RURAL BULLETIN

Autumn / Winter 2011

Knight Frank

WELCOME TO THE LATEST ISSUE OF THE KNIGHT FRANK RURAL BULLETIN

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Further information along with more rural property news can be found online at www.KnightFrank.co.uk/Rural and you can follow us on Twitter at www.twitter.com/kfruralproperty

We are living in turbulent times and agricultural and rural property owners are certainly facing their fair share of change.

For example, many of those hoping to claim Feed-in Tariff payments for generating electricity using solar energy will be disappointed by the recent cut in payment levels (page 5). Farmers will also be following keenly the on-going review of the Common Agricultural Policy and hoping that some of the EU's current proposals never make it off the drawing board (page 3).

But there are also opportunities emerging from the upheaval. Although the government's proposed reform of the planning system has been controversial, to say the least, we believe it could offer rural property owners a real chance to make better use of their assets and provide the employment opportunities and housing that many rural communities desperately need (page 4).

All these themes, along with a wide range of other topics, are discussed in more detail in the bulletin. I hope you enjoy reading the articles and find them both informative and useful. If Knight Frank can be of assistance in any way, you can find contacts for all our rural service lines on the final page.

English farmland market update

The Scottish farmland market has strengthened slightly over the past quarter with prices rising on average by 3% across all land types. There are, however, sharp differences in performance across the country.

A scarcity of good arable units in the best arable areas in the east of the country has helped push values in the past 12 months. But much more availability, coupled with a decline in demand, in the grassland areas of the south west, has led to downward pressure during the same period. The value of poorer hill land continues to be influenced heavily by its potential for tree planting.

The average value of English farmland fell by 1% in the third quarter of the year. This follows a period of strong growth that saw prices hit a new record high.

According to the Knight Frank Farmland Index, bare agricultural land is still worth almost £6,100/acre. That is 5% higher than 12 months ago and almost double the prices being achieved five years ago.

In terms of capital appreciation, farmland is still outperforming many other asset classes over both the short and long term, but the growing economic uncertainty led to a feeling among buyers and investors that the market could be overheating slightly.

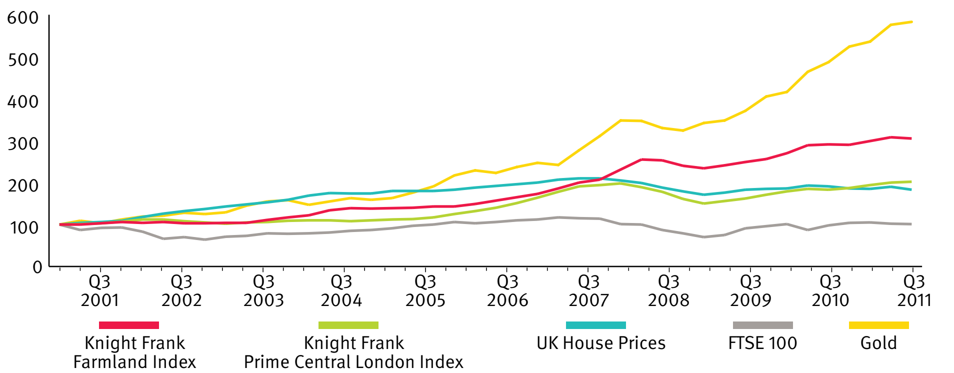
Potential purchasers don't feel they need to rush and are prepared to wait for the right price. Banks are also becoming more cautious. Although they still see farmland as a safe asset to lend against, they can be a bit twitchy when prices start to creep above £7,000/acre.

Prices are likely to remain flat or weaken slightly in the final quarter of the year, but will rebound in the first half of 2012 as investors look to tangible assets supported by strong fundamentals.

If you are thinking of selling a farm, equestrian property or estate anywhere in the UK please contact a member of our Farms and Estates' team.

HEADLINES

Farmland performance versus other asset classes
Index (Q3 2001=100)



Source: Knight Frank Residential Research

COMMODITY MARKET ROUND UP

Cereals drop while beef surges

There has been a marked change in the fortunes of arable and cereal farmers over the past six months.

For the first time in over two years feed wheat prices have started to fall on an annual basis, with values down by about £20/t compared with this time last year. Oilseed rape is the only crop to be holding its own at the moment.

By contrast, cattle prices continue to rise with a kilo of beef worth almost 65p more than in November 2010. Lamb, pork and even milk prices are also stronger.

