to reduce distortions to tax behaviour it should either more closely align CGT rates with Income Tax rates or reduce 'boundary' issues between the two taxes. The OTS also said that if there is closer alignment, there should be a reintroduction of relief for inflationary gains, review of how businesses are taxed and more flexible use of capital losses. The OTS has said that about £14bn a year could be raised by changing exemptions and doubling the rate of CGT. It stated that many current features of CGT 'can distort behaviour' as people try to lower their bills by trying to characterise income as capital gains. Reaction to the review has been, predictably, very mixed. Business groups have said that CGT incentivises business creation and risk taking. CGT is currently 10% for basic-rate taxpayers and 20% for higher-rate taxpayers, so half the rates of income tax. According to the BBC, about 265,000 people pay tax on capital gains compared with 31m people who pay income tax.

Energy

Extension of the Home Energy Scotland loan scheme

The Scottish Government has launched a new £4.5 million renewable heat scheme. 75% cashback up to £7,500 is available towards the cost of renewable heating systems and 40% cashback up to £6,000 for energy efficiency improvements; these can include wall insulation, gas connections, window glazing and insulated doors.

Environment

Scottish environmental research strategy open for consultation

The Environment, Natural Resources and Agriculture Research Programme has a budget of £48m a year for research on plant and animal health, sustainable food system and supply, human impacts on the environment, natural resources and rural futures. The [consultation](#), open to 14th December, is to gather views on the content of the programme for 2022 – 2027. One of the proposals is to establish a Scottish Centre of Expertise in Biodiversity in 2022.

Forestry

Only 763 ha of new woodland planted in England in 2020 so far

This is about 8% of the 10,000 hectares a year target for England that the government has set itself by 2025. It is also less than half of last year's planting. A massive change is needed so let's hope the recent consultation on woodland creation provides the needed solutions.

Planning

Planners, architects and surveyors call for tighter permitted development controls

The Royal Town Planning Institute, Royal Institute of British Architects, Chartered Institute of Building and the Royal Institution of Chartered Surveyors have jointly called for the government to improve standards of houses delivered under permitted development rights. They say that the current rights have unintended and negative consequences on space, building and design standards, sustainability, and the quality of future housing.

Use class and permitted development rights changes survive High Court challenge

The High Court has dismissed the case brought by Rights:Community:Action (RCA) for there to be a judicial review of the government's changes to use classes and permitted development rights. RCA says that it intends to appeal; it says the decision was reached on technical grounds – that the statutory instruments that the changes were made through are out of the scope of the strategic environmental assessment directive - which it disagrees with.

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