2018
AUTUMN/WINTER

In with the new: how the Claydon Estate has made a success of succession

Bill of health: the future of British agriculture becomes clearer

Connect more: why it's vital to boost rural internet services

Land Business

FARMING ESTATE MANAGEMENT SALES

TOP OF THE CROPS

From soya to sunflowers: why now is the time to look into arable alternatives

STRUTT & PARKER

The big picture
A doorway on the Claydon Estate in Buckinghamshire. Since his succession in 2014, Nicholas Verney has overseen several changes, from diversifying the estate's businesses to repainting its doors in 'Claydon blue'.

Land Business

FARMING ESTATE MANAGEMENT SALES

Welcome

This summer saw Britain bask in glorious sunshine and soaring temperatures for several weeks on end. The heatwave may have been good news for barbecue and ice-cream sales, but was less so for the nation's farmers, who have suffered in the drought conditions.

Climate change means that long, dry summers and wet winters are set to become the norm for the UK. This means that crop varieties that previously wouldn't have been suitable in our climate are increasingly attractive to farmers. On page 10, we investigate whether soya, lupins or sunflowers genuinely can be viable, profitable alternatives to traditional arable crops.

With just months to go before the UK leaves the EU, securing the profitability of the agricultural sector is of paramount importance. With the publication of the Agriculture Bill in September, the government's vision for food, farming and the environment is finally becoming clearer. On page 24, we examine what the focus on producing 'public goods' could mean for land managers after Brexit.

And on page 18, we visit the Claydon Estate in Buckinghamshire. This historic estate has been in the Verney family for 400 years and underwent its most recent succession process in 2014. Since then, Claydon has evolved into a diverse, commercially focused operation with a very bright future.

We hope you enjoy reading *Land Business*. We value your feedback – please visit *struttandparker.com/land-business* or complete and return the enclosed form to tell us what you think of this issue.

JAMES FARRELL
HEAD OF RURAL

The big picture: Andy Hook

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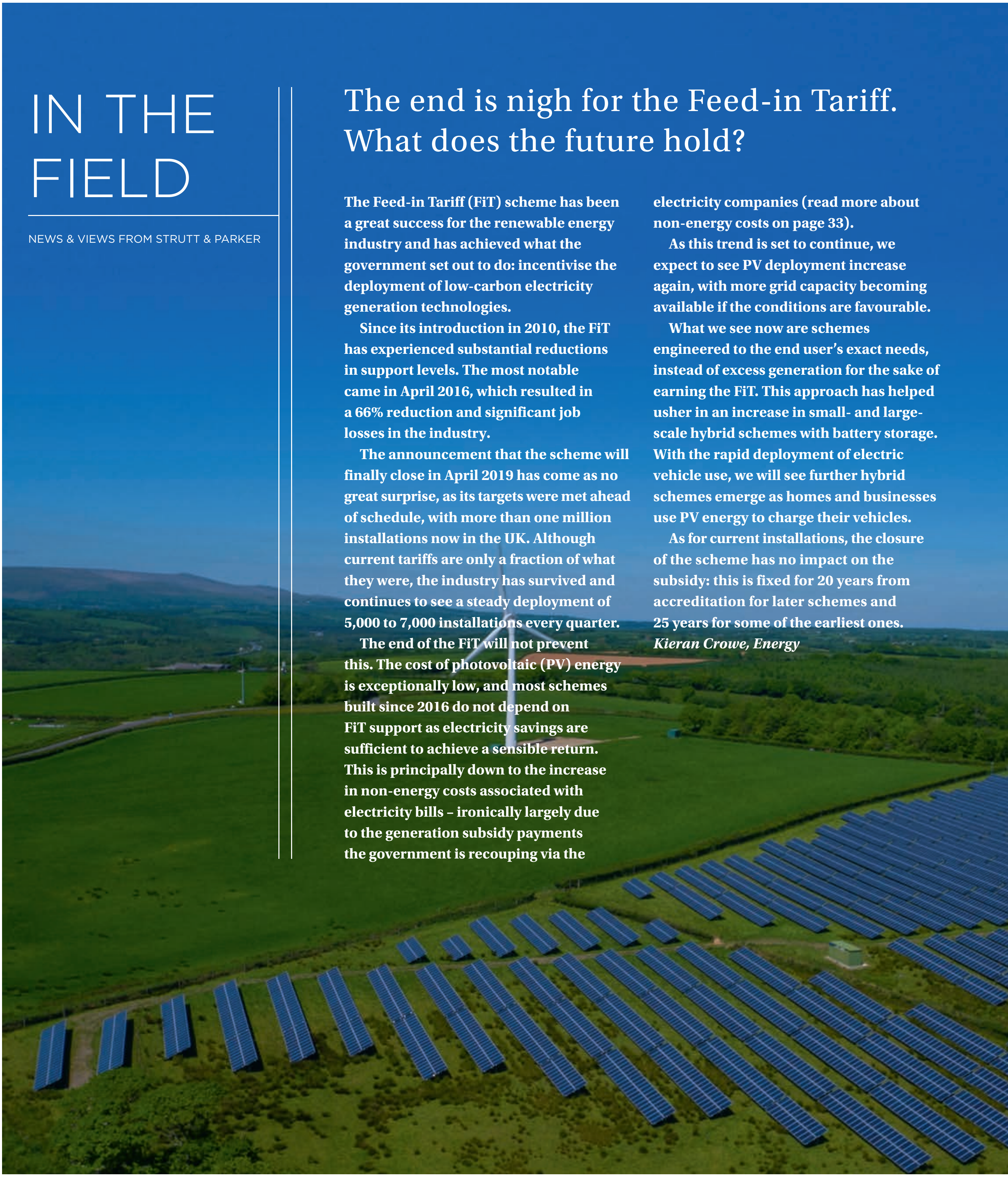


IN THE FIELD

NEWS & VIEWS FROM STRUTT & PARKER

The end is nigh for the Feed-in Tariff. What does the future hold?

The Feed-in Tariff (FiT) scheme has been a great success for the renewable energy industry and has achieved what the government set out to do: incentivise the deployment of low-carbon electricity generation technologies.

Since its introduction in 2010, the FiT has experienced substantial reductions in support levels. The most notable came in April 2016, which resulted in a 66% reduction and significant job losses in the industry.

The announcement that the scheme will finally close in April 2019 has come as no great surprise, as its targets were met ahead of schedule, with more than one million installations now in the UK. Although current tariffs are only a fraction of what they were, the industry has survived and continues to see a steady deployment of 5,000 to 7,000 installations every quarter.

The end of the FiT will not prevent this. The cost of photovoltaic (PV) energy is exceptionally low, and most schemes built since 2016 do not depend on FiT support as electricity savings are sufficient to achieve a sensible return. This is principally down to the increase in non-energy costs associated with electricity bills – ironically largely due to the generation subsidy payments the government is recouping via the electricity companies (read more about non-energy costs on page 33).

As this trend is set to continue, we expect to see PV deployment increase again, with more grid capacity becoming available if the conditions are favourable.

What we see now are schemes engineered to the end user's exact needs, instead of excess generation for the sake of earning the FiT. This approach has helped usher in an increase in small- and large-scale hybrid schemes with battery storage. With the rapid deployment of electric vehicle use, we will see further hybrid schemes emerge as homes and businesses use PV energy to charge their vehicles.

As for current installations, the closure of the scheme has no impact on the subsidy: this is fixed for 20 years from accreditation for later schemes and 25 years for some of the earliest ones.

Kieran Crowe, Energy

> "THE END OF THE FEED-IN TARIFF WILL NOT STOP NEW PV SCHEMES BEING DEPLOYED"

Photograph: Getty Images. Illustration: Charlie Davis

Scotland proposes forced sale of neglected land

The Scottish Land Commission has published plans to create compulsory sales order (CSO) powers that would force owners of 'vacant or derelict' land to sell.

The main aim of CSOs would be to release 'small gap sites, derelict commercial buildings and empty homes', rather than empowering community ownership or enabling large-scale developments.

The definition of 'vacant or derelict' encompasses the whole property spectrum, whether rural or urban. Eligible sites will be identified based on their inclusion on the Vacant and Derelict Land Survey, the Buildings at Risk Register or local empty homes registers. Communities can also ask local authorities to assess whether a site is harming their social, economic or cultural rights as a measure of public benefit.

A site's eligibility for a CSO is subject to appeal, as changing circumstances may mean that its designation could be removed. However, if a CSO is applied, any subsequent new owner will remain liable to comply with the notice. The local authority will have the right to apply conditions of sale to the CSO, such as a time limit within which to complete the development.

If a CSO is triggered, the site must be offered for sale at auction – in theory, representing market value. The subsequent impact to the landowner is unclear. Injurious affection and taxation concerns may arise, whereby the forced sale of land may affect remaining property, and any losses would not be eligible for compensation.

Larry Irwin, Land Management

A vintage year

While this summer's heatwave caused difficulties in the livestock and dairy sectors, English wine producers enjoyed near-perfect growing conditions – a welcome change from the damaging spring frost of 2017.

The wet, cold spring kept vines dormant for longer than usual, leading to a slightly later flowering at a time when conditions were perfect – with very little rain and no wind. Then followed a sustained period of warm weather, which means that this year's harvest may well break records.

Both quality and quantity are likely to be high this year, with many producers predicting yields three times as large as in 2017 and twice as large as average.

While excessive heat can be problematic, with grapes struggling to retain acidity and subsequent wines having an overabundance of jam flavours, the majority of English winemakers are very positive about the 2018 vintage.

Its success will be welcome news to this rapidly growing sector. Wine GB estimates that the total area of planting in England and Wales is now approximately 2,500 hectares, with one million vines planted in 2017 and up to 1.7 million planted in 2018. The industry is growing fast, alongside demand for the quality wines it is proud to produce – sales have risen by more than 31% since 2015.

Nicholas Watson, Land Management

Lines of communication down

Tensions continue to run high between landowners and the telecoms operators seeking to operate on their land.

The new Electronic Communications Code was intended to enhance existing networks by facilitating agreements for new sites and provide greater coverage. But the government has failed to listen to landowners' grievances and relations do not seem to have improved during the first six months of the new code being in place.

Strutt & Parker's Telecoms team is finding that the operators and their agents routinely misinterpret the legislation, while overall, activity across all networks has been reduced. Instead of locating new sites, the operators have largely used the new code to target existing sites in a bid to reduce rents and improve terms in their favour. Terms offered by operators before the new code came into play are being withdrawn in nearly all cases, and negotiations have regressed across the board.

As a result, many landlords now seek to remove telecoms apparatus because of the blight that it represents on their properties – the opposite of what was intended with the new code.

