



Welcome to Focus On... our special quarterly bulletin looking at issues relevant to particular sectors and topics of interest.

In February's Focus On... Rural, we look at what the Basic Payment Scheme means for you and consider why hydro and anaerobic digestion present a huge opportunity for UK farmers thinking about renewable energy sources. We also find out why Environment Secretary Elizabeth Truss believes that farming is key to Britain's economy and learn about Permitted Development Rights as a new income source. Finally, we meet John Raynor in the 'employee focus' who gave up packing pig food to enter the world of accountancy.

If you would like to discuss any aspect of our specialist accountancy and business advisory services for farmers and rural businesses, please contact Richard Grayson, Managing Partner at Nicholsons, at richard.grayson@nicholsonsca.co.uk or phone 0845 27 66 555.

Basic Payment Scheme – don't miss the deadline!

The Rural Payments Agency (RPA) is asking farmers throughout England to register and review their details on the new online rural payments application called the Basic Payment Scheme (BPS). Registration is now open to all farmers and landowners who wish to claim rural payments.

It is important that you complete the registration process and subsequent elements as soon as possible so that a full BPS claim can be submitted on time. Every information field can be completed from March, including confirmation of entitlements and eligibility, and all full BPS claims must be submitted by 15 May 2015.

As part of the registration process you will be required to supply a valid email address and answer a number of security questions based on your previous SPS (Single Payment Scheme) claim history.

Speaking at an NFU Council meeting in January, RPA's CEO Mark Grimshaw said: "The new online service is designed to make it as simple as possible for farmers and landowners to get their money."

As this is the first year of the new system being introduced, it is expected that a lot of new information will be required from claimants; however, claims in subsequent years should be much quicker to complete and submit.

To date, more than 82 per cent of farm and land agent firms (a third of RPA's customers) have registered and are equipped to support their clients through the BPS process. More than 22,500 farm businesses have also registered. To be eligible for the



BPS, a claimant must have at least five entitlements and five hectares of eligible land. If a claimant has less than five entitlements and wants to transfer them to another farmer then they also need to be registered on the new rural payments online service.

RPA has focused on providing resources to help

its customers complete online BPS claims and a national network of 50 support centres is available so that customers will be able to receive help with making a claim.

If you would like to discuss the BPS and what it means for you, please contact us.

Farm-based AD and hydropower schemes get the green light

Hydro and anaerobic digestion (AD) present a huge opportunity for UK farmers that are considering renewable energy sources. Though they have traditionally been seen as higher-risk investments, when compared to simpler technologies such as solar and wind power, as more AD and hydropower projects become operational a larger number of banks are willing to consider lending money to implement them.

When considering a loan application, a bank or lender will now take future earnings from hydropower and AD (such as electricity sales, Feed-in Tariffs or income from the Renewable Heat Incentive) into account when assessing repayment sources, while the remainder will have to be covered by existing income, such as the main farming business.

Previously, the potential income from AD and hydropower would not have been considered as

part of a loan application and other business income would have had to cover the loan repayment under a standard credit policy.

NatWest/RBS recently announced an update to its small-scale renewables policy to take the future earnings from AD and hydro projects into consideration. Barclays has taken a similar stance and vowed that any savings made by the power and heat being generated on-site would also be considered.

The Agricultural Mortgage Corporation (AMC) says it will take the forecast income of any hydropower or AD scheme into account, while HSBC stated that it will consider up to 50% of a loan being calculated on future earnings from projects, with cash from other income streams covering the remaining half.

Every proposed project offers a unique set of

circumstances that will be assessed by any lender. For hydropower, the greatest risk is river flow and ensuring that the minimum required flow can be guaranteed for at least the loan duration. One of the biggest risk factors for AD is feedstock availability. Anyone looking to implement an AD energy scheme will need to demonstrate they have a secure supply of feedstock for the period of the loan – typically ten years – or more.

The costs associated with renewable projects can potentially restrict the borrowing capacity of the main farm business, especially when loans have been secured on existing land or buildings.

At Nicholsons, we understand the importance of adhering to ever-changing regulations and opportunities and have over 90 years' experience of working with farmers. Find out more about our services by contacting us.

'Farming is key to Britain's economy'

Environment Secretary Elizabeth Truss said that Britain has the land, technology and entrepreneurial flair to lead the world in food and farming, in a speech delivered at the Oxford Farming Conference in January.

The Environment Secretary said the food chain of farmers, manufacturers, scientists and retailers is worth £100 billion to the UK economy. Farming is central to the Government's economic plan for recovery and for the

long-term future. A number of significant actions have been taken to ensure a prosperous future for British food and farming such as promoting British exports, increasing sales on British soil instead of importing certain products, removing red tape and protecting the countryside from animal and plant disease.

Ms Truss said: "Growing and selling more British food in this country matters. It matters because food

and farming employs one in eight people. It matters because food is our biggest manufacturing industry. And it matters because 70% of our landscape is shaped by farming. It is a vital part of our national life."

The agricultural team at Nicholsons has been working with farmers since 1923. We recognise the importance of the agricultural industry and the changes it faces over time. For more information, please contact us.

Are Permitted Development Rights a new income source?

With many farmers seeking to diversify and benefit from new income streams, converting farm buildings for residential use – thanks to the newly established Permitted Development Rights (PDRs) – can be an appealing option.

Introduced last April as part of the reform in planning rules, PDRs allow farmers to convert unused farm buildings into dwellings without having to seek planning permission. However, farmers looking to do this still have to register the change of use.

Some local authorities are yet to approve any

applications and farmers are only winning their case after an appeal. Many councils across the country have been rejecting farm building conversion proposals on the basis that they are not near local amenities, whereas other councils seem much more prepared to give their consent.

The main reasons for PDR applications being unsuccessful are that the building is not technically classed as an agricultural unit, it was not in sole agricultural use on 20 March 2013, most of the original building is not retained in the concept for a new dwelling, or the site is at a location with

restricted access, away from local amenities. It's important to remember that changing an asset's use can have significant tax implications.

Tax planning is an area where Nicholsons makes a real difference for rural businesses and their owners. We advise our clients on the appropriate use of tax bands, tax allowances and tax reliefs. We also recognise that planning for the future is imperative for this unique sector and we work with our clients to ensure they have robust succession plans in place, including pension planning and Inheritance tax advice.

Employee focus – John Raynor, Associate



John Raynor
Associate

John joined Nicholsons in December 2003 and the loss to the pig food packing world was the accountancy world's gain. John passed his Chartered Accountancy qualification in August 2008 and has earned promotions that have seen him develop from junior to associate. He now deals in general practice, but his strengths are in compliance work, grant funding, farming, not for profit and academies.

"After starting with Nicholsons, I knew that I had found my life vocation," says John. "I no longer dreaded Monday mornings and loved learning about all aspects of being an accountant. I think what also helped was finding the right place to work. Nicholsons have always given me great opportunities and the team are like one large happy family."

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