Wheat prices have come under pressure due to the global economic downturn, a decent 2011 world harvest and the prospect of a greater planted area for 2012. Ex-farm prices for August 2012 are now back to around £130/t.

Although this year's UK wheat harvest was about 1.5% below its five-year average, Russia apparently has 25m tonnes to export, with other countries in the region also sitting on large surpluses. According to the International Grains Council, the total world wheat area is set to rise by 1.6% to 225m hectares.

Although 1.6% may sound like a relatively small amount, seemingly subtle shifts in cereal production in key importing and exporting nations can have large knock-on effects on world prices and subsequent price volatility. In 2010, the difference in price between the top and bottom of the UK feed wheat market was a staggering £120/t.

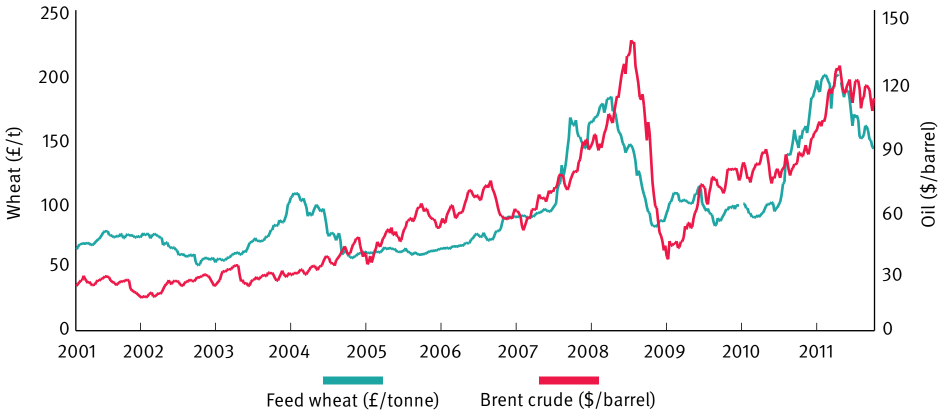
Beef producers continue to benefit from steady demand, a drop in global production due to the sector's recent poor returns, and the relative weakness of sterling against the euro. UK production is predicted to drop by 7% to 880,000 tonnes in 2012, while US output is also declining.

One of the biggest problems for farmers is that the nature of cropping and animal-rearing cycles makes it incredibly difficult, without a crystal ball, for them to react meaningfully, from a production point of view, to price volatility.

Livestock producers have also been warned not to user higher meat prices as an excuse for complacency. As anybody who has bought a tank of petrol or diesel recently will know, fuel prices remain stubbornly high and fertiliser costs are well up on the year.

The gap between the best and worst performing producers also continues to widen, according to a recent report from the English Beef and Lamb Executive (EBLEX). While the top third of extensive cattle finishers made a net margin before non-cash costs in 2010/11 of £103 per cow, the bottom third lost over £280.

Wheat and oil price changes



Agricultural price changes Q2 2011-Q3 2011

	Q3 2011	Q2 2011	Q3 2010	Annual change (%)	Quarterly change (%)
Commodity prices					
Feed wheat (£/t ex-farm)	142	168	144	-1%	-15%
Oilseed Rape (£/t ex-farm)	345	379	304	13%	-9%
Cattle (R4L steers p/kg dw)	336	308	274	23%	9%
Sheep (R3L lambs p/kg dw)	378	431	360	5%	-12%
Pigs (DAPP p/kg dw GB av)	145	152	140	4%	-5%
Milk (UK p/litre)	27.54	26.62	25.25	9%	3%
Skimmed milk powder (£/t)	2,150	2,250	1,950	10%	-4%
Input prices					
Red Diesel (p/litre)	69	67	54	28%	3%
Oil ($/barrel OPEC index)	108	109	75	44%	-1%
Fertiliser (£/t AN 34.5%)	345	319	223	55%	8%
Soyameal feed (Argentine £/t)	279	272	279	0%	3%
Economic indicators					
Interest rates (B of E base %)	0.5	0.5	0.5	–	–
Inflation (CPI)	5.22	4.19	3.05	–	–
£:€ rate	1.15	1.11	1.16	-1%	4%
£:$ rate	1.55	1.6	1.58	-2%	-3%

Sources: HGCA, Farmers Weekly, DairyCo

CAP REFORM UPDATE

Background to the reform

The European Commission has finally published its official proposals for reform of the Common Agricultural Policy from 2013 following a host of leaks and speculation.