The key issue is that the operators have a limited appetite to roll out new sites, particularly in rural areas. And would-be landlords have been almost entirely put off from dealing with operators – why would the owner of a multi-million-pound building want to consider allowing the networks to encumber their property and hamper any development or renovation proposals, or risk protracted and often aggressive negotiations in future dealings?

A change in approach, with genuine intent to agree reasonable commercial terms, would benefit everyone – particularly the public, as the end user. In the absence of this, the operators will find it very difficult to open new sites without having to use compulsory powers in virtually every case.

Paul Williams, Telecoms

Photograph: Getty Images. Illustration: Charlie Davis

News in brief

117.9mm

The mean amount of rainfall in England between 1 June and 31 August this year, 61% of expected levels, according to the Met Office. This makes the summer of 2018 one of the top five driest on record in England. For the whole of the UK, the mean rainfall of 174.7mm was 72% of the expected average amount.

A breath of fresh air

The government has recently published a new Code of Good Agricultural Practice (COGAP) for Reducing Ammonia Emissions, which sets out the steps it wants farmers to take to minimise emissions from manure and fertiliser in order to improve air quality. Meeting the guidelines may require capital investment from farmers and landlords, so it will be worth investigating if there are any grant opportunities – for example, the Countryside Productivity Small Grant Scheme, which is expected to reopen later this autumn. Find out more at *struttandparker.com/ammonia*.
Tom Brierley, Land Management

PREPARING FOR 'NO DEAL'

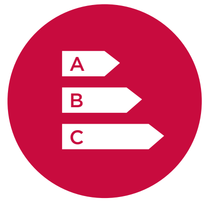
The government has published guidance on the possibility of a 'no deal' Brexit. It says that trade between the UK and EU would be on the same terms as with any non-EU country, including import declarations, customs checks and customs duties. Farm support will remain at the same level until the end of this parliament (possibly until 2022), but funding for Basic Payments (Pillar 1) is only guaranteed until 2020. Rural development schemes will remain open to new applications until 2020, and any projects agreed before the end of 2020 will be funded until they finish. Read more at *struttandparker.com/no-deal-brexit*.
Jason Beedell, Research

> "THIS IS NOT A JOB WHERE I'LL BE SITTING BEHIND A DESK"

Tree Champion Sir William Worsley aims to involve farmers and landowners in his quest to conserve forests and boost planting rates

RURAL FRANCE REPORT

Agrifrance, the specialist rural property division of the BNP Paribas group, has published its 2018 Rural Report. As well as analysing the French farmland, vineyard and forestry markets, it focuses on how drones, robots and big data are revolutionising the global winemaking industry. Read more at *struttandparker.com/agrifrance-report-2018*.
Ralph Crathorne, Land Management



MEES exemptions

The Minimum Energy Efficiency Standard (MEES) regulations are now in effect – but there is still confusion about how listed buildings are affected. The guidance states that an Energy Performance Certificate (EPC) is not required for a listed property or building within a conservation area when it is sold or rented, if compliance with MEES would unacceptably alter its character or appearance. It is advisable to show ineligibility by obtaining a *draft* EPC and consulting your local conservation officer. Properties that have an EPC rating of F or G and do not comply with MEES must be registered as exempt on the Private Rented Sector Exemptions Register, or improvement works must be carried out to bring the property up to at least an E rating, prior to being let. Find out more at *struttandparker.com/mees*.
Alice Mesney, Estate Management

AT THEIR SERVICE?

If you are looking to claim Business Property Relief from Inheritance Tax through trading income by offering holiday accommodation or luxury retreats, recent case law shows that simply providing a 'let in and leave alone' cottage will not be considered a trading business. Owners should go beyond the basics of providing hampers, welcome packs and local information, and offer fresh produce each day, bike hire or the use of a swimming pool or tennis court. The property needs to look and feel like a serviced facility rather than a house rental, so think about the amount of time and attention that you are able to lavish on guests.
Mark Juniper, Land Management

Illustration: Charlie Davis

Land value tax looms large

The concept of land value tax is back on the agenda as part of the Scottish government's land reform programme.

The merits of land value capture and taxation have long been debated. Alarm bells started to ring, however, when the Scottish Land Commission announced it would consider the potential role that land-value-based taxation could play in bringing about a more 'productive, accountable and diverse pattern of landownership and use in Scotland.'

Concern stemmed from the fact that the announcement followed an impassioned debate at last year's SNP spring conference, which backed a motion to introduce a 'radical' form of land taxation.

In addition, pressure from the Scottish Green Party is mounting on the minority SNP administration to commit to introducing a land-value-based taxation system (including agriculture and forestry) as one of a series of wider reforms in advance of this year's Budget discussions.

Amid the uncertainty of Brexit, it seems likely that the Scottish government will steer clear of anything that risks putting additional pressure on food prices or smaller farming businesses in the short term.

While a wholesale move to land value taxation might seem too radical to contemplate, it is clear that we have some way to go before the political appetite for land reform in Scotland is satisfied. Sporting rates have already been reintroduced, and it seems inevitable that other taxes on the ownership of certain large-scale rural assets will follow.

In addition, the Scottish government plans to introduce an infrastructure levy to bolster site-specific section 75 planning contributions, and is also considering new powers to force owners of neglected land to sell (see page 5).

Andrew Aitchison, Rural

"THE SCOTTISH LAND COMMISSION IS CONSIDERING THE ROLE LAND VALUE TAXATION COULD PLAY"

A GOOD DAY AT THE OFFICE

"SERVICED OFFICES COULD ENHANCE AN ESTATE'S SENSE OF COMMUNITY"

DAVID PARDOE, RURAL

Serviced offices have emerged as an important part of the business space market in recent years.

While this is a particularly prevalent trend in big cities (in 2017, serviced office and coworking operators acquired 1.8m sq ft of office space in central London, representing 14% of all occupier activity and a record for this sector), serviced offices are increasingly in demand in country towns, too. So is it time that rural estates looked to this sector to bring added value to their communities?

Since the economic downturn, rural estates have seen a greater number of residential tenants that are self-employed. They are working from the spare bedroom, or possibly already commuting to serviced offices in nearby towns, along roads that were designed to take them from the hinterland to the cities but which are becoming increasingly congested. Providing a serviced office for these workers and others in the locality – closer to home, with little or no commute (or commuting 'against the tide' from the urban fringes) and easy parking – could be of benefit to everyone involved, creating an efficient, congenial space to work with a palpable sense of community and place.

The difference between providing a short-term office let and a serviced office is considerable, for both landlord and tenant. With a short-term let, tenants are pretty much left to their own devices, and landlords have very little to do apart from collect the rent. Serviced offices, by contrast, are let on a 'pay as you go' basis and offer a variety of services alongside the business space provided.

Desks and chairs will be provided, along with wireless internet and other essential facilities. There may be a number of other amenities, such as reception services, photocopying or scanning equipment and conference rooms. At the end of the month, the tenant receives an invoice for the services they have used.

There is also no reason why, if estates take on this model, they can't be more ambitious in their scope, going beyond this simple template to offer a complete localised 'lifestyle concierge service'. One can imagine a number of corollary enticements that the estate could provide to the rural office worker: perhaps dog-sitting when events take them away from their country idyll, or even house-sitting, with a fridge full of essentials ready for their return from longer work trips or holidays.

There are other questions to consider. Would it be useful to provide lifts to connecting bus stops – especially for reverse commuters – to reduce reliance on cars? Could the estate provide office users with access to other goods or services, such as firewood or Christmas trees?

Such a proposition would play to a market of rural dwellers who dream of the ideal work-life balance. They can buy (or rent) into a lifestyle that makes it easier for them to combine work with a comfortable home life. The same would apply equally to the reverse commuter.

This may sound like a lot of effort for an estate, so why would one want to venture into such a marketplace? After all, your staff would be required to manage the enterprise – although if you are already running holiday cottages, you probably have the requisite skill sets and systems available.

There are a number of possible reasons. One is to enhance the sense of place and community – and to capitalise on it. It seems quite reasonable that cottages in such a location could command a premium. These workers would also be a ready-made audience for other services the estate offers within walking distance: the shop, tearooms or pub, for example.

Additionally, the provision of sufficient extra services with such an enterprise might make it possible for the venture to be treated as a trade, with all the attendant tax benefits that carries. A third, compelling, reason is that serviced offices are much used by small organisations, particularly start-ups avoiding fixed costs, and so would encourage entrepreneurial behaviour on and around an estate. Such an atmosphere can surely only benefit an estate's economy and contribute to its long-term success. ■

david.pardoe@struttandparker.com

SEEDS OF CHANGE

WORDS **BRENDON HOOPER**

PHOTOGRAPHY **JOHN ROSS**

The UK's warming climate and widespread resistance to pest and disease controls threaten the profitability of the traditional arable sector. But could newcomer crops such as soya, lupins and quinoa thrive in these changing conditions?

The business of crop production in the UK looks set to get tougher in the coming years. While farm owners await the results of complex negotiations over Brexit and the UK's future agricultural policy, change is already afoot in arable farming.

Disease- and weed-control chemicals are becoming less effective, climate change is disrupting traditional growing patterns, and, with Basic Payments likely to be removed and conventional crops grown more cheaply elsewhere in the world, the profitability of the sector is under threat.

But amid the challenges, there are opportunities for the arable industry. For example, a warmer climate could enable more farmers to grow alternative crops such as soya, grain maize, sunflowers and lupins, while modern diets mean that niche crops such as quinoa are becoming more profitable. So is it time to consider changing crop rotations to some of these alternatives?

Climate change is likely to mean that the UK's moderate, predictable weather will be slowly lost, and replaced with extreme events of prolonged drought or excess rainfall.

According to the Met Office, nine of the UK's 10 warmest years on record have occurred since 2002, with the 10 warmest years all happening since 1990. Meanwhile, seven of our 10 wettest years have come since 1998. The once-reliable pattern of precipitation is shifting, too – the UK's summer rainfall is decreasing on average, while winter's share of rainfall is increasing.

'Future weather patterns are likely to be bumpy,' agrees Jock Willmott, an agronomist in Strutt & Parker's Cambridge office. 'Higher summer temperatures have the potential to induce more crop stress, reducing quality and yields, and place pressure on abstraction and stored water resources – though if there is more winter rainfall, optimistically this may balance out.

'We could face a reduction in spray days due to waterlogging, as well as less assistance from natural factors such as frosts or dry weather to control certain pests, diseases and weeds.'

> "A WARMER CLIMATE COULD MEAN FARMERS GROWING SOYA, GRAIN MAIZE, SUNFLOWERS AND LUPINS"

Chemical reactions

Furthermore, the rising costs of agrochemical resistance will only worsen the problem. 'Resistance is well documented in blackgrass, ryegrass, *Septoria* in wheat and *Rhynchosporium* in barley,' says Willmott, 'while resistance to pyrethroid insecticides is so widespread in flea, pollen and bruchid beetles, the pea and bean weevil, and aphids, they're nearing a point of being completely ineffective.'

