

A Monthly Briefing for UK Farmers – October 2022

- Following the reports of *Defra reviewing ELM* and the potential re-introduction of area payments, the Department has released a statement. This confirms the new Government's commitment to the environment. It also provides support for ELM. The statement sets out that 'We're not scrapping the schemes [ELM]', but goes on to say 'it is only right that we look at how best to deliver the schemes to see where and how improvements can be made'. The full statement (in the form of a blog post) can be found at
- <https://deframedia.blog.gov.uk/2022/09/26/government-reiterates-commitment-to-environmental-protections/>
- The new *Chancellor of the Exchequer, Kwasi Kwarteng*, has set out a series of measures designed to boost economic growth, with a target of 2.5% in the medium term. These include revoking the 1.25% increase in National Insurance as from 6th November. Reducing the Basic Rate of Income Tax to 19% from April 2023. The proposed increase in Corporation Tax from 19% to 25% next year has been cancelled and the Annual Investment Allowance on Plant and Machinery permanently remains at £1m. *The new Government's policy seemed a gamble given the present economic circumstances and to say it didn't go down well is an understatement. The BoE had to take urgent steps to try and stabilise markets after Sterling collapsed to its lowest level in history together with a dramatic rise in the UK's borrowing costs to the highest level since the Financial Crisis in 2008. The intervention by the Bank comes after the International Monetary Fund (IMF) issued a stark warning to the UK, something usually reserved for developing economies. Most recently the Government has been 'forced' into a U-turn over the (controversial) scrapping of the top, 45%, rate of Income tax for those earning over £150,000. But there remains a lack of confidence on the markets over the unfunded tax cuts announced and a tension between fiscal and monetary policy. In addition, on the 22nd September the Bank of England increased Base Rates by a further 0.5% to 2.25% – the highest level since 2008. Markets expect Base Rates could rise to 6% by mid-2023.*
- Non-domestic users, which includes charities, the public sector and businesses will receive help with their energy bills via the *Energy Bill Relief Scheme*. This applies from the 1st October until the 31st March 2022 and will cap prices for customers at 21.1ppkWh for electricity and 7.5ppkWh for gas. It covers all those on variable and flexible tariffs as well as those that have signed new fixed contracts since 1st April 2022. There is no requirement for businesses to do anything – the cap will be automatically applied.
- The *BPS 2022 English rates* have been announced. The gross rates, which are now set in Sterling remain the same as in 2021, but the effect of the Agricultural Transition will mean farmers receive less than last year. Allowing for the lowest reduction band (20% in 2022) rates per Ha are: Lowland £186.64; SDA £185.28 and Moorland £51.20. Larger payments will incur higher reductions. Of course, the majority of farmers in England will have already received a 50% advance on their payment, the remainder is due as normal in December.
- Defra has announced 22 projects that will be funded under the pilot phase of *Landscape Recovery*. This is the third component of ELM and funds bespoke agreements to deliver landscape scale projects. The projects will share around £12m of funding to support their development. Details of the projects can be found at – <https://www.gov.uk/government/news/projects-of-landscape-recovery-scheme-announced>.
- The 6th *Woodland Carbon Guarantee (WCaG)* auction will take place from midday on Monday 21st November to midday on Sunday 27th November 2022. The application window to take part in the auction is open now and closes on Sunday 6th November. The budget available for the auction will be £10m. Woodland creation projects accepted into the WCaG scheme have the option to sell Woodland Carbon Units (WCUs) to the government every 5 or 10 years for up to 35 years. The government will buy the WCUs for an agreed guaranteed price that is index-linked for the life of the contract. Prices have varied from £17.31 to £23.70 per WCU over the previous five auctions. However, it is possible to sell the carbon credits on the open market at each verification point, meaning the scheme effectively puts a 'floor' in the market. After the 35-year contract ends, sales of WCUs can only be to the private sector.

Rural Funding Boost

The Government has committed £110m to help improve rural economies. This is effectively a replacement for the previous LEADER and Rural Growth programmes under the Rural Development regulation that ended last year. It will provide capital grants for the same sort of projects;

- farm diversification, including tourism enterprises
- the conversion of redundant farm buildings for other uses
- food processing and marketing ventures
- boosting rural 'connectivity' through broadband projects
- community projects such as village halls, public access etc.

The Rural England Prosperity Fund (REPF) will be available from the 1st April 2023 and funding will run through to March 2025. It will be operated by Local Authorities (LAs) – *this is a different approach to previous grant schemes, and it remains to be seen how it works in practice*. Allocations have already been made to each LA (see <https://www.gov.uk/government/publications/rural-england-prosperity-fund-prospectus>).

The REPF is a top-up to the £2.6bn UK Shared Prosperity Fund (UKSPF). This is replacing EU Structural Funds and is part of the Levelling-up agenda to improve the economic performance of regions of the UK that are lagging economically and socially. The UKSPF money is being awarded to LAs based on a formula. *All LAs will get some funding, but it was feared that much of the money would be allocated to post-industrial areas or struggling coastal communities with little going to rural areas. The REPF money is ring-fenced so will boost the rural allocation*. It seems likely that the REPF money will be channeled through the same grant system as the main UKSPF, but it is possible there will be a dedicated rural 'strand'. Local Authorities are currently applying for funds from central Government. Each LA has to produce a 'Local Investment Plan' for the UKSPF. These need to be approved by Government which should start to happen from this autumn. Then schemes should be open for applications from April 2023 (this may vary from LA to LA).

The REPF allocation comes partly as a response to a Government report – Delivering for Rural England (see <https://www.gov.uk/government/publications/delivering-for-rural-england>). This looks at how the Government is 'rural proofing' its policies and is the second such report. It sets out a range of statistics on how rural areas compare to their urban counterparts. Overall, it finds that, although there have been some areas of improvement, rural areas are lagging on many 'opportunity' indicators and have a significant productivity gap compared to large towns and cities.

If you are considering a diversification project, please [contact us](#) to see if we can help with funding.

Future Farming Resilience Fund (FFRF)

The Andersons Centre is providing FREE farm business consultancy advice through the DEFRA funded FFRF programme. The next (and final round) of the FFRF is now open. The programme is available to ALL farming businesses in England with an SBI number. All participants are allocated 3 DAYS EQUIVALENT of work time. This will include;

- A face-to-face meeting with a specialist consultant
- A detailed report
- A follow up meeting
- Access to online training courses

Areas we cover under the programme are:

- In-depth Business Review and help with future business planning
- Joint Ventures
- Debt Re-Structuring
- Feasibility Studies
- Analysis of Capital Investment and Future Funding
- Forward Budgeting and Cashflow Management
- Diversification
- Tenancy Issues
- Anything else farm business related

Please contact one of our [Consultancy Team](#) if you would like to take advantage of this FREE advice.

For further information please visit our website:

www.theandersonscentre.co.uk

Or contact a member of the team:

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