Unsurprisingly, some of its ideas, which we look at below, have received a lukewarm, if not downright hostile, reception from national governments and farming organisations. A couple of things, however, are worth noting.

Firstly, these are just proposals. There is still a long way to go before agreement is reached and a lot of the measures require further clarification before their implications can be really gauged.

The EU Commission, which is basically the European civil service, albeit with more influence than some would like, will not make the final decision on the shape of the reform. Under the terms of the Lisbon Treaty, that is down jointly to the EU Council of Farm Ministers (each of the 27 ministers is likely to be lobbied intensely in their own countries) and the European Parliament.

Secondly, this is not a hugely radical reform of CAP, although the proposals do suggest a far more complicated beast than the current scheme – get ready for yet more acronyms like BPS and EFAs. Individual businesses will undoubtedly be hit by some of the proposals in their current form, but European agriculture per se will be largely unaffected.

Thirdly, there are other things, such as exchange rates and the impact of the eurozone crisis on the overall CAP budget, that could have an equal, if not more significant, impact on farm incomes in the UK.

And, finally, the reforms have little chance of being implemented on time. Given the delays so far it would seem unlikely that a new system will be in place until 2015.

Having said all of the above, subsidy payments did contribute £1.52bn to the profitability of English farmers in 2009/2010, so the final outcome of the reform process will be important. Agricultural income contributed a mere £220m.

Key proposals and their implications

Introduction of a new Basic Payment Scheme

A new Basic Payment Scheme (BPS) will replace the current Single Payment Scheme (SPS). To qualify for the BPS, claimants in 2014 (or whenever it is introduced) will have to have made an SPS claim (however small) in 2011. This could be problematic for new entrants and those landlords taking land back in hand who didn't make a claim in 2011.

Anybody selling a farm will be able to pass on their right to claim entitlements to the purchaser, but if they sell their land in lots they can only pass it on to one of the new owners. Again, this could be problematic if the purchasers are all new entrants.

In addition, it could be advisable not to change the ownership structure of a business prior to the introduction of the BPS in case this invalidates the potential to claim entitlements.

BPS entitlements will be based on the amount of land occupied when the scheme commences. Once established they will be freely tradable.

Greening measures

These are some of the Commission's most controversial proposals and appear to have been inserted to keep sceptical European taxpayers happy. Initial reports suggested that 30% of BPS payments would be dependent on claimants satisfying the following measures, meaning farmers could opt to forgo that part of their claim. But it now appears their entire claim will be affected. The 30% split is of more relevance to the capping measures, which are discussed later.

Ecological Focus Areas

Farmers will need to put 7% of their eligible acres (these could include hedgerows, ditches, ponds and field margins, but probably not woodland) into "ecological focus areas". It seems likely farmers will be able to "rent in" land to cover this requirement.

There are concerns that land already in the Entry Level Environmental Stewardship Scheme (ELS) will not qualify as part of the 7%, but the Commission has recently stated that its intention was not to discourage farmers from putting land into the ELS. How it intends to do this will be interesting, as EU rules prevent farmers being paid twice for the same scheme.

Crop Diversity

Farms with over three hectares of arable land will need to grow at least three crop types, with each accounting for between 5% and 70% of cropped area. This will raise issues for livestock farmers if maize is counted as a crop, and for arable farmers with simple rotations or those who implement block cropping across a number of units.

Permanent Pasture

Any grass over five years will be considered permanent pasture and will not be allowed to be ploughed. This could have an effect on land values.

Capping of payments

As expected, the Commission is proposing to reduce payments to those making the largest claims. The system will work in a similar way to income tax, with bands of payments attracting progressively higher deductions as detailed below.

Claim band	Deduction	Maximum
Up to €150,000	Full Payment	€150,000
€150,000-€200,000	20%	€190,000
€200,000-€250,000	40%	€220,000
€250,000-€300,000	70%	€235,000
Over €300,000	No payment	€235,000

Splitting a large unit into separate businesses could be one way to mitigate capping, but the Commission has made it clear that restructuring purely as a means of increasing subsidy payments could affect people's claims. In reality, however, there may well be a good reason to split a business so it remains to be seen how this will be policed. However, as mentioned earlier, any new business created before the new scheme is introduced will not be eligible to claim the BPS payments.

continued on next page

Capping, however, could be less of a worry than some initially thought. The 30% "greening" element of BPS claims will not be included in the calculation and businesses will also be able to offset salaries paid during the previous year (although this in itself could give rise to a new layer of complexity). Consultant Andersons has calculated that a €360,000 claim will be reduced by just €4,400.

