

Land Business Update

Week commencing 24 February 2025

Rural economy & property

Update on grants and rural policy in England

The Secretary of State Steve Reed and his team made a number of positive announcements at the NFU Conference. Here are the ones we think are most important:

1. ELM capital grants – all 4,000 applications that were held up will be processed and (we think) approved. In the future, limits will be introduced to manage demand, based on four categories (e.g., £35,000 per year for trees and boundaries).
2. Agricultural workers – there was confirmation that the Seasonal Workers visa route will be extended for five years. The long-term plan remains that the number of overseas workers will fall, through a transition period, and businesses will need to adapt.
3. Future policy and plans – the government expects final versions of the Farming Roadmap, Environmental Improvement Plan and Land Use Framework to be agreed and published later this year. They will then form the structure of policy for the rest of the parliament (which, with the spending review, will enable decisions to be made on funding and other matters).
4. Higher Level Stewardship (HLS) – some payment rates will be increased so they are closer (and possibly math) SFI and CSHT rates. Agreement holders will be written to in April.
5. Farming Equipment and Technology Fund – will reopen in the Spring with a similar range of equipment funded although some 'more mundane' items removed from list.
6. Farming Innovation Programme – this programme funds practical to increase productivity, sustainability and resilience. It will also reopen in 2025, to support the ambition for more sustainable agriculture. Themes for the projects that will be funded are precision breeding, net-zero farming and industry-led projects.
7. Animal Health and Welfare Pathway – this funding aims to improve farm animal health and welfare. It will be revised to allow farmers to apply for all species to be assessed in one visit.
8. Landscape Recovery – spades in the ground! The first round of projects will actually start this year. There is no date for the next round yet but feels like there will be one.
9. Farming in Protected Landscapes (FIPL) – will be extended to 2026 with £30m of funding.
10. Farm Resilience Funding – this scheme paid for farmers to receive advice on improving their profitability and resilience. It is unlikely to be continued but Defra is apparently open minded on approaches to improve management of farming businesses.
11. Countryside Stewardship Higher Tier (CSHT) – no new news but the desire to get the pipeline of applications flowing was restated.
12. Grants for larger items / infrastructure e.g., reservoirs – no news on this and it is dependent on the outcome of spending review in June / July.

S&P comment: although frustratingly slow at times, we can see the structure of and objectives of the government's policy for farming, food and land use. The plans that are agreed this year – the Farming Roadmap etc – are likely to shape rural policy for at least five years. It feels like there will be increasing emphasis on rural business managers helping themselves – through increasing farming profitability and diversification, while the government tries to remove barriers and help with enabling actions, such as the work on fairness in supply chains.

Farming, land use and us to play a major role in meeting our carbon budget

It feels like there is a change in emphasis in the latest report from the Climate Change Committee on how to reduce the UK's greenhouse gas emissions. The report says that if actions are taken to reach net zero by 2050 that, as well as cutting emissions, they will save a typical household around £1,400 (£700 from heating / power and £700 from driving). The report also says that the change will shelter businesses from damaging price shocks. The Financial Times notes that half of the UK's recessions since 1970 were linked to fossil fuel price spikes. The CCC says that the cost of net zero to the economy is @ 0.2% of GDP per year, so a fraction of the estimated costs from uncontrolled climate change.

A third of the greenhouse gas emissions cuts needed by 2040 are identified as coming from consumers, with the most 'impactful decisions' being switching to heat pumps and electric vehicles, choices around meat and dairy consumption (so a continuation of current trends of falling consumption), and flying (possibly through a frequent flyer levy).

On farming and land use, the Committee largely restated previous themes, saying there would need to be a 27% reduction in cattle and sheep numbers between now and 2040. Numbers are already falling and there is growing evidence that emissions per head of livestock can be reduced too. This change will make land available for tree planting, with woodland cover increasing to 16% from 13% of UK land area. Peatland restoration also remains very important.



One of the most significant recommendations is to make electricity cheaper by reducing environmental and social taxes on it (by moving them to general taxation). Doing so is likely to encourage a faster switch to electric heating and vehicles.

