

Land Business Update

Week commencing 20th March 2023

Spring Budget 2023

A hit or miss for rural areas?

There were some significant announcements (see bullet points below) but many rural stakeholders will remain frustrated as the Budget and other recent announcements have not made it any clearer how the government intends to 'level up' rural places; this includes funding rural places in a way that recognises the higher cost of living and doing business in the countryside and also comprehensive strategies for land use and for food. We have published a blog on this. Key rural points are:

- 100% first year allowance for companies to be able to write off the full cost of qualifying main rate plant and machinery investment in the year of investment. This complements the confirmation in the autumn of the Annual Investment Allowance being permanently set at £1 million, which that means almost all businesses receive 100% tax relief on their qualifying plant and machinery investments.
- Maintaining the Energy Price Guarantee (EPG) at £2,500 per household until June 2023, which is estimated to save a typical household £160.
- The call for evidence and consultation on the taxation of ecosystem service markets and the potential expansion of agricultural property relief from inheritance tax to cover certain types of environmental land management. Done well, this could turbo-charge environmental markets.
- Another call for evidence on reforming VAT on energy saving materials, which could help boost improvements to the energy efficiency of buildings.
- Another call for evidence from local authorities in England for locally led nutrient neutrality credit schemes.

Energy

Decarbonisation of the energy system and reducing demand for energy

The Climate Change Committee has published a new report that restates that a reliable, resilient, decarbonised electricity system can be delivered by 2035; this is a positive finding. It will substantially reduce the UK's dependence on imported gas and oil, so reducing our exposure to volatile international prices. The change is expected to triple the number of people employed in the electricity system, to @ 100,000 by 2030. The report's main recommendations are for a comprehensive long-term strategy for delivering the power system (which may be published during 2023) and better planning and organisation of all the market and regulatory actions that are needed.

The switch to electrification will create lots of investment opportunities, for energy generation, storage, charging and sale. It has been wrongly reported in some media that support for biomass for energy will end; it is more nuanced as the CCC has recommended that no new contracts are issued for unabated biomass electricity generation but that abated (where carbon is captured and stored) biomass is part of the decarbonised electricity system, provided the biomass is sourced in a sustainable way, and ideally is UK-produced.

Separately but related, the British Property Federation (BPF) has urged the government to remove financial barriers to retrofitting residential and commercial buildings. The House of Lords Built Environment Committee has described the level of take-up of the government's Boiler Upgrade Scheme, which subsidises replacing fossil fuel heating systems with a heat pump or biomass boiler, as 'disappointingly' low and that the scheme is failing to deliver. The Committee also called for the Energy Performance Certificates' methodology to be revised as it currently works against low-carbon heating.

Farming

Farm profit forecasts for England for 2022/23

Average profits on cereals farms are expected to increase by 11% compared with 2021/22 to £134,000, as higher commodity prices more than offset increases in input costs. Rises in profits are also expected on dairy farms (+78% to £249k). However, input costs (fertiliser, machinery and animal feed) rose more than livestock prices and the number of animals produced so profits are



likely to fall on both lowland (-53% to £17k) and upland (-65% to £16k) livestock farms. The reduced profitability from livestock also affected the profits of mixed farms (-19% to £63k).

NB These figures are forecasts based on information available in February 2023 and so are subject to change. Also, the profit figures are based on a measure called Farm Business Income, which comprises profits from farming, diversification, agri-environment and Basic Payments. More detailed breakdowns of the amount of profit from each of these headings will be available later in the year but livestock farms continue to depend heavily on Basic Payments for their profits (80% of profits on lowland farms and over 100% on upland farms (as farming itself is likely to make a loss.)) Please speak to [Jonty Armitage](#), our head of farming, if you would like to discuss profitability and anything associated with it, such as farm business reviews and rent reviews.

Basic Payment Scheme, Countryside Stewardship and Environmental Stewardship claims windows

BPS claims, CS revenue claims and ES claims must all be submitted by 15th May (although late submissions for some schemes can be accepted with penalties). Please speak to your local farming team if you need any advice or assistance with claims.

Transferring from Higher-Level Stewardship to Countryside Stewardship made easier

Positively, it is now easier to make the switch from HLS to CS. There are, rightly, a [number of rules to follow](#), the main one being that the new CS application must deliver at least the same environmental value as the existing HLS agreement, on at least the same area of land. The new CS agreement can include Higher Tier or Mid-Tier options. Please contact your local farming team if you would like to discuss this.

Lump Sum Exit Scheme payments to be treated as capital receipts for tax

The lump sums will be treated as capital receipts, and subject to Capital Gains Tax, or for companies as chargeable gains from the disposal of an intangible asset. NB There are some eligibility criteria and if they are not met the payment will be treated as receipts of a trade or as miscellaneous income and subject to income tax.

NFU publishes sector-specific plans on resilience and sustainability

The NFU has published 'resilience plans' for all of the main farming sectors, which show the NFU's sector board priorities and asks of government to support climate-friendly agriculture and improve business resilience.

Environment

Possible drought ahead after driest February on record in UK

The National Drought Group, which includes the Met Office, water companies and government agencies, has warned that England is one hot, dry spell away from severe drought conditions returning this year. The outlook is for hot, dry weather this spring, according to the Met Office, and river flows across England are below normal. Businesses should review their water use, minimise it if possible, consider winter storage of water and review how water availability is expected to change in their catchment in the long-term. Cropping practices to increase soil cover and improve soil structure should be considered.

Property and rural economy

Energy Efficiency Taskforce launched to cut energy use in UK buildings by 15% by 2030

The panel of experts, from industry, academia and government, will aim to turn the government's targets into action. Its first job is to agree property areas and create a work plan.

£200m fund to improve walking and cycling across the UK

The funding is available to / through local authorities to make improvements to walking, wheeling and cycling routes to enable people to choose active travel. Projects are going to be designed with residents and businesses to ensure that schemes are safe and work for local communities. Successful projects will be announced later this year. Contact [Active Travel England](#), a government agency, for more details. This is a new fund but it is not clear whether it is new spending.

Single use plastics to be banned in England from October 2023

A consultation has just closed on banning certain single use plastics, including most cutlery and crockery (plates, trays, bowls, food and drinks containers.) The legislation will be linked to what is called 'extended producer responsibility' legislation, which will make manufacturers contribute to the cost of disposing of their plastic packaging, and is due to be enacted in 2024. S&P comment: it is extraordinary how much reducing single use plastic and recycling food packaging can reduce black bin waste!

**Consultation on a stronger biodiversity net gain policy in Wales**

The [consultation](#) will update section 6.4 of Planning Policy Wales and proposes that all development must aim to deliver a net benefit for biodiversity (and ecosystem resilience). Metrics may be used to assess change from the baseline state and there should be a pro-active process to look for and secure enhancement through the design and implementation of any development. The consultation closes on 31st May.

Nationally Significant Infrastructure in England and Wales - action plan for reforms to the planning process

The [action plan](#) aims to improve how the planning system delivers nationally significant infrastructure, using National Policy Statements. This is important for all types of infrastructure, including the energy system. The government will now consult on a range of measures, including ones to speed up the process for gaining consent for main projects.