"Active Farmer" rules

This could potentially be more problematic than the capping proposals, with BPS claimants having to pass a number of tests designed to block "sofa" farmers and non-farming businesses from making a claim.

Claimants must be proper farmers, not utility companies or airports and the like. They must also farm their land rather than just keeping it in good agricultural condition.

Another of the tests stipulates that receipts from direct payments must be at least 5% of the receipts from non-agricultural activity. This shouldn't be a problem for most claimants, but could be an issue for those who have successfully diversified their businesses.

An option could be to split the business into separate entities, but the Commission says changing the structure of a business simply to maximise BPS will lead to claims being scrutinised.

Implications for Scotland and Wales

As part of the reform, all member states will have to allocate the new Basic Payment Scheme (BPS) on a flat-rate per hectare basis, instead of the historic system favoured by many countries, including Scotland and Wales.

States will have until just 2019 (although it is likely there will be stiff pressure to extend the deadline) to phase out historic payments. This means those farmers who had very high historic payments in the 2005 base year could see a sharp drop in their BPS, as detailed in table 2, which assumes the scheme starts as planned in 2014.

To avoid large upland or moorland units receiving disproportionally high levels of subsidy payments, Scotland and Wales will also have to introduce separate lowland, upland and moorland regions as is already the case in England.

In addition to the BPS, countries will have the option to allocate 10% of their total subsidy pot in the form of coupled payments, such as headage payments. In England, DEFRA is unlikely to take up this option, but it could be favoured by the devolved administrations.

Table 1 Potential total BPS payments in England €/ha

	2011	2014	2015	2016	2017	2018	2019
Lowland	263	231	229	227	226	223	221
Severely Disadvantaged Area (SDA)	213	145	144	143	140	141	139
Less- Favoured Area	37	40	39	39	39	38	38

Source: Andersons

Table 2 Potential total BPS payments in Scotland €/ha

	2011	2014	2015	2016	2017	2018	2019
Lowland (estimated average)	288	229	228	227	225	223	221
Lowland (high historic claims)	425	271	261	251	241	231	221
Less- Favoured Area (estimated average)	92	67	66	66	66	65	64

Source: Andersons

All of this is a potential minefield that lacks clarity and could add a huge level of complexity to making a claim, if the onus is on applicants to prove they are eligible.

Will subsidy payments fall?

Yes, although this would happen even if the current system was maintained, especially in real terms with inflation running at over 5%. According to some projections from consultant Andersons, payments to an English lowland farmer will fall by 13% between 2012 and 2015. See table 1 below for a regional breakdown, based on the new system starting in 2014.

What should I do?

Well, in the first instance not a great deal. Although it may appear tempting, at the moment there is simply not enough detail available (and what detail we do have is subject to change) to make any sensible decisions in terms of restructuring. Making changes to avoid the implications of one aspect of the reforms could have a detrimental effect under another. The EU Commission has also said changes made simply to maximise subsidy payments will be scrutinised.

What landowners and farmers should be doing is using the period before the reforms are introduced as an opportunity to take a hard look at their businesses. Any changes that could reduce their reliance on subsidies may offer the best future returns.

For further advice please contact Percy Lawson

Exchange rate boosts 2011 subsidy claims

The importance of exchange rates to UK farmers was emphasised again when the rate for converting euro-based EU farm subsidy payments into sterling was set on 30 September. Based on the ECB's official exchange rate on that one day, the rate (€1 = 86.66p) was the second most favourable ever and means farmers will receive slightly higher Single Farm Payments than in 2010.

PLANNING AND THE LOCALISM ACT

National Planning Policy Framework offers opportunities for landowners

The draft National Planning Policy Framework (NPPF) that we discussed in the last issue of The Rural Bulletin continues to attract a significant amount of criticism, both from the media and some rural lobby groups, such as the National Trust and the Campaign to Protect Rural England.

Although reducing thousands of pages of planning guidance into one 58-page document will inevitably lead to some shortcomings, we believe that the NPPF, which includes a presumption in favour of sustainable development, does provide estates and farms with a real opportunity to lead and shape future planning policy in their communities.