Renters' Rights Bill due to be introduced this spring or summer

The Bill continues to be debated in parliament and its main actions are:

- Quality – all homes must comply with the Decent Homes Standard, details of which is still to be confirmed.
- Setting rents – new lettings must be advertised at a fixed rent and landlords cannot accept bids above it (although they can accept a lower one).
- Rent reviews - rents can only be reviewed once every 12 months, increases cannot be to above the market rent and tenants will be able to challenge rent increases at the First Tier Tribunal (so less formal than a court process).
- Length of agreements – all tenancies, including existing ones, will automatically convert to monthly periodic tenancies on commencement of the Bill. Tenants have a day one rolling right to quit on two months' notice without cause. Landlords can only end agreements under specified grounds (including rent arrears, own use and end of tenant's employment by the landlord) and on satisfaction of the court. The current ability to end agreements without cause using section 21 notices will end.
- Regulation – landlords must sign up to both a new tenant redress scheme and a database to upload compliance documents (assumed to be EPC, fire safety certificate etc). The fees for both schemes are unknown.

Please contact [Sarah Roberts](#) in our residential lettings team if you would like to discuss how the Bill might affect your property.

New towns

Around a dozen areas are expected to be chosen this summer to become new towns. Each one will contain 10,000 or more homes. They are expected to be in most regions of the country.

Lending market update

The Bank of England's Monetary Policy Committee has reduced the base rate by 0.25% to 4.5%, the third cut in this easing cycle. This is welcome news for borrowers on variable or tracker rates but fixed rate loans have not changed (much). Forecasts of inflation remaining higher for longer mean that fewer rate cuts are expected over the next 12 months. Our financial brokerage team is seeing enquiries in four main categories:

- Businesses that are coming to the end of a fixed rate or variable rate term and looking to renegotiate. Our experience is that better rates can be achieved than those automatically offered by the current lender, with recent examples of over 0.75% better.
- Businesses who need a different / better service. This can be achieved by moving finance provider, getting a relationship manager change at their existing bank or acting for a borrower in discussions with their lender to improve relationships.
- Asset purchase or sale, through raising additional finance or repaying loans.
- Businesses borrowing to fund diversification and / or changes to more regenerative-style farming systems. Many banks have special facilities for both of these and we have helped businesses with advice.

If you would like to discuss any of the above, please contact our head of financial brokerage, [Karl McConville](#).

Farming & food

Hedgerow management period ends 1 March

Hedges on or next to land used for agriculture must not be cut or trimmed from 1 March to 31 August. Hedgerows play an important role in the countryside. Traditionally they were used to mark boundaries and contain livestock but they now have a wider role - reducing flooding, controlling soil erosion and as barriers to fertilisers and pesticides entering water, protecting fields from wind and, of course, they are a home and food source for species that benefit crops, pollinators and birds. The way hedges are managed affects the benefits they provide. Generally the taller and wider and more connected to other habitats the better. Well managed hedges can be buzzing with wildlife and are a joy to see. The two metre buffer strips next to hedges are covered by rules that apply all year round – a green cover must be established and maintained on land within two metres of the centre of a hedgerow. See our blog for further details or call anyone in our farming team.

Natural capital & environment

UK's plan for reducing greenhouse gas emissions will not include targets for different sectors

The plan for how to reduce greenhouse gas emissions by 85% by 2035 will not include individual targets for different sectors, including land use. While it may be a relief for some, the lack of any sectoral targets, which are recommended by the government's



own climate adviser, the Climate Change Committee, has been criticised by environmental groups which say that those targets are key to driving real and rapid transformation.

Future of UK peatlands under threat due to climate change

A new study by a group of UK universities has warned that vast areas of the UK's peatlands are likely to be unsuitable for peat accumulation by 2061-80 due to changes in the climate. The effects will vary by region, with a mainly north-south divide. More southern areas, including Dartmoor and the Peak District, will be particularly at risk while northern areas, including western Scotland, will remain important accumulators and so priority areas for conservation efforts. The Flow Country, despite being in northern Scotland, is also expected to be at risk. The study also warns that periods of extreme drying, which can damage or kill Sphagnum moss - a critical component of peat ecosystems - could increase by 44-82%, potentially leading to widespread moss die-offs and fundamental changes in the landscape. These findings are important as peatlands are large carbon sinks and, globally, they store more carbon than all the world's forests combined. The researchers say that restoration efforts need to adapt due to this and alternative strategies considered where restoration may not yield the desired effects because of climate change effects.

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