In its 2009 *UK Climate Projections* report, Defra predicted that average UK summer temperatures will rise by 3-4°C by 2080, putting our climate on a par with the south of France.

'Of course, if this were to happen, farming businesses and cropping will be able to adapt,' says Willmott. 'This means earlier springs, longer growing seasons and warmer autumns, which could open up the potential to grow new crops not yet widely grown in the UK.'

The rotation of crops will be key to the future of arable profitability. But with less chemical control and the potential of far tighter margins, a rotation that adds yield and saves cost is a must, warns Willmott.

'The rotation needs to be robust and resilient to extremes of weather,' he says. 'The crops – so far as possible – need to complement each other to improve soil microflora, reduce soil-borne pests and disease, offer opportunities to improve drainage, and reduce grass weed burden. But most of all, they need to be profitable.'

So which alternative crops might farms consider planting? Ultimately, it will depend on local land and climate conditions, and the wider level of demand for a particular crop.

Stephen Jones is the Director of the British Quinoa Company in Shropshire. After reading about the trend for eating quinoa due to its high nutritional value, in 2013 he tried growing the crop on his family's traditional arable farm. From an initial crop of around 20 tonnes, the farm now harvests upwards of 700 tonnes of quinoa annually – the bulk of which is supplied to the likes of Waitrose, Marks & Spencer and Pret A Manger for their prepared salads.

'We turned to quinoa as something that could help us diversify away from wheat and oilseed rape,' Jones explains. 'Although we still grow wheat, rape and barley, quinoa has become an ideal alternative crop in the rotation – and we're increasing its allocation year on year.'

Jones attributes much of his success to the British public's shifting palette. More people are choosing to eat alternatives to rice and wheat, while the restaurants and supermarkets the farm supplies are keen to reduce their food miles by sourcing quinoa locally.

The newcomer crop is not too much trouble to grow, either. 'Considering quinoa is not a species native to Britain, it grows →

> “SOYA CULTIVATION HAS COME ON LEAPS AND BOUNDS... IT REALLY IS A VIABLE CROP NOW”

pretty well as long as you have the right variety, and you understand the crop fully,’ Jones says.

Soya is also gaining a following among consumers. ‘The future demand for soya looks strong, with it being used as a meat protein substitute in vegetarian diets, and soya milk providing an increasingly popular alternative to traditional dairy milk,’ says Willmott.

The legume is currently grown in the UK mostly for inclusion in animal feeds as a source of quality vegetable protein. As it’s free from genetic modification, it can command a premium over imported soya, with prices recently increasing to £375-£400 per tonne.

‘Coupled with the issues oilseed rape has experienced due to flea beetle, we have seen the area of soya crop grown in the UK increase to approximately 5,000 acres,’ says Willmott. ‘Soya would certainly suit a warmer, sunnier UK and, as such a globally dominant crop, it has already been well researched.’

However, there are two barriers preventing the widespread growth of soya. The UK’s huge pigeon population is a menace to the crop in its early stages, as it emerges in a period when there is little else available for them to feed on. Furthermore, its late harvesting date – late September or early October – generally means it is best kept on lighter to medium-heavy land.

Dr Lydia Smith, head of the National Institute of Agricultural Botany’s (NIAB) Innovation Farm, says: ‘The cultivation of soya has come on leaps and bounds over the last decade, with new varieties coming through that have a much better ability to grow and get established much earlier in the year, so they can be harvested in time to get the following crop in. It really is a viable crop now in certain seasons, providing the soil isn’t too light and there are no irrigation problems.’

A blooming future

Similar to soya, white lupins are increasingly being grown for animal feed. Andrew Probert, Managing Director of Hampshire-based Premium Crops, says that lupins are an excellent source of protein that – unlike soya – do not have to be treated.

‘If we are going to see average temperatures rise in the UK, then crops like lupins could benefit, as they suit a more Mediterranean climate,’ he says. ‘Having said that, growing 10 hectares of lupins would produce about 30 tonnes of crops, which is usually sufficient for a couple of years’ worth of feed for a sheep farmer. So I doubt we will see hundreds of thousands of hectares of lupins being grown in the UK. Also, they are limited to the later end of the spectrum for harvesting, which is off-putting for many farmers.’

Alternative crops are also increasingly cultivated specifically for the UK’s bioenergy and biopharmaceutical industries. For example, some farmers are setting aside land to grow poppies exclusively for major drug companies, while grain maize is slowly attracting a following in the south.

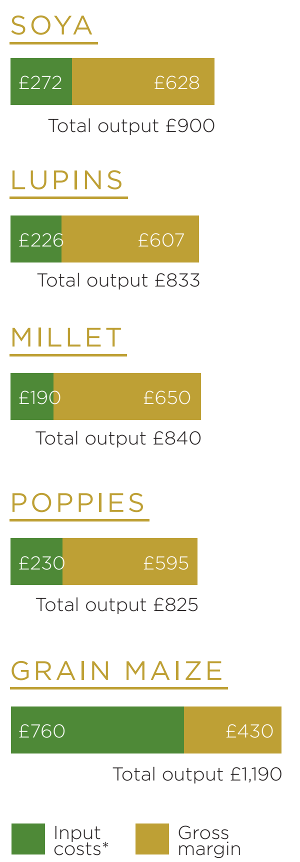
‘Maize crops are now grown from dedicated varieties, bred to produce high grain yields for feeding to livestock,’ says Willmott, ‘while some is making it into the pet food market.

‘If established well, maize is a crop that thrives in warm, sunny conditions. Therefore, greater levels of sunlight in the future could open up the potential to grow more of this crop in the UK, as it would help it mature earlier.’

On the one hand, the inadvertently positive aspects of climate change could herald a new dawn in the growth of alternative arable crops in the UK. ‘However, as our dry summer demonstrated,’ says Jones, ‘the unpredictability of extreme events associated with climate change will make conditions more challenging.’ ■

jock.willmott@struttandparker.com

ALTERNATIVE ARABLES: TYPICAL GROSS MARGINS (£/HA)



* INCLUDES COST OF SEED, FERTILISER, SPRAYS AND DRYING

SOURCE: STRUTT & PARKER

COULD VINEYARDS BE A LONG-TERM ALTERNATIVE TO ARABLES?

The English wine industry is blossoming. Over the past decade, the area of land planted with vineyards has increased by 140%, and total production is averaging nearly four million bottles a year.

Currently, 66% of English wine is sparkling, but only 1% of sparkling wine consumed in the UK is produced at home, so there is huge potential for growth.

'A lot of fruit farms have ideal land for vineyards, plus they already have the right skill sets and equipment,' explains Nigel Porter, viticulture expert in Strutt & Parker's Canterbury office.

'Many arable farms with south-facing, sheltered land below 100m will diversify into viticulture – particularly if they are on chalk soil, which is low-yielding for arables but makes the best-quality sparkling wine.'

The south of England is generally considered to be warm enough for growing vines – Kent in particular, as it is a degree warmer than surrounding counties.

'Even so, we are still 2-3°C colder than the Champagne region, where yields are significantly higher,' says Porter. 'But warmer temperatures will mean some parts of Champagne may soon become too hot, which could benefit us.'

nigel.porter@ struttandparker.com

MAKING CONNECTIONS

Renting property with poor broadband connectivity is unacceptable for today's business and private tenants. So how can landlords in remote rural areas overcome their internet issues?

WORDS **EMILY SCAIFE** ILLUSTRATION **HIT AND RUN**

Rural estates find themselves grappling with a difficult situation. In the modern age, success without high-quality broadband is almost impossible, yet the prosperity of many remote rural locations is being held back by poor internet infrastructure, which, on the face of it, they can do little to improve.

The government has pledged that, with the launch of the Universal Service Obligation, everyone would have an enforceable right to receive high-speed broadband by 2020. However, with technology advancing at such a pace, there is no real incentive for it to act quickly.

'In terms of infrastructure, the government hasn't gone as far as saying that fibre-optic cables need to be available everywhere because it wouldn't be practical or deliverable,' says Stuart Gray from the Land Management team in Strutt & Parker's St Albans office. 'And, within a couple of years, it may not be necessary given the other options on the horizon. The government has provided leadership, but without a clear plan for the fixed network, technology will likely overtake their pledge.'

Today, attracting businesses and tenants to commercial and residential properties in rural areas is increasingly challenging without offering a reliable broadband service. Indeed, our latest *Housing Futures* research has found that 57% of home movers see fast, reliable broadband as essential.

'If you think of a rural estate as a micro economy, one of the fundamental parts of making that economy work is being able to attract people and to keep them there,' Gray explains. 'If you can't provide a good internet connection, then it will be difficult to attract residential tenants and businesses to your properties.

'Despite what the government is saying, the rollout is never really going to be quick enough to keep pace with the social change of people working flexibly and needing to be online more. So we need to be proactive in getting estates connected so they don't get left behind.'

Rural estates should start by investigating when mainstream connectivity may become available. If the timeframe proves unacceptable, then it may be worth considering private alternatives. While the cost of doing this may have made it unviable in the past, Gray ➔

> “TECHNOLOGY WILL LIKELY OVERTAKE THE GOVERNMENT'S PLEDGE”

A direct line: fibre to the premises

Rather than waiting for mainstream fibre connectivity to reach rural areas, fibre to the premises (FTTP) creates a private physical line across private land. 'It provides a permanent connection that is scalable and future-proof,' Stuart Gray says. 'Once you bring in the connection, you can distribute it however you like. There is also no limitation on how much you can download and upload. The main drawback is the cost, both of the capital investment and the monthly line rental.'

Despite its location on the edge of the commuter city of St Albans, the Gorhambury Estate suffered from slow, unreliable broadband and little promise of the problem being resolved by the network. Maximum speeds of 1Mbps were affecting tenants – particularly those who needed to work from home – and the estate's business units.

After consulting with tenants, the estate installed a 100Mbps fibre connection at a monthly cost of £540 for three years. Tenants pay £30 plus VAT a month for a 10Mbps connection. Taken individually, this does not represent a compelling return – but the rental cottages have benefited from greater marketability, and residents now enjoy a fast and reliable dedicated connection.

believes that the importance placed on broadband now means it is a necessary investment.

'It's still expensive to install and the monthly line rental is costly, but it is so much more important now to be connected than it was 10 years ago,' he says. 'Before, you may have been able to find a tenant who didn't require broadband – now, it's virtually impossible to rent out rural office space without it.'

As Brexit approaches, investing in fast broadband should be considered essential for estates that are looking to strengthen their businesses, says Gray. For modern farms, a reliable connection is vital when it comes to taking advantage of new innovations, such as robotic milking.