As part of the NPPF, local communities, such as parishes, will be able to create their own Neighbourhood Plans. Although these must be in line with national planning policy and can't be used to block any development proposed in Local Plans, they could be a very useful tool in steering through sustainable development, including open-market housing, that is not covered by a Local Plan.

Of course, landowners will not be able to create Neighbourhood Plans on their own. They will have to be done in conjunction with local communities and engagement from the outset will be vital. But producing Neighbourhood Plans will require leadership and possibly some sort of financial backing.

In addition to this, many Local Plans expired this year and local authorities are under enormous pressure to create new strategies for the next 15 years. The ability to take a proactive role in neighbourhood planning is a rare opportunity that could allow landowners to make better use of their property assets and work with local communities to provide much-needed accommodation and employment.

The public consultation on the first draft of the NPPF closed on 17 October and a revised version is expected to be released in the first half of 2012.

Please contact James Del Mar to discuss how the NPPF could help you.

Localism Bill passed

The Localism Bill, which aims to devolve greater powers to councils and give communities more say over planning and housing policy, became the Localism Act after receiving Royal Assent on 15 November.

Unlike the slimline NPPF mentioned elsewhere on this page, the Localism Act is a weighty tome of almost 500 pages containing 200 sections and 25 schedules. Needless to say, it is impossible to do it justice in a few paragraphs, but it has important implications, along with the NPPF, for any rural property owners who may be looking to develop some of their land or have an interest in planning and local government.

But, as mentioned in previous editions of this bulletin, there are some aspects of the bill that should be of general concern to landowners, even though lobbying from groups such as the CLA has achieved some significant amendments to the original proposals.

Local authorities will be required to keep a list of Assets of Community Value (ACVs) based on nominations from local communities. The Act does now at least include a definition of ACVs – they have to further the social wellbeing of the local community – and nominations cannot be made by individuals, which will hopefully avoid malicious applications. There will also be a right of appeal.

When an ACV is put up for sale by its owner, local communities will have a period of time in which to bid for the asset. The owner will not have to accept their bid, but the process could slow down a sale. Certain "sales", such as a transfer between connected companies will no longer trigger the right-to-bid process.

A number of details are still to be finalised and the government is aiming to have these provisions in place by October 2012.

For more guidance please contact James Del Mar

Don't lose your manorial rights

Landowners have under a year to register any manorial rights that they own with the Land Registry. Those that fail to do so risk losing the potentially valuable interests, including sporting and mineral rights, attached to them. From 12 October 2013 the overriding interest that currently ties a "Lordship of the Manor" to a particular land title will end.

Manorial rights are just one issue related to title that landowners need to be aware of. On most estates there are discrepancies between physical and mapped boundaries that could lead to issues in the future and even disrupt a sale of the property, according to Knight Frank's mapping team.

For more information please contact Michael McCullough

Beware of CLEUD changes

As part of the Localism Act, the rulebook on the use of Certificates of Lawfulness of Existing Use or Development (CLEUD) to regularise "concealed" planning breaches has been rewritten.

Previously, it was possible to apply for a CLEUD if a breach had passed unnoticed by a Local Planning Authority (LPA) for four or 10 years, depending on the situation. This led to some extreme circumstances, including the case of a new home that was literally surrounded with straw bales until the time limit for enforcement action had passed.

Now, however, the time limit has been removed and LPAs will be able to apply for enforcement orders on breaches dating back many years if they believe that they have been deliberately concealed.

The key to the changes is how LPAs interpret "deliberate concealment". We believe it is intended to cover serious breaches such as the straw bale house, not breaches of an Agricultural Tie, for example.

The new rules are not expected to come into force until April 2012, so any property owners who think they might be affected should consider their position before then. Anybody purchasing a property may want to take specialist advice to ensure they are not acquiring any assets that could be subject to an enforcement order.

For more details please contact Alastair Paul

RENEWABLE ENERGY FOCUS

There have been lots of developments in the renewable energy sector over the past few months. Some welcome, others far less so. The following articles highlight some of the main issues that landowners should be aware of.

Solar PV subsidies slashed, but don't write it off

The government has announced plans to cut Feed-in Tariff (FIT) payments for new solar photovoltaic (solar PV) schemes by up to 50%.

