

Balfours

PROPERTY PROFESSIONALS

NEWSLETTER SPRING 2024



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In with the New

Balfours bespoke approach to sales and management from our Ludlow office has brought with it such success that we have outgrown our office in Broad Street and moved to larger premises at the top of King Street.

When we opened our new office in Ludlow 6 years ago, we did not know how we would be received, but Scott Kemsley and team have provided the quality of service that has proved so successful that, despite a difficult market, they have delivered for our clients and now have bigger premises in a prime location. With the sales team in place, we intend

that an estate management team will follow. Scott and Alistair are positive in their view of the future. As the effects of the loss of direct farming subsidies are felt by the rural community, it is good that after five years of lobbying by the CLA the government have, at last, clarified that land managed under environmental agreements will

qualify for Agricultural Property Relief (APR) in both England and Wales. Furthermore, the threat of losing APR on short land let under short tenancies, as recommended by the Rock Review, will not be acted upon. Biodiversity Net Gain (BNG) has been much in the news and Andrew

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Price's article provides a simple outline of how this works. But how income received from BNG payments or Carbon Credits for that matter are supposed to be treated for tax purposes is still not entirely clear. It is therefore welcome

news that the government will establish a working group to provide guidance. In the meantime, we recommend anyone planning to take advantage of these opportunities take good accountancy advice.



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Lettings

EPCs a Recap

Recently some local authorities have been auditing private landlords to ensure they have a valid Energy Performance Certificate (EPC) in place for their let residential property. Most, but not all, such property needs a valid EPC with a rating of E or higher. It is therefore worth a recap of the rules.

Usually an EPC is required for residential property let or sold since 1st October 2008. However, properties occupied under licence, such as service occupancies and holiday rentals are not qualifying tenancies. But should the occupiers be separately charged for their energy then the need for an EPC may be triggered.

An EPC will be valid for 10 years. After that, should the property be re-let or sold, a new EPC will be required.

Farmhouses or cottages let under the Agricultural Holdings Act or

the Agricultural Tenancies Act do not fall within the regulations, but those under the Rent (Agriculture) Act 1976 may do.

There has been a belief that Listed Buildings are exempt. This is not generally so. But there is a procedure for getting an exemption where "compliance with certain minimum energy performance requirements would unacceptably alter their character or appearance". However, what can be done, must be done. Other more common exemptions include: where the cost of work exceeds £3,500 or will devalue the property by more than 5% or where the tenant refused consent. Exemptions must be registered and subsequently renewed after five years. Balfours have seen a number of exemption applications audited by the Local Authority, for instance querying whether a tenant continues

to refuse access for works.

In 2020 the Government suggested that the minimum acceptable EPC rating was to be increased from band E to band C in 2025 for new tenancies and 2028 for existing tenancies. However, last Autumn Rishi Sunak announced that these changes would not be implemented. Also, the proposed ban on fossil fuel heating for off gas grid homes has also been delayed by nine years to 2035.

It can be very difficult for many traditional rural cottages that leak heat to meet the high EPC standards the new rules proposed.

For more detailed information we recommend the CLA guidance note available to members.



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Wild Peeing

Thanks to The Guardian for reporting the case of more than one man fined £88 by the local authority for answering the call of nature in a wood in Hertfordshire. They say "Few visitors to the countryside will pass their lives without taking a wild wee; fewer still would expect to be fined for it". Apparently council enforcers lie in wait in laybys.

Right to Rent

Landlords and agents are required to ensure tenants have the right to reside in the UK. First time fines for failing to do so have increased from £1,000 to £5,000.

Residential Sales

Prices Holding Well

As we head towards the Spring / Summer of 2024, in a somewhat refreshed property market, we can safely say that the rollercoaster of the last four years is behind us.

We witnessed double digit property price growth during 2020 and 2021 as COVID fuelled a move to rural properties away from urban settings, followed by a rapidly transforming interest rate environment during 2022 and 2023 as the Bank of England increased its base rate in an attempt to reduce elevated inflation levels, which stifled mortgage lending.

Today, we are able to firmly state that property prices have held well against increased borrowing pressure and as mortgage lenders continue to reduce their lending rates to attract customers, the property market



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A large amount of interest was received for this charming country house on the Shropshire, Herefordshire, Worcestershire Border.

is feeling a lot more cheerful.

New buyers and buyers who have sat on the sidelines are feeling more positive about making plans to purchase during 2024. All of this has translated well during the first

trading quarter of 2024 as we have seen an increase in demand while the supply side has remained steady.

We anticipate 2024 being the year where we revert back towards “normal trading conditions”.

Planning

What is an NDMP?

In England, historically, a Local Plan determines local planning policies. Where the Plan is deemed unsound, policies would revert to National Planning Policy. This system allowed development to be regionally led within a national framework. However, this could be unwieldy and time consuming with localism often blamed for failing to deliver national policy.

So, within the Government’s Levelling-Up and Regeneration Act 2023 a National Development Management Policy (NDMP) has been introduced intended to speed up the introduction of and



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simplify local plans and provide safeguards where local plans are out of date. However, there are concerns that NDMPs will override local plans and local democracy. These changes mark further divergence between English

and Welsh planning systems. For example, in England, under the new Act, all planning breaches must continue for 10 years to become lawful. In Wales this remains 4 years.