Diversification could help farmers avoid relying on traditional agricultural incomes to keep them afloat. But in order for their other enterprises to succeed, broadband is crucial.

'If your income stream is going to shift away from the farming side of the business to the investment side, then you need to have the tools to make sure that side is ready to perform,' Gray says.

'Technology may become available that makes blanket connectivity easier and cheaper, but the reality is that Brexit is less than six months away in some shape or form – so estate owners really need to act now in order to protect the revenues of their business.' ■

stuart.gray@struttandparker.com

"ESTATE OWNERS NEED TO ACT NOW TO PROTECT REVENUE"

Going wireless: over-the-air

The Bawdsey Estate in Suffolk decided to invest in broadband after several reliable, long-term tenants complained about connectivity, with unsatisfactory speeds of lower than 0.5Mbps.

'We didn't want the tenants to leave, as trying to let the properties with such poor internet speeds would have proven difficult,' says Matthew Hague of Strutt & Parker's Land Management team in Ipswich.

The estate is located far from any fibre-optic cables. But one of the main advantages of over-the-air internet is its ability to overcome obstacles without the restrictions cabling would face.

The estate approached FibreWifi to provide radio broadband and applied for planning permission to erect a telegraph pole to act as a new relay station. As a result, Suffolk County Council awarded the scheme £1,000 in grant funding, meaning that the total cost to the estate was £4,240 plus VAT.

'Broadband speeds are now around 20Mbps, which are some of the fastest in the area,' Hague says. 'The estate plans to build a second mast to service four more houses, and is also seeing whether mobile phone operators might wish to occupy part of the mast to improve reception.'

Beaming down: satellite broadband

An outlying residential property on Manor Farm in Lincolnshire was connected to the BT copper network, which provided tenants with a landline and an extremely slow internet connection.

With fibre-optic cabling some distance away, there was little prospect of improving speeds through the mainstream network. Instead, the farm installed two-way satellite equipment at a cost of £150 and the tenants subscribed to a broadband package at £50 a month, relying on mobile phones instead of the landline for calls.

'The main benefit of satellite broadband is that it's relatively cheap to install and works in most locations,' says Rob Wilkinson from Strutt & Parker's Stamford office. 'Because it is two-way communication, there is a bit of a delay and downloads can be slow. However, for a single property, it is worthy of consideration – as long as data consumption is not too high.

'With no line rental to pay to BT and having avoided the considerable infrastructure costs, the property and the tenants were left with better connectivity than could have been achieved through the mainstream network, with little additional subscription cost.'

PEOPLE POWER

"IF PEOPLE HAVE FREEDOM, SKILLS AND A SHARED MISSION AT WORK, THEY WILL THRIVE"

JAMES FARRELL, HEAD OF RURAL

One of the secrets of success for any business is an engaged and committed workforce. But how does an employer create the conditions to allow their staff – and therefore their business – to flourish?

Traditionally, managing a workforce has been based on the belief that work is fundamentally an economic exchange between employer and employee. As employees are thought to be driven by self-interest, the employer must impose incentives and controls in order to deliver the performance that the business requires.

This 'carrot and stick' approach to motivation has prevailed for centuries. This is unsurprising, as it is easy to understand, monitor and enforce. But advances in behavioural science over the past 30 years have revealed the flaws in this system.

What we now know is that we all have three key motivations, which are intrinsic and go beyond external monetary rewards: autonomy – the need to direct our own lives; mastery – the urge to get better at something that matters to us; and purpose – the desire to do what we do in the service of something larger than ourselves.

So is now the perfect time to embrace a new management philosophy that brings these three innate human drivers into the workplace, and indeed our wider lives?

Autonomy is all about the choices we are able to make. In the workplace, this is focused on task, time, team and technique: how much choice does an employee have about what they do in a given day, when they do that work, who with, and how they go about doing it?

These are not always straightforward choices, especially in small teams, but in every job there are ways of enhancing the feeling of autonomy. Giving people the freedom to do great work is the way to unlock potential, and doesn't mean they cease to be accountable for their work and actions.

We've all experienced the satisfaction of doing different work and learning new skills that stretch us. That feeling of 'being in the zone' when we are completely absorbed by what we are doing is deeply satisfying and is what mastery is all about.

As children, we all demonstrate an inherent tendency to explore and learn, but as we grow older this desire gets squeezed out. The challenge for every employer is to create the right environment to reinvigorate this natural human drive.

As agriculture continues to embrace new technology – from livestock robotics to precision farming – and rural businesses look to diversify, there are increasing opportunities to stimulate and revitalise employees. Has there ever been a better or more crucial time to be investing in people and driving the skills agenda?

A key responsibility of a leader is to instil a common sense of purpose – beyond the pursuit of profit – in everyone involved in a business. Ensuring people have a stake in something that matters is the way to rouse hearts and transform even the most mundane tasks into meaningful work. Nothing binds a team together quite like a shared mission: it has the potential to energise people, increase collaboration, accelerate learning and deliver new levels of performance.

This time of huge change is also a wonderful opportunity for rural businesses to define their purpose. The countryside matters; there can be few pursuits more noble than providing food for the nation. However, to focus on this alone risks missing the chance for rural businesses to connect to the wider public good that they are so central to.

Using the earth's resources – its natural capital – in a more fulfilling way, and shaping and improving the countryside for future generations to enjoy, is part of the government's vision for rural Britain and offers real benefits for society, enhancing the nation's health and wellbeing. But how often do rural businesses pause to reflect on the broader contribution they make, the role that they wish to play, and how they can realise this greater purpose?

Rural businesses should use this time of change to sieze the chance to embrace a new strategy that focuses on people and create the environment for our innate psychological needs to flourish. This way, they can unlock the hidden talents and efforts of their staff and unleash new levels of creativity, energy and opportunity. ■

james.farrell@struttandparker.com

'ANYONE WHO INHERITS HAS TO BE SENSITIVE TO WHAT'S GONE BEFORE, BUT EVERY GENERATION MAKES ITS MARK'

WORDS **CHERRY MASLEN** PHOTOGRAPHY **ANDY HOOK**

Passing the baton of estate ownership to the next generation can be a fraught undertaking. But since the Verney family went through their own succession process four years ago, Buckinghamshire's Claydon Estate has gone from strength to strength

Left: Nicholas Verney and his wife Alexandra have run Claydon Estate together since 2014

One of the most important issues for any rural estate is managing succession from one generation to the next. In north Buckinghamshire, the Claydon Estate has been in the same family for 400 years – so when it came to passing on the legacy, they must have been doing something right.

The 5,000-acre estate comprises 2,200 farmed acres, parkland grazed by livestock, 240 acres of woodland, more than 70 tenanted residences and commercial properties including agricultural tenancies, two schools and an auction house. At its centre is a 'Georgian jewel': the magnificent Claydon House, which is now owned by the National Trust and is where Sir Edmund, the current baronet, and Lady Verney still live.

Working with the Verney family for the past five years, Henry Gurney, from Strutt & Parker's estate management division in Cirencester, has recently overseen the succession of the estate to Sir Edmund's son Nicholas and his wife Alexandra.

'It's important that everyone in the family's role is clear and that there's a period of transition before the new generation takes over,' says Gurney. 'Sir Edmund is still involved in the sporting and forestry aspects of the estate, while Nicholas and Alexandra share the farming, property, gardens, events and visitor attractions between them.'

A gradual process

In the Verneys' case, the transition period began shortly after Nicholas married Alexandra in 2013, although he has sat in on trustees' meetings since his late teens. 'It happened very naturally,' he says. 'There was never a line in the sand when Dad stopped and we started – he just began to involve me more and gradually drew back.'

Nicholas attended monthly management meetings before moving back to Claydon full time. He and Alexandra had both been working in London, returning when the house on the estate where his grandparents had lived became vacant. 'By the end of 2014, Mum and Dad were handing over, though Dad still acts as a chairman on the board of trustees,' says Nicholas.

A succession, however natural, still entails a lot of work behind the scenes to ensure that the process is as smooth as possible.

'Part of the role of estate manager is ensuring you have the right people to advise the family,' says Gurney. 'With both the succession and general management of the estate, my role is to act as financial director but also to ensure that the Strutt & Parker team, including farming, planning and development experts, are all aligned in our thinking for the benefit of the estate. We have a very collaborative approach, with everyone attending the quarterly strategic meetings.'

With the new generation has come a change of ethos. Claydon has evolved from a traditional estate to a more commercial operation, without losing the sense of heritage that comes with the family name, and is investing in alternative income streams.

'Many estates have invested in traditional core assets, and there are still plenty of scenarios to justify that,' says Gurney. 'But increasing the value on the balance sheet is not actually that attractive to an estate like Claydon – it's increasing revenue that is really going to drive the estate forward and ensure that it's sustainable for future generations.'

The first major strategic development was the restructuring of the farming enterprise and a move to a contract farm agreement, managed by Strutt & Parker's Oxford-based farming team. This →

"IT'S IMPORTANT THERE'S A PERIOD OF TRANSITION BEFORE THE NEW GENERATION TAKES OVER"

Right: Claydon is a thriving mixed estate that has diversified and evolved with the help of Strutt & Parker's Henry Gurney (middle row, right)

arrangement has reduced risk and released capital, enabling funds to be reinvested in the wider estate.

The new outlook also involves reinforcing the Claydon brand. 'Fifteen or 20 years ago, many estates would let properties to tenants and simply leave them to it,' says Gurney. 'With the change of ethos, there is now a real focus on ensuring that the properties and their occupiers are well looked after.'

It is increasingly important that residents 'buy into' the Claydon brand. This fits with the higher demands of today's tenants and justifies higher rents. 'If you get a reputation as a good landlord, you can attract the best tenants,' adds Nicholas.

Property development is an area in which Nicholas takes a keen interest. A development of 95 houses at Steeple Claydon now has planning permission, with more proposals in the pipeline.

'Landowners are in a position to make a difference, to build houses in a sensitive and sustainable way,' he says. 'Building new houses is always controversial, but I see it as a duty to get involved. There is also a legacy point of view – I want housing that I'm happy to put my name to.

'Anyone who inherits has to be sensitive to what's gone before, but every generation makes its mark. Historically, Claydon has been risk-averse, but now we are prepared for a project not to work.'

Business is booming

As with many other successful modern estates, diversification is key. Since Nicholas and Alexandra took over, the redeveloped Courtyard, with a variety of spaces once used for stables and carriages, is fast becoming a visitor destination in its own right. The units are filling up with artists' studios and craft shops where visitors can see the artists at work as well as buy what they create, and the Courtyard Art Studio runs courses for adults and children.

The Courtyard also houses the Phoenix Tea Rooms, previously an unsuccessful tenant-run restaurant. Alexandra has transformed this into a thriving business that uses fruit and vegetables from Claydon's beautiful walled gardens as ingredients in its salads, juices and baked goods.