Climate Change and Energy Minister Greg Barker blamed higher-than-expected demand, which he said would make the FIT scheme unsustainable if it were allowed to continue at current rates.

A sharp fall in the cost of solar PV panels also meant such generous subsidies were no longer required, added Mr Barker.

Band (kW)	Current FIT rate (p/kWh)	Proposed FIT rate (p/kWh)
≤4kW (new build)	37.8	21.0
≤4kW (retro fit)	43.3	21.0
>4-10kW	37.8	16.8
>10-50kW	32.9	15.2
>50-100kW	19	12.9
>100-150kW	19	12.9
>150-250kW	15	12.9
>250-5MW	8.5	8.5
Stand alone	8.5	8.5

Anybody hoping to claim under the existing rates for the lifetime of their scheme will need to have their solar PV panels installed and accredited before 12 December. Panels installed on or after 12 December will qualify for the existing rate until 1 April 2012, after which the new rate will apply.

Claimants planning multi-installation schemes will only get 80% of the new tariff. It is also proposed that all residential properties will need to reach a certain level of energy efficiency in order to qualify.

Existing installations will not be affected by the tariff changes and payment rates will continue to increase in line with the retail price index (RPI).

The proposals are subject to consultation, but it seems unlikely the government will change its mind, following its refusal to back down on earlier cuts to payments for schemes larger than 50kW.

Despite the cuts, solar PV projects will still be able to offer annual yields of over 8%, especially if, as seems likely, the cost of panels comes down significantly. Increasing electricity costs will also improve the viability of solar schemes over the coming years.

Revised rates for other renewable technologies, such as wind, hydro and anaerobic digestion, that qualify for FIT payments are due to be announced by the end of the year and will come into effect in April 2012.

If you are currently in the process of, or are thinking of, installing any renewable energy technologies and are unsure how these changes could affect you please contact Oliver Routledge or Benjamin Davies

Renewable Heat Incentive introduced - at last

After worries over EU state-aid rules led to a last-minute delay in September, the long-awaited Renewable Heat Incentive scheme (RHI) finally opened to applicants on 28 November. The scheme will pay those registered for every unit of metered heat produced by eligible technologies. These include solar thermal panels, ground-source heat pumps, biomass boilers and anaerobic digestion plants.

As well as the income from the RHI, significant savings on heating bills can also be achieved, depending on the system installed and the type of fossil fuel it is replacing. Those who own their woodland will be particularly well placed as they will be able to use waste wood to power biomass boilers.

Recipients will be paid up to 7.9p per kWh for biomass boilers, 8.5p per kWh for solar thermal and up to 4.5p per kWh for heat pumps.

The RHI will initially only be available for systems installed in commercial premises, but will be extended to domestic properties next autumn. In the meantime capital grants known as RHI Premiums are available to homeowners to help cover the cost of installation.

The Knight Frank Renewables team has produced a handy guide to each of the different renewable heat and electricity technologies that could be of interest to farmers, estates, rural businesses and country house owners. Please contact any member of the team to request yours.

Government reinforces support for large-scale renewable electricity

The government's proposed new payment rates for electricity generated by large-scale renewable projects (+5MW) have been largely welcomed by the renewables industry.

It had been feared that the review of Renewables Obligation payment rates announced in October would see the incentives for some technologies cut to unviable levels. Instead, however, the proposals were broadly in line or, in some cases, better than expected.

Payments for on-shore wind generation will fall from 1 ROC (Renewables Obligation Certificate) to 0.9 ROCs. A rate of just 0.8 ROCs had originally been proposed, which could have had severe implications for some wind farms.

The National Farmers Union said that increased support for bioenergy could benefit the agricultural sector. The government has proposed the introduction of two new bands for biomass; Biomass Conversion and Enhanced Co-firing. Both of the new bands are proposed to receive support of 1 ROC/MWh from 1 April 2013.

There will also be increased support for marine and tidal electricity generating technologies with support of up to 5 ROCs/MWh. A consultation on the proposed rates closes on 12 January.

Please contact Christopher Smith or Oliver Routledge for advice on large-scale renewable schemes.

TAX AND OTHER MATTERS

Taxman IHT victory bad news for farmers

Agricultural property owners will need to plan their retirement carefully following a successful appeal by Her Majesty's Revenue & Customs (HMRC) in the Atkinson case.