The Environment

Biodiversity Net Gain

Developments in England, with a few exceptions, now need to comply with mandatory Biodiversity Net Gain (BNG) requirements. This means that they will have to be delivered in such a way that will reduce then restore biodiversity lost during the building phase and then deliver a minimum of a ten percent net gain to biodiversity in the locality. Developers will need to submit a Biodiversity Gain Plan, which if approved is likely to be secured via a S.106 agreement.

An established Biodiversity metric is used to calculate “Biodiversity Units” before development, then as proposed, in order to establish the BNG. The gain can be secured in one of three ways:

- 1) On-site habitat creation or green infrastructure

- 2) Offsite delivery of the same guaranteed through long-term agreements of not less than 30 years

- 3) The purchase of Biodiversity Credits

Whilst these new requirements may pose bureaucratic challenges and increase costs for developers, they

provide significant opportunities for farmers and landowners willing to create and then sell BNG Units. Already there are farmers willing to turnover less productive areas of the farm for biodiversity income but the prospect of entering into a minimum 30-year agreement will need careful consideration and advice before this potential income stream is accessed.



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Farmland Values

The Market

Last year we saw reported farmland values in the West Midlands increase by over 10% and in Wales by over 20%. This was combined by an increased volume of sales, suggesting these are robust increases, albeit that some agents suggest the rate of increase will slow in the current year. Nationally the figures showed a growth of circa 5%. Rollover relief remains a significant motivation for buyers and values varied significantly dependant upon precise location, regional demand and individual property characteristics. Private, rather than institutional, buyers have driven the market.

The possibility of income from environmental markets has seen renewed interest in land that might otherwise have attracted less interest for food production.

This is likely to remain a significant influence as Government environmental policies evolve. As would any changes to tax reliefs.



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Lettings

Abolition of S. 21. When?

The stop-start progress of the Renters (Reform) Bill continues. Following its second reading in Parliament in October, we were told that the scrapping of the Section 21 notice (so called “no fault” eviction) would be put on hold until “stronger possession grounds and a new court process is in place.” Because no plans for the necessary court reforms were announced, many of us assumed this would not happen before a general election. However, in February, Mr Gove announced that section 12 notices will be outlawed before the election. It is difficult to understand how the courts will be reformed before then.

It must be a case of when, not if, this happens, as the Shadow Housing Secretary, Angela Rayner, has said she would abolish Section 21 on “day one.”

A Section 21 notice allows residential landlords to regain possession of their property where there is no fixed term tenancy, without providing a reason. The principal problem many landlords have with this is that where a tenant breaches the terms of the tenancy (by not paying rent for example) the time it takes for the matter to be heard by a court is unacceptable and can leave them substantially out of pocket. If the court processes were reformed, this need not be the case, and would be fairer to all.



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Farming and Food

RIP Cross Compliance

Some of us might have drunk a new year toast to celebrate the end of cross compliance in 2024. There will be no more penalties applied to direct payments or agri-environmental payments for farmers who fail to comply with the regulations. However, before celebrating too hard, note that the vast majority of the requirements will continue to apply and be regulated by domestic legislation meaning farmers will still have to follow most of the same rules and standards. The RPA has published more information online.



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West of Offa's Dyke

The Sustainable Farming Scheme

After many years in the creation, details of the SFS in Wales have been released: oh dear! Many readers will have seen some of the protests carried out by Welsh farmers at the Senedd in Cardiff on the news, and this is why. The new scheme requires a farmer to carry out no fewer than 17 Universal Actions ranging from Continuous Personal Development to planting 10% of the farm with trees and turning a further 10% into wildlife habitat. The scheme requirements are far more onerous than those of Cross Compliance. This means, for a 250-acre farm, 50 acres will be coming out of production,

with no indication from the Welsh Government on the financial incentive. My cynical mind wonders if it is the intention of the Welsh Government to design a scheme that will have

little uptake so that the budget can be re-distributed. It is somewhat ironic that the strapline on the consultation document states Sustainable Farming Scheme – Keeping Farmers Farming!



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People

Three Peaks Challenge

Having raised over £2,100 for Cardiac Risk in the Young in 2023, completing the Lake Vyrnwy Half-Marathon, a team from Balfours have set their sights on an even loftier goal for 2024 - taking on the daunting Three Peaks Challenge to raise money for Macmillan Cancer Support.

The challenge will involve ascending and descending each of the three largest mountains in the UK, Ben

Nevis, Scafell Pike and Yr Wyddfa (Snowdon), within 24 hours. Each member of the team will need to walk over 23 miles, while also allowing enough time to travel between each Peak. Macmillan provides vital services for cancer patients, funds important research and campaigns for better cancer care.

Scan the QR code for the just giving page and more details.



Pictured are several members of the team on Yr Wyddfa (Snowdon) during a team training day.

New people

Clarissa Haynes

Clarissa is a RAU Rural Land Management graduate, returning to Shropshire after a period in Estate Agency in London. Clarissa joins Balfours as an Assistant Land Agent assisting in the management of a number of traditional estate management clients, whilst working towards gaining her APC qualification over the next 2 years.



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