In another corner of the Courtyard, a holiday cottage is available all year and has achieved 80% occupancy. 'Developing the cottage was a risk,' says Nicholas. 'I hadn't imagined north Buckinghamshire as a holiday destination.'

Driven by Alexandra, outdoor events are also a key element of Claydon's future. The beautiful gardens and parkland are the ideal setting for classic car gathering Cars in the Claydons and the Sealed Knot's Civil War re-enactions. 'We've learned that it's more viable to focus on three big events a year rather than a lot of smaller ones,' says Alexandra, who is also looking into hosting festivals.

However, the estate faces a challenge in the form of the compulsory purchase of 120 acres for the High Speed 2 and East West Rail routes, for which Gurney has been negotiating. 'You have to continue to operate as best you can, but knowing what is coming over the horizon is unnerving,' he says. 'The key is engaging with the process early to ensure you are on the front foot when negotiations start.

'We also have to think about it strategically. Yes, the farm and shoot will be affected, but it may bring increased footfall or strategic development opportunities to the estate. The reinvestment of any compensation monies and the tax consequences must be carefully considered.'

Claydon's new custodians both have full schedules, but it's clear they're enjoying being completely immersed in the day-to-day life of the estate. 'I'm busier than I have ever been, but it's magical seeing the estate come to life,' says Nicholas. 'What gives me the most satisfaction is seeing Claydon evolving into a thriving business.' ■

henry.gurney@struttandparker.com
claydonestate.co.uk

"HISTORICALLY, CLAYDON HAS BEEN RISK-AVERSE, BUT NOW WE ARE PREPARED FOR A PROJECT NOT TO WORK"

FIVE TIPS ON MANAGING A SUCCESSFUL SUCCESSION

Establish a clear plan regarding timing and all family members' roles, so that each one can play to their strengths.

Create a transition period so that successors can learn the detail and background before picking up the reins fully, as there will always be teething issues that the retiring generation can help with.

Ensure complete transparency so everyone understands what is happening.

Engage early with all family members who could potentially be connected with the business. This will flush out any concerns, which will be easier to deal with prior to succession than after the transition has been made.

Seek professional advice early to ensure that the succession process is practical, achievable, legally watertight and as tax-efficient as possible.




COURTYARD COTTAGE






SEAWEED EXTRACT

GOING GREEN

Could green bonds help to fund the government's approach to natural capital?

WORDS **DAVID ADAMS**
ILLUSTRATION **JACK BEDFORD**

Following Brexit, the EU subsidy regime looks likely to be replaced in the UK by a system focused on supporting environmental benefits and sustainable uses of natural capital. But if these plans are to be realised, the new financial infrastructure supporting them will require capital investment from the private sector. Might green bonds be a way to achieve this goal?

Issuers of green bonds – including governments, municipalities and companies – pledge to use their proceeds for 'green' purposes: for example, to finance renewable energy generation, clean transport projects, biodiversity conservation or sustainable water management. The use of green bonds enables the aggregation of risks, allowing investment in multiple projects using the same bond.

Examples of green bonds in use already include a £250-million bond issued by Anglian Water in July 2017, the proceeds from which are being used to finance new and existing projects related to water recycling, and drought and flood resilience. The bonds were issued in denominations from £1,000 to £100,000 and will mature in 2025. Strutt & Parker's parent company, BNP Paribas, was a structuring adviser and a bookrunner for the bond.

Rapid rise

The green bond market is growing quickly: by 60% in 2017, to $155.5 billion; and that figure may top $250 billion during 2018. One reason for this growth is an increasing demand for investments that can be proven to have a positive environmental impact. Widespread adoption of the Green Bond Principles by issuers, committing them to meet transparency, monitoring and reporting requirements, delivers the credibility investors need.

Businesses within the BNP Paribas Group are developing a strong track record in working with green bonds. In October 2017, BNP Paribas Asset Management launched its Parvest Green Bond fund; by the end of July 2018, it had a value of €170 million.

Among various initiatives, the company is supporting the Tropical Landscapes Finance Facility, in partnership with the UN Environment Programme, the World Agroforestry Centre and ADM Capital. This $95-million sustainability bond will finance rubber plantations in parts of Sumatra and Indonesian Borneo damaged by forest fires and deforestation.

At the same time, BNP Paribas Asset Management is engaging actively with green bond issuers to assess the financial and environmental returns these investments will deliver, and enhancing models for mapping natural capital dependencies within investors' portfolios.

'The reason we get so excited about the green bond market is that it's investor-driven,' says Stephanie Sfakianos, Head of Sustainable Capital Markets at BNP Paribas. 'Demand vastly outstrips supply. This is the fastest-growing sector in the capital markets because regulatory, political and social pressures are driving investors in this direction.'

The opportunity to invest in natural capital projects managed by farmers and other landowners in the UK could help to meet that demand. Charlotte Kershaw, from Strutt & Parker's rural team in Cirencester, says: 'We've got this huge natural capital resource, and here you have an investment vehicle that could be used to invest in projects that enhance this resource.'

Individually, these projects would be far too small to interest investors, so the bonds would have to be used to provide aggregation. One way might be to create bonds that would finance projects across wider geographical areas that would otherwise be unfeasible.

'A green bond issue might allow landowners to work together on larger projects, such as altering the course of a river in a flood-prone area,' says Kershaw. 'It's an emerging concept and would rely on collaboration within estates, villages and regions.'

Return on investment

It is important to remember that green bonds could never replace the EU subsidy regime in full. 'I think involving the private sector is a good idea,' says Felipe Gordillo, Senior ESG Analyst at BNP Paribas Asset Management, 'but some of the projects that get subsidies today are not going to be profitable. With finance, you have to reimburse your debt.'

Kershaw, however, argues that profitability should not be the key factor: 'The value of these projects can be assessed in other ways, such as the wider benefits to public health.'

Sfakianos says that, in some cases, there will need to be partial derisking of projects to make them viable for investment, which would also reduce costs to landowners.
The government, along with national and international development banks, could provide support to enable this, she suggests. It could also issue a green bond of its own, delivering an extra boost to the UK green bonds market.

'It's feasible,' she concludes. 'It's not something that's going to happen overnight, but it's something we should all be working towards.' ■

charlotte.kershaw@struttandparker.com

"GREEN BONDS COULD ALLOW LANDOWNERS TO WORK TOGETHER ON LARGER PROJECTS"

ILLUSTRATION **TOMMY PARKER**

WORDS **DAVID DERBYSHIRE**

AGRICULTURE REDEFINED

With the publication of the Agriculture Bill, Defra's vision for the future of farming – with greater emphasis on the environment and producing 'public goods' – has come into sharper focus. How might the new regime work, and how can farmers prepare?

With Brexit a mere few months away, the UK's farming sector is experiencing its biggest period of uncertainty since the Second World War. While the government has published its Agriculture Bill and supporting documents that set out the roadmap for moving from the Common Agricultural Policy (CAP) to a new, environmentally friendly British farming policy, details about how the system will work remain hazy.

When faced with huge uncertainties, the temptation is to do nothing: to wait and see what the future looks like before taking action. But according to Will Gemmill, Head of Farming at Strutt & Parker, inaction in the face of the farming revolution could be disastrous.

'Defra has made it clear that farms will need to be more self-reliant and that farm support from subsidies is going to drop,' he says. 'There will be more pressure on businesses that are only profitable at the moment because of subsidies.

'The challenge will be whether farmers can still make a sustainable living, given that subsidies will be much lower and funding will switch to a payment scheme based on environmental support. I would expect that between 10% and 25% of farms are at risk of going out of business once the transition from CAP is complete. It is that serious.'

It's only natural

The government's vision for the rural economy has not changed since it published the *Health and Harmony* consultation paper in February. It says it wants to enable British land managers to play a vital role in protecting the countryside while also producing world-class food and growing more plants and trees. The ultimate goal is to leave the environment in a better state than before, delivering the promises set out in the 25 Year Environment Plan.

At the heart of the Bill – which applies in England, Wales and Northern Ireland (although the latter two countries can decide their own reforms), but not in Scotland – is a move to 'public payments for public goods'. These 'goods' were defined by Environment Secretary Michael Gove at the NFU conference in February as 'a healthy and beautiful countryside, producing food that makes us healthier as individuals, in a society which has a healthier attitude towards the natural world'.

The cornerstone of the post-Brexit agricultural policy will be a new Environmental Land Management Scheme (ELMS), which is expected to open for applications in 2021 and be fully operational by 2025. Although details are sketchy on which specific public goods will be paid for, enhancing air and water quality, providing public access to the countryside, maintaining cultural and natural heritage, mitigating climate change, improving soil health and conserving wildlife habitats are all mentioned in the Bill.

'The new scheme is broader than agricultural environmental subsidies of the past,' explains Jason Beedell of Strutt & Parker's Research team. 'It will address the landscape and catchment scale and encourage more →

collaboration between land managers – which makes sense because, for example, a pollinator or water pollution doesn't stop at a farm boundary.'

In transition

This all means that direct payments in England will be phased out during a seven-year agricultural transition period between 2021 and 2027, reaching zero in 2028. The aim is to give farmers time to adapt to the new regime, and schemes will be available to build farms' capability to manage risk, improve productivity, support new entrants to get into farming and deliver public goods.

Payments will be 'delinked' from the requirement to farm the land, to enable recipients to invest, diversify or retire. Farmers may also have the option of taking a one-off lump sum in place of their annual direct payments.

'This 'delinking' is likely to affect the farmland market,' says Beedell. 'The value of land will be affected by whether direct payments are receivable by a new owner and the level of payments for public goods they might receive.'

What is certain is that land managers will need to be more self-reliant. For many, that is likely to include more training and risk management, along with greater use of digital farming and technology to improve efficiency. Sharing information about good practice will be key.

The government also wants a lighter-touch inspection regime – yet with no reduction in animal, plant and environmental standards. A 'higher animal welfare standard' will be defined in 2020, but the details are to be announced.

Many big questions remain unanswered. The most significant is the lack of indication of how the overall support budget for farming – currently about £3.2 billion for direct payments and rural development – will change during the transition period. Another crucial omission is around how payments for providing public goods will be set; the implication is that some of the answers and money should come from the private sector.

Also open to question is how profitable farms will deliver cheaper food and higher environmental standards in a light-touch inspection and compliance regime. The shift from subsidies to self-reliance will be challenging for many.

The middle ground

'To add to the uncertainty, it is unclear how the new British agricultural policy will dovetail with the CAP, particularly in the early 2020s,' says Beedell. 'We expect there to be close regulatory alignment between the two policies to ensure trade is as frictionless as possible.'