The case revolved around a bungalow that was home to Mr Atkinson, who farmed in partnership with his daughter-in-law and grandson. After falling ill in 2002 Mr Atkinson moved to a nursing home. He died in 2006. As he was no longer occupying the bungalow, HMRC ruled it was not eligible for Agricultural Property Relief (APR).

A Tax Tribunal, however, ruled on appeal that APR should be allowed as Mr Golding retained use of the property, kept his possessions there and was still involved in running the farm. HMRC counter appealed to the Upper Tier Tax Tribunal, which this time upheld the original decision.

The tribunal said that because there had been no possibility of Mr Atkinson returning to live in the bungalow his involvement with the farm partnership was irrelevant. The property's connection with agriculture had therefore been lost.

If you are worried that you may be at risk of losing valuable tax reliefs, please contact Tom Barrow

Beware of CGT threshold for Principal Private Residence Relief

Most property owners in the UK know that Capital Gains Tax (CGT) is not payable on the sale of their main residence, but many do not know that there is a limit to the area of gardens and grounds that can be included.

Generally, Her Majesty's Revenue & Customs allows that 1.23 acres of grounds and gardens are sufficient for the enjoyment of a property. CGT must be paid on the increase in value of parts of the property above that threshold.

It is possible, however, to negotiate. To find out how one of Knight Frank's rural valuation experts saved a client a significant amount of CGT, and how forward planning could help other property owners, please request a copy of our latest Rural Report magazine.

For more information please contact George Jewell

Tenancy succession bar raised

An increase in agricultural profitability has made it harder for potential successors to an Agricultural Holdings Act (AHA) tenancy to succeed if they farm other land outside the tenancy in question.

Under the commercial unit test, anybody farming land that can support two full-time staff is barred from succeeding. The figures used to calculate the area of land were updated on 7 November by the new Agricultural Holding (Units of Production) Order and reflect last year's upturn in commodity prices.

Somebody farming as few as 240 acres could now fail the commercial unit test, according to solicitor Burges Salmon.

Scottish farm tenancy changes

Recent changes to the Agricultural Holdings Bill will benefit farm tenants in Scotland. For limited duration tenancies, lease terms that allow "upward-only" or "landlord-only" initiated rent reviews will be prohibited. Grandchildren of a deceased tenant will now count as "near relatives" in succession matters. A number of circumstances such as a change in VAT rates will now no longer be considered as a "variation of rent".

For more details please contact Michael Ireland

Farming and Forestry Improvements scheme launched

The new £20m Farming and Forestry Improvement scheme has just opened and offers English farmers and woodland owners capital grants of between £2,500 and £25,000. These are to cover up to 40% (50% in upland areas) of the cost of projects (including new machinery) that will improve the efficiency of their businesses and reduce their environmental impact.

The first round of funding closes on 17 January 2012. The selection process will be competitive, so applications must be carefully considered. Potentially eligible schemes are wide ranging and include:

- Nutrient Management
- Energy Efficiency
- Water Resource Management
- Animal Health and Welfare
- Forestry

In Brief

Country house market slips

Average country house values in England have slipped by almost 3% over the past 12 months, according to the latest results from the **Knight Frank Country House Index.** Cottages have proved more resilient than larger properties.

HS2 decision delayed

The recently released **House of Commons Select Committee Report** into high-speed rail in the UK concluded there was a need for HS2, but criticised the government's handling of the project so far. Subsequently, a decision on the scheme has been delayed until the new year, Find out more at **www.knightfrank.co.uk/hs2**

Agency worker rights bolstered

From 1 October, any agency staff who have been employed for more than 12 weeks (even if not concurrently) will enjoy the same pay, benefits and holiday rights as those employed directly. Contact **Angus Harley,** head of Country House Consultancy, if you have any concerns.

National Trust wins tree death case

The High Court has recently ruled that the National Trust was not to blame for the death of a young schoolboy killed by a falling branch while on a visit to its Felbrigg Estate. The court said the Trust, which had a comprehensive tree safety policy, had not breached its common duty of care.

READY TO HELP

Knight Frank can advise on all aspects of rural property ownership. Its principal service lines and the relevant contacts are listed below. Further details are available on our website at KnightFrank.co.uk/Rural

FARMS, ESTATE AND EQUESTRIAN PROPERTY SALES

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Knight Frank's clients include traditional estates, institutional landowners, country house owners, farmers, charities, local government, energy and utility companies, rural businesses, private investors and funds.