

The Agriculture Bill – The Direction of Travel

As the Agriculture Bill passes through the various stages of Parliament we now have a better idea of the potential shape of the UK's post Brexit agricultural policy. Despite a lack of specific details there are various items in the Bill that do offer a clear direction of travel, enabling farmers and landowners to start planning accordingly.

Perhaps the biggest change is the proposal to phase out direct payments over seven years from 2021 and to remove the link to the area of land farmed. The Bill already recognises that the value of payments received during the transition period 'will be less than received now and will be reduced further as payments are phased out'.

Taking the place of BPS will be the Environmental Land Management Scheme (ELMS) which should start from 2024. ELMS is designed to pay 'public money for public goods' for outcomes like clean air, clean water, protection from flooding, sustainable use of resources, mitigating climate change and enhancing the natural environment. The ELMS is currently undergoing several pilot schemes and is likely to be very site specific in what options are available depending on local needs and targets.

What is clear is that farmers and landowners need to immediately start planning how they will deal with falling subsidy payments, whether through entering into a Countryside Stewardship Scheme or through more structural business changes. Furthermore, we are likely to see other private investment opportunities such as environmental off-setting to achieve Biodiversity Net Gain from developments. Those who plan ahead will be best placed to succeed.

Biodiversity Net Gain

What is biodiversity net gain?

The Environment Bill 2019 introduced the concept of Biodiversity Net Gain, which relates to the protection, preservation and enhancement of habitats. ALL developers will be required to deliver a 10% increase to existing biodiversity in respect of any new development. This can be achieved on-site, off-site or both.

How is biodiversity assessed?

A spreadsheet-based tool is used to assess the existing on-site biodiversity, using data from ecological surveys. This is converted into biodiversity units, which can then be measured to determine how many units are required.

Biodiversity Credits, what will they cost?

The cost of credits remains unclear, however, an average offsetting scheme on farmland may yield 4 units/hectare. There is talk of average value of units sitting at around £9,000-£15,000/unit for the lifetime of the management agreement (looks to be a minimum of 30 years), equating to roughly £800/acre/year paid to the landowner. This scheme could be of particular interest to farmers to help fill the funding gap due to BPS being phased out. We look forward to reporting more on this subject when further information on the Environmental Bill is released.

GETTING THE MOST OUT OF YOUR TENANTED PROPERTIES

Rent reviews

Reviewing the rent is one way to ensure that your property is competitive and you are maximising its value. The frequency of review depends on the written agreement but rents can often be reviewed annually. It can sometimes be awkward for small private landlords to enter into rent review discussions, as often they have formed friendships with their tenants. Here it can be helpful to have a mediator, giving the landlord a buffer from tricky conversations. Rents are rising at their fastest pace in three years according to the 2019 Zoopla Rental Index and landlords who have not reviewed their rents in the past few years may be missing out on the growth trend.



Energy Performance Certificates (EPCs)

EPCs measure the energy efficiency of a property, taking into consideration many factors including insulation, glazed windows and heating systems. From 1 April 2020 all new and existing tenancies will require an EPC rating of E or above. If the property does not meet the minimum requirements, and is not eligible for an exemption, then it cannot be let out.

To assess the energy efficiency of a property it will need to be inspected. If the property fails to meet the minimum requirements the assessor will recommend ways to bring it up to standard. We have organised the assessment and improvement of numerous residential properties, finding the most cost-efficient solutions for landlords.

Tenant Fees Act 2019

Another key piece of legislation that smaller private landlords might have missed is the Tenant Fees Act 2019. This prohibits landlords and agents from charging any fees to tenants such as referencing fees and tenancy renewal fees and caps the amount of deposit that can be held. All deposits should be kept in a secure Tenancy Deposit Scheme. If a landlord does not do this, they are in danger of being fined.

The legislation around residential lettings and the requirements demanded of landlords is ever changing. If you have a residential letting and have any concerns about where you stand in relation to new legislation, or feel you are not getting the best rent for your property then contact our office.

CASE STUDY: PROPERTY MANAGEMENT SERVICE

Our property management service ensures your properties are well maintained throughout the tenancy and takes away the hassle of dealing with tenants yourself. Around 18 months ago we started managing a portfolio of five cottages in Worcestershire that had not been professionally managed before.

What we can offer:

- **Assessment of the existing tenancy** – ensuring current legislation and safety checks have been met including Energy Performance Certificates and tenants' deposits as well as electrical and gas safety standards.
- **Letting Properties** – we can manage the whole process from advertising to finding a tenant, drawing up agreements and managing deposits. We will ensure that you have a reliable and considerate tenant and tailor a tenancy agreement to suit your requirements and situation.

- **Ongoing maintenance** – for the cottages we manage, we organise - as part of the management service - third party surveys (as required), boiler services, chimney sweeping, regular inspections for occupied and unoccupied property, as well as other maintenance including gutter cleaning. If required we can prepare a schedule of works set out over a number of years to keep on top of maintenance and spread the cost of repairs.
- **Organising major and minor works and renovations** – we have significant experience in managing all levels of property renovations. These can be required for safety, to meet legislative requirements and for good management reasons.
- **Renegotiation and rent reviews** – managing difficult tenants, rectifying any breaches of tenancy, gaining vacant possession and rent reviews.

If you have any farm cottages and would like to know more on any of the above, please contact **Amelia Sheldon** on **01684 853400** or by email at **ameliasheldon@carverknowles.co.uk**.



BEWARE! GETTING THE RIGHT TENANCY FOR YOUR BUSINESS TENANTS IS KEY

Often, what starts as a temporary or casual arrangement for, say, a local builder to store their materials in a farm building, can result in a long-term relationship which often goes undocumented. What many people do not realise is that they may have accidentally created a business tenancy under the Landlord and Tenant Act 1954, which provides the tenant with 'security of tenure'. This means that once the term of the tenancy expires the tenant does not have to leave.

This could end up in an expensive court case with the landlord having to prove one of the limited grounds for possession or facing a reduction in value of their asset due to the tenant's ongoing occupation.

That said, there is a simple solution. Prior to the tenant taking occupation, a notice can be served

confirming the security of tenure provisions do not apply together with both parties entering into an accompanying fixed term lease. This gives certainty to both parties that the tenancy will end on the term date.

Key messages:

- Take advice before letting any part of your farm to business tenants
- Make sure you have the right agreement in place
- If you don't have any agreements, review your lettings and get the paperwork right.

If you would like to discuss the letting of your farm buildings, contact Ellen Cottrell on **01684 853400** or by email ellencottrell@carverknowles.co.uk.

Looking for other income from your farm buildings?

Not currently using all your farm buildings and looking to generate extra income with minimal investment? Have you considered letting out buildings for other uses like storage or light industrial workshops?

Class Q rights for converting agricultural buildings into dwellings are well known but there are other permitted development rights known as Class R, for changing agricultural buildings to a flexible commercial use.

The interaction between other permitted development rights used or proposed must be considered and in most cases a prior approval application to the Local Authority will be required.

The difference is that for a building to be converted into, say, a storage unit, only minimal investment is needed before it can generate an income.