The government says there is evidence that farms can be profitable post-CAP. But it is clear that it will be a challenge for rural businesses, particularly those dependent on direct payments, to stay out of the red. So with these changes on the horizon, what can land managers do to mitigate the risks and ensure they enter the new era in a strong position?

'Farms need to be as efficient as possible,' says Gemmill. 'If you are a top-25% performer, you may not need to change much because you can survive on low or no subsidies. In the middle 50%, there is massive scope for improvement.'

He highlights six key areas that land managers should focus on to ensure they are ready to face the post-Brexit regime (see below). All are important, but the first is vital. 'It normally comes down to people,' Gemmill concludes. 'High-quality managers and staff – and good communication – will make the difference.' ■

will.gemmill@struttandparker.com
jason.beedell@struttandparker.com

READ OUR AGRICULTURE BILL BRIEFING PAPER AT **STRUTTANDPARKER.COM/AG-BILL**

SIX STEPS TO POST-BREXIT SUCCESS

EMPLOY THE RIGHT PEOPLE
Ensure managers and staff work to a strategy based on critical reviews of how the business is performing now and how it can improve, and bring in the right staff to deliver it if necessary.

BE AS EFFICIENT AS POSSIBLE
The top quartile of businesses are less reliant on Basic Payments and are more resilient to change. So look for ways to improve systems in terms of outputs, markets and fixed and variable costs.

APPROACH ENVIRONMENTAL MANAGEMENT SERIOUSLY
Understand the natural capital that you have and be prepared to provide public goods: higher animal welfare, improved soil and water quality, reduced flood risk, climate change mitigation and better public access.

UNDERSTAND WHAT PUBLIC GOODS YOUR LAND PRODUCES
Review Local Biodiversity Action Plans, Landscape Character Areas, and flood risk and water quality maps.

COLLABORATE
Work with others through sharing machinery and labour, group buying and selling, sharing risk, cutting capital investment and producing landscape-scale public goods such as pollination and storage of excess flood water.

GROW PROFITS FROM OTHER SOURCES
Income from diversification and better environmental management can reduce the impact of the cut in direct payments and spread the business risk.

PERMISSION GRANTED

> “GREATER CLARITY MEANS A BETTER CHANCE OF PROJECTS BEING ACCEPTED”

JAMES FIRTH,
DEVELOPMENT & PLANNING

Getting a building through the planning system can be frustrating, but the latest changes to regulations create new opportunities for landowners keen to get their projects off the ground.

The government has been tweaking permitted development rights (PDRs) since they were first introduced in 2014 as a way to convert disused farm buildings into homes without full planning permission.

The latest changes, introduced in April this year, provide greater flexibility on the size and type of dwelling that can be created. Rather than limiting the number of conversions to three homes, landowners can now develop up to five small dwellings on one site (of no more than 100 sq m each), three larger homes, or a mix of both. This means it is now easier to subdivide large buildings into more homes, whereas previously the original building may have been too large to convert within the restrictions.

Already, we are working with clients to take forward applications for five houses and we expect to work with more as these changes create new possibilities.

Another promising change allows buildings that are currently used for storage and distribution to be converted into residential dwellings using PDRs. So far, the government has extended this right only until 10 June 2019, but it bodes well for it becoming a permanent fixture in the future.

For PDRs to really operate efficiently, though, we'd like to see even more flexibility. Two particular issues spring to mind. Firstly, restrictions on the curtilage of a building (the area around and belonging to it) result in small gardens. Secondly, limitations on works that can be carried out as part of a conversion are problematic for certain agricultural buildings – for example, that the same dimensions must be retained.

Addressing these two issues would further help landowners. Having said that, PDRs have generally seen a degree of success so far and the impacts of the latest changes are still working their way through the system.

In addition, while there is still something of a postcode lottery, the way local authorities are interpreting the rules has become more consistent. This means greater clarity for landowners and therefore a better chance of getting projects accepted.

Beyond PDRs, opportunities have also been opened up by recent changes to the National Planning Policy Framework (NPPF). One of the most significant is the requirement for local authorities to build 10% of their new housing on small sites of a hectare or less – so expect to see engagement with landowners as sites are identified.

Another change involves an alteration to the wording around the redevelopment of previously developed sites in the green belt. Formerly, developers had to ensure they caused 'no greater harm to openness', but the revised wording now requires only 'no substantial harm to openness'. This means 'substantial' harm will have to be caused in order to prevent development – a much higher bar for rejections than before.

A new designation for land outside existing settlements has also been introduced, called an Entry Level Exception Site (ELES). Unlike traditional Rural Exception Sites, which offer low returns to the landowner, the new designation will use the wider definition of 'affordable' homes for first-time buyers, increasing commercial viability.

'Affordable' dwellings will now include starter homes alongside market-price dwellings. This should create new opportunities to develop housing that meets the needs of local communities, as well as making commercial sense for landowners, too.

Cumulatively, these changes are creating new routes for landowners and development projects. Which one is right for you will depend on your circumstances. Our advice is to call in an expert to help from the outset, as they can advise on where the opportunities could lie, as well as on how to implement them.

And with things opening up, now is a good time to revisit that project. ■

james.firth@struttandparker.com

> “IT’S ABOUT PROVIDING A STRATEGY THAT ENSURES BUSINESSES CAN ADAPT AND THRIVE AMID VOLATILE MARKET CONDITIONS”

FUTURE PERFECT

Rural businesses face political, financial and climatic upheaval in the coming years – but future-proofing could be the key to ensuring that they are ready to face whatever challenges emerge

WORDS **JON RILEY** ILLUSTRATION **GIACOMO BAGNARA**

The rural sector is operating in a rapidly changing world, with estates and farms facing several unprecedented challenges and potential threats to their profitability. This uncertainty has meant that the concept of future-proofing has become uppermost in the minds of forward-looking managers.

But what exactly is future-proofing, and how is it achieved? James Hole, estate management expert in Strutt & Parker's Canterbury office, explains: 'It's about providing businesses with a strategy that ensures they can remain relevant, adapt and thrive amid volatile market conditions, and capitalise on opportunities that may arise.'

The first step is to consider what the estate's aspirations are for the future and to put in place a strategy that clarifies this vision. This must set out the decisions that will need to be made if the business is to focus on what really matters and create the value and opportunity to thrive.

A clear plan for the execution of this strategy and the support to see it through are critical. Being prepared to confront the brutal truth about current activities and performance is central to this, and starts with reviewing whether the estate's existing enterprises fit into the strategy and how they are performing.

'It's surprising how many areas in the existing businesses on the estate can be identified as needing improvement before future opportunities are even considered,' says Hole. 'For example, a review of the financing arrangements – business loans, lease-hire agreements or mortgages – can quickly pinpoint areas where savings could be made.'

With a good grasp of the existing business, it is then possible to look at further opportunities. Diversification is often suggested as a strategy for generating additional income. Managed carefully, it can help to spread risk, manage volatility, reduce the dependence on the existing business and improve cashflow. But, warns Hole, it is not a panacea, and – if done badly – can be a distraction from the core business, swallowing up time and resources.

Working together

Collaboration with neighbouring farms offers an opportunity to spread risk. Machinery rings, feed-buying groups and joint ventures can dramatically cut overheads and boost production, pooling knowledge as well as resources. However, as with any new venture, collaboration is a big decision that needs expert advice and management support.

Hole cites the example of the Northbourne Estate near Deal in Kent, where a thriving joint venture has reduced costs, increased yields and boosted profits.

In 2007, neighbours Charles James of Northbourne Farming Partnership and David Solley of Grange Farms had little experience of each other's businesses. However, both felt that a closer working relationship could help future-proof their enterprises. They turned to Strutt & Parker, whose Head of Farming, Will Gemmill, and joint venture specialist Charles Ireland worked with Hole to conduct a review of the two businesses.

Both farms were paying huge overheads for the large-scale machinery and technology needed to cope with the acreages. To reduce these outgoings, Strutt & Parker worked with its clients to establish a limited company, JS Crop, to purchase equipment for both units.

The principle of the joint venture is simple. Each farm pays their own seed, fertiliser and pesticide costs while retaining their own grain incomes. They then pay a fee to the joint venture for the labour and machinery supplied. Shared costs now account for a lower proportion of overheads and, with the venture able to buy larger, more efficient machinery, there has been an uplift in yields.

Rental returns

Following this success, in 2009 Strutt & Parker was asked to conduct a wider review of the estate's assets, which include residential and commercial letting businesses.

'The business has 27 residential properties that were not yielding an appropriate rental income for their size and location,' explains Hole. 'It quickly became clear that a significant programme of investment would lead to a substantial increase in rental income.'

Eight years on, the properties have been refurbished and relet on the open market. 'The returns are exceeding our expectations, with a 75% increase in rental income that has seen the residential enterprise yield a 30% profit,' says Hole.

A portfolio of five former farm buildings let for commercial purposes also came under scrutiny. That portfolio is now twice the size, with letting arrangements rationalised and all properties on full repairing and insuring leases to keep the estate's costs to a minimum.

By maximising returns and spreading risks, the Northbourne Estate is on a sounder footing to face the future – whatever it may hold. ■

james.hole@struttandparker.com

Farming

Income to both farmers and contractors improved in 2017 as a result of an £103/ha average increase in receipts compared with 2016, according to Strutt & Parker's latest *English Contract Farming Agreement Survey*. This can be attributed to lower variable costs due to the reduced fungicide expenditure of the dry 2017 spring, and the replacement of failed oilseed rape with lower input crops, such as spring barley and oats.

In recent years, farmers have absorbed the low returns, receiving less than the contractor on average. There has been a trend of contractors receiving a higher contractor's charge, which is fixed, and a lower first split of any divisible surplus. The results identify that this shift of risk has protected the contractor from volatility in receipts from crop sales.

This can be seen in the 2015, 2016 and provisional 2017 results, in which the average total income to the contractor was consecutively greater than that to the farmer. In 2015, this was especially evident, as 53% of CFAs incurred a negative divisible surplus, a deficit that is allocated entirely to the farmer.

The survey also identifies an increasing volatility of the divisible surplus. This is likely due in part to the withdrawal of plant protection products, which has increased the vulnerability of yield by exposing crops to pests. It will be exacerbated by the recent ban on the use of neonicotinoids, which will increase the reliance on pyrethroid sprays in cereals, hastening pest resistance.

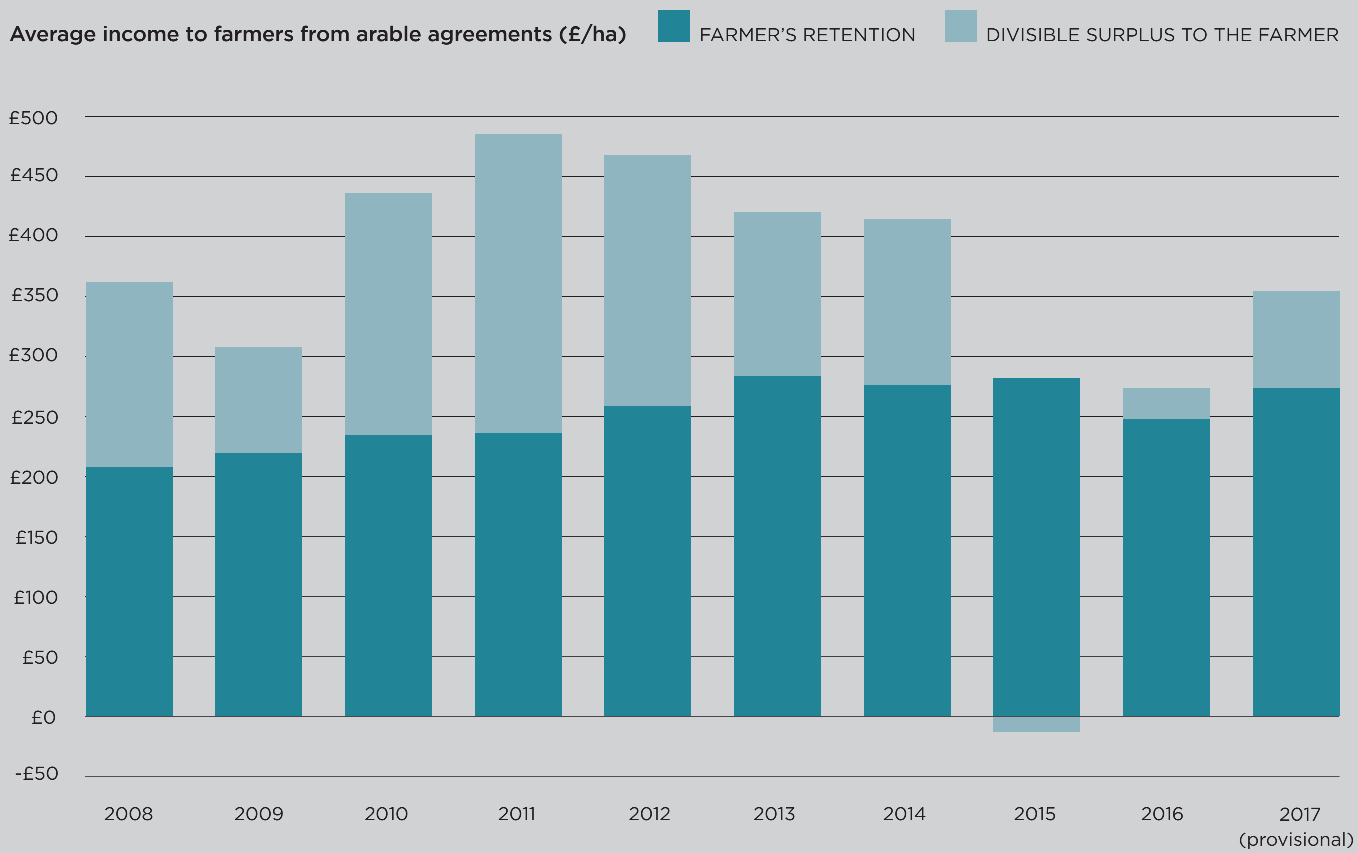
For cereals, later drilling can help reduce the risk of barley yellow dwarf virus. However, the implications for sugar beet are more severe as there is currently no foliar insecticide in the UK that protects against the peach potato aphid, so beet yellows virus could plague crops.

Looking ahead, the phasing out of Basic Payments and the introduction of the Environmental Land Management Scheme could see agreements incentivising high-quality environmental management in addition to crop production.

To read the full results of the survey, visit *struttandparker.com/cfa*.

Sebastian Murray, Farming

Average income to farmers from arable agreements (£/ha)



Source: Strutt & Parker English Contract Farming Agreement Survey

Farmland

The English farmland market is experiencing one of the most volatile periods on record. The prices being paid for land have no obvious commonality, and trying to draw accurate trends is almost impossible.

Illustrating the huge range in values for pasture and arable land across England, the adjacent maps show the difference between the highest recorded prices paid and the lowest in each region, from the start of 2016 until June this year.

For example, the difference in prices paid for arable land ranges from less than 50% in the North East to 175% in the East Midlands, where it traded from as low as £6,000 per acre up to a high of £16,500 per acre. The variance in grassland prices is even greater – as much as 314% in the North West – albeit influenced by some land being purchased for equestrian use.

For both land types, this disparity means that ‘average’ prices become a flawed measurement, and makes accurately valuing land even more difficult.

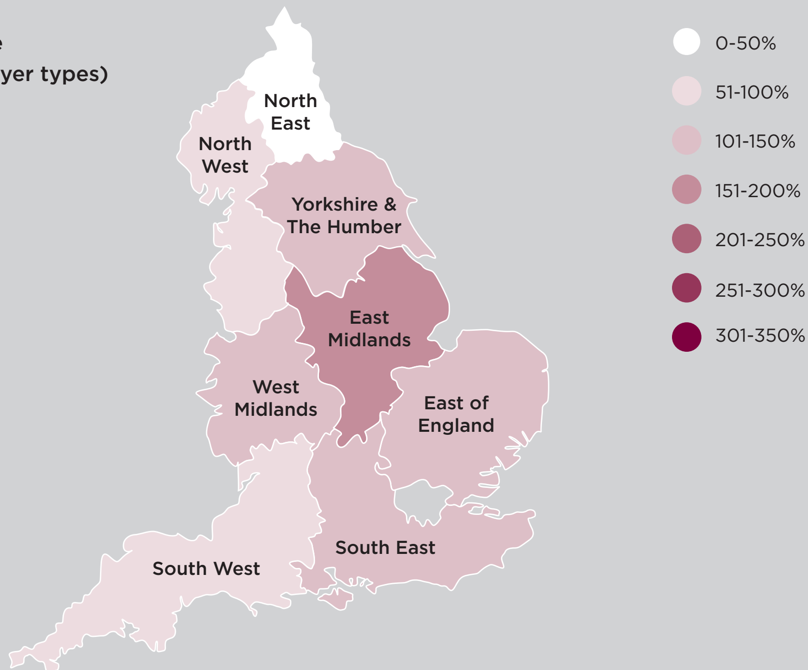
However, with prices varying by such huge degrees depending on the region, county and even parish, it is clear that the location of land is more important in determining value than ever before.

Local demand is the single most important factor when valuing land. Farmer and landowner buyers are still keen to acquire land if it is on their doorstep, and the highest prices have been paid where local demand is forced to compete with buyers from further afield. In most cases, it is investors and lifestyle-driven buyers, rather than farmers, who are willing to pay the most.

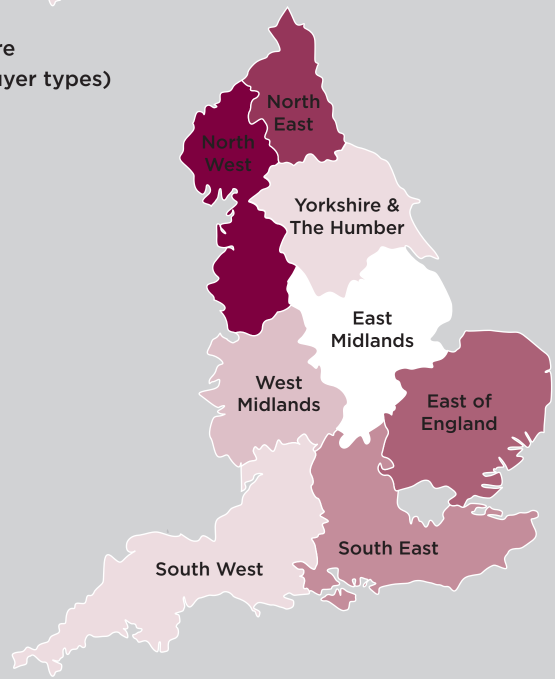
Michael Fiddes, Estates & Farm Agency

Variation in farmland sale prices by English region, 2016-H1 2018

Arable (all buyer types)



Pasture (all buyer types)



Source: Strutt & Parker Farmland Database

Residential

Over the past few years, there has been an increased focus on eliminating rogue agents and landlords from the residential rental sector. The aim is to create a market that ensures that landlords provide safe properties for rental, and that agents provide a professional service to both landlords and tenants.

As a result, the additional compliance measures and legislation have necessitated an increase in the time that landlords and their agents spend managing rental properties. However, agents have absorbed most of these costs, so landlords are not often hit financially.

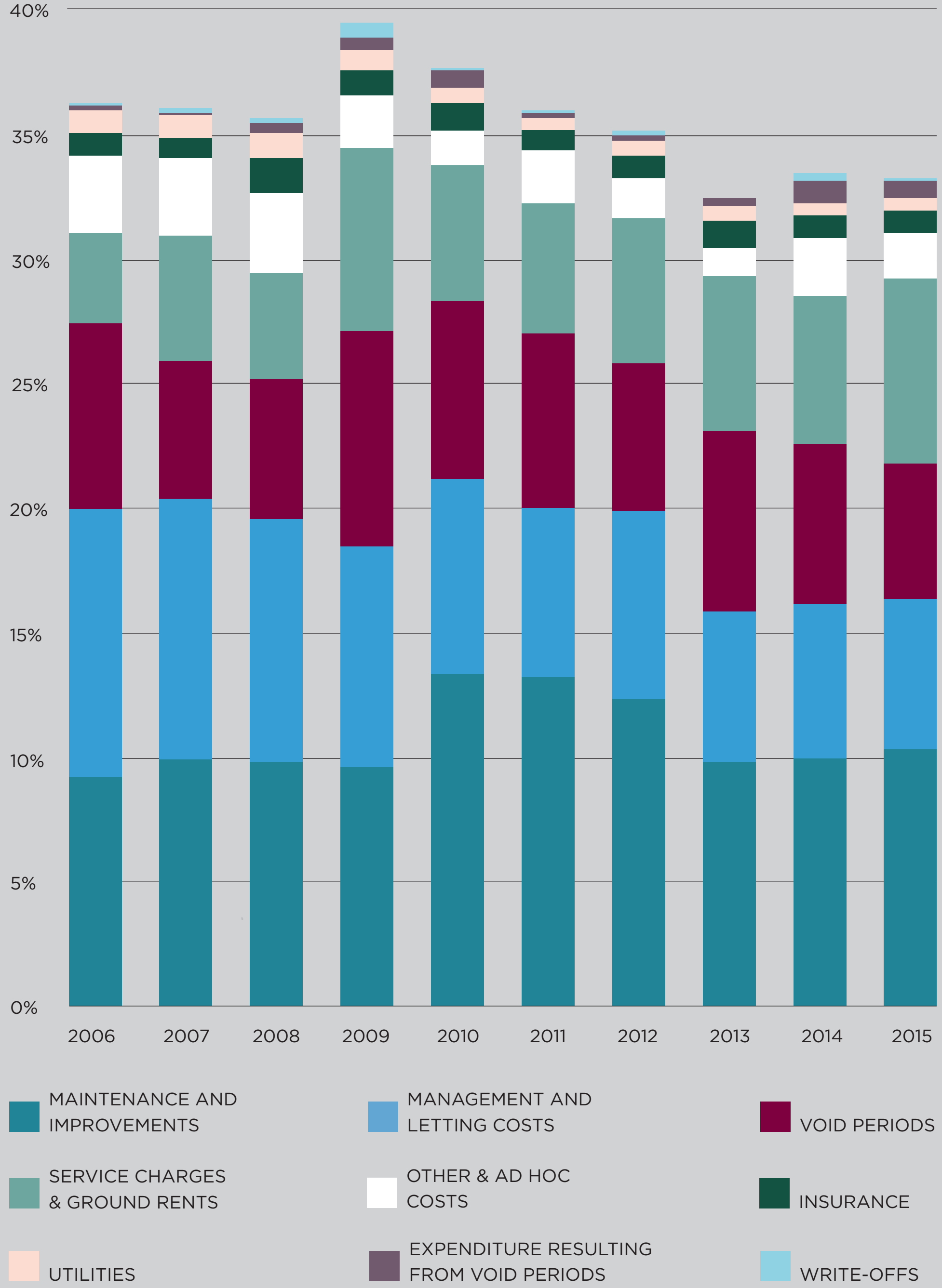
These changes – which include restrictions on tax exemptions for owners of additional properties for rental – have led some landlords to withdraw from the market altogether. This has resulted in fewer buy-to-lets and thus a decrease in rental stock.

One consequence of this lack of properties for let is that void periods have been reduced. In addition, rents are on the increase again – partly due to the stock shortage.

With higher standards and greater transparency, rents are likely to continue to rise as further legislation comes into force.

Sarah Roberts, Residential Lettings

Irrecoverable expenditure as a percentage of gross income



Source: IPD UK Annual Residential Property Digest 2015

Energy

The price of oil has been rising since early 2017, as an agreement between OPEC and Russia to cap production has resulted in a fall in crude oil stocks. As electricity and gas typically follow the trend set by oil, we have also seen the prices of these commodities climb.

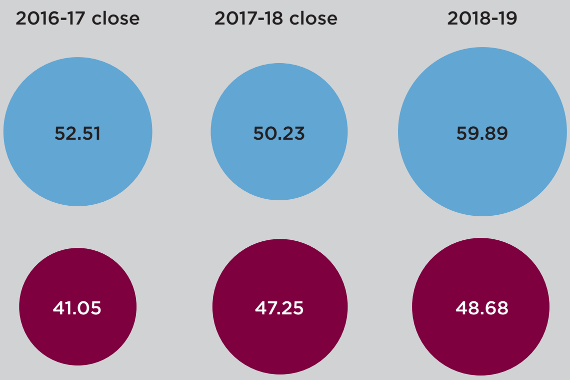
However, these increases are merely fractional in comparison to non-energy costs, which are most noticeable in the price of electricity. These continue to rise above inflation, with an average 13.3% increase from 2017-18 to 2018-19. The main increases are the Renewables Obligation levy (18.7%), Contracts for Difference levy (117.2%), Feed-in Tariff levy (8.8%) and Capacity Market mechanism (165.7%).

Non-energy costs now make up 62% of a non-domestic energy bill. Next year will see an average 11.6% rise due to increases in the Climate Change and Contracts for Difference levies.

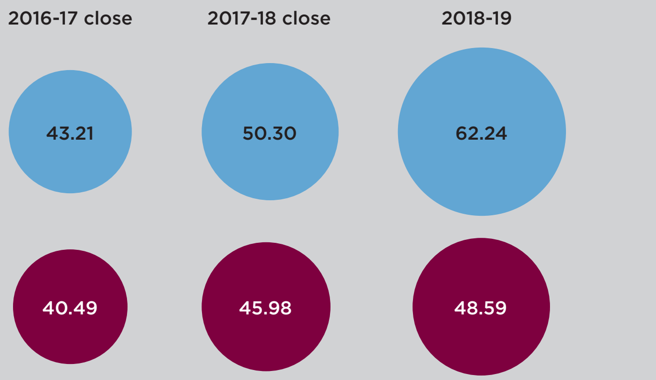
Savings can still be achieved by renewing contracts. While the Feed-in Tariff is ending in April 2019, the rising price of electricity means non-subsidy energy generation is feasible.

Kieran Crowe, Energy

UK electricity maximum prices (£/mWh)

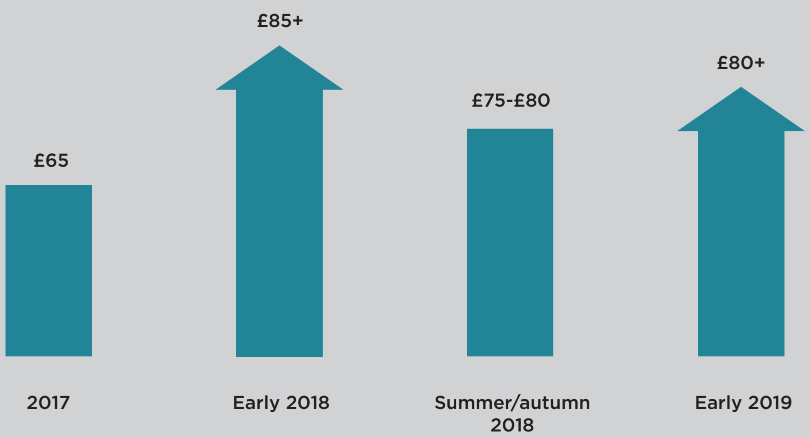


UK gas maximum prices (p/therm) WINTER SUMMER



Source: ZTP

Green, quality sawlog prices (£/t delivered)



Source: Timber Auctions

Forestry

Softwood prices have risen by 25-30% compared with 2017 due to strong demand, a lack of standing timber to buy and difficult spring weather conditions. Sawlog stocks have improved in Scotland, and there is now downward pressure on softwood log prices. Demand remains high for palletwood, fuelwood and industrial small roundwood. But with little stock in the forests, prices could rise again in early 2019, making November and December ideal months to market timber. We have also seen land prices reach £1,500 per acre due to a lack of supply – and in locations where access to future timber markets is at a premium, investors are paying even more.

Jon Lambert, John Clegg & Co

Q&A

Vicky Robinson is a Project Manager at Natural England. She is leading the arable element of the three-year Results Based Agri-Environment Payment Scheme pilot study

INTERVIEW **JEZ FREDENBURGH** ILLUSTRATION **POLI LOVI**

“FARMERS FEEL THEY ARE BEING REWARDED FOR THEIR EFFORTS”

What is the Results Based Agri-Environment Payment Scheme (RBAPS)?
The scheme is an alternative agri-environment payment model where farmers and landowners are paid according to the quality of their results, such as improvements in biodiversity. Currently, we're piloting it with 19 livestock farmers near Wensleydale in North Yorkshire and 14 arable farmers across south Norfolk and north Suffolk. We've been testing the model across four habitats/options: winter bird food; nectar and pollen; species-rich meadows; and land for breeding waders. It's been funded by the EU for the past three years, but Defra is funding an extension to the pilot for another two years.

What do farmers have to do?
The idea is that farmers know their land best, but they may need support to get the most out of it environmentally, such as with creating better habitats and improving biodiversity. Rather than them having a set of management prescriptions, Natural England and its partner in Wensleydale, the Yorkshire Dales National Park Authority, have provided training and information so they can make the best decisions for their land.

How are the results measured and payments decided?
Based on the results delivered, farmers are put on a tiered scale that dictates their payment. The better their results, the more they get paid. Income foregone, establishment costs and time taken to carry out assessments are factored in. We've given all our farmers training on how to carry out their own surveys. For example, under the winter bird food option, they're counting the number of seed heads and different plants. The more they get, the better their results. In the species-rich meadows, we've given them a checklist of plants to identify – some that improve biodiversity and others that don't, such as docks and thistles. This builds up a score. In the arable element, if the results do not meet any of the criteria, the payment can be zero. However, we take account of what happens if someone puts in all the effort but things are out of their control – like the weather. We're currently verifying all the famers results, but if this scheme was rolled out, it is more likely that a percentage would be checked.

What do the farmers in the pilot say?
They've been really positive – we've seen some amazing plots that have had a lot of effort put into them. They say that under existing schemes, they feel they are being paid the same as someone just ticking boxes, even if they do more. But they feel RBAPS is fairer because it's rewarding them for their efforts. Some of them have been nervous about a potential payment of zero, while others have said a results-based payment is no more risky than growing a conventional crop. Our farmers with hay meadows say they have enjoyed learning about the different plant species on their land, while those with breeding wader habitats are more aware of which birds are using their land.

What are the benefits?
The benefit to farmers is the flexibility – they are free to use their knowledge to make decisions that produce the best results for their land. It's also fairer because it pays them for their efforts. From a taxpayer and environmental perspective, it focuses and incentivises farmers on the outcomes and, as a result, we are seeing better habitats being created and managed.

How likely is it to be adopted?
The pilot has so far been funded by the EU to inform the future direction of the CAP. But Defra is now looking at how it could potentially be part of a new post-Brexit agri-environment policy. ■

KEY CONTACTS

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We work with estates and landowners to make the most of their rural assets.

James Farrell 01423 706770
james.farrell@struttandparker.com

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Will Gemmill 01223 459471
will.gemmill@struttandparker.com

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Damian Cronk 020 7318 5065
damian.cronk@realestate.bnpparibas

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Guy Robinson 020 7318 5175
guy.robinson@struttandparker.com

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Simon Kibblewhite 020 7318 5177
simon.kibblewhite@struttandparker.com

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Jonathan Smith 01273 407038
jonathan.smith@struttandparker.com

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Alex Heffer 01245 254656
alex.heffer@struttandparker.com

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John McLarty 020 7629 7282
john.mclarty@struttandparker.com

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Stephen Wolfe 020 7318 5081
stephen.wolfe@realestate.bnpparibas

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Tony Saffery 01483 662478
tony.saffery@struttandparker.com

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Andrew Yeandle 020 7318 5016
andrew.yeandle@realestate.bnpparibas

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Michael Laing 01738 783353
michael.laing@struttandparker.com

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Alexander Creed 01245 254621
alexander.creed@struttandparker.com

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Jason Beedell 020 7318 4757
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jl@johnclegg.co.uk
England: Mike Tustin 01844 291384
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Robert Paul 01743 284205
robert.paul@struttandparker.com

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