



E S T A T E M A N A G E M E N T

MICHELMORE HUGHES
Rural & Commercial Property Management





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Welcome



Hello and welcome to our latest Estate Management brochure. Here, we look at ways in which today's estate owners can add value to their holdings and maintain or create thriving businesses which are well placed to flourish in the future. On page 7, Miles Webber shares his insights into how to preserve, repair and protect heritage property. Miles has a wealth of experience in managing estates with heritage and Grade I listed properties. On page 8, Lydia Cox and Nick Millard consider the future of large estates post-Brexit. Alister King-Smith gives a specialist view on promoting strategic land in local development plans (page 6). Also in this edition, Mark Neason looks back on working with the Combe Sydenham estate in Somerset for 13 years (page 4).



I am delighted to announce the merger of our two firms, both with a venerable history

Broad knowledge and specialist advice are vital in estate management, so I am delighted to announce the merger of our two firms, Michelmores Hughes and Stags, both with a venerable history in property and land matters here in the South West. Stags was established in 1874 and has considerable experience in rural property consultancy and property capital and rental values. Michelmores Hughes dates back to 1815 and specialises in commercial property and rural estate management.

The two companies joined forces in the spring of 2018 as Michelmores Hughes Stags, creating our Estate Management division. The firm is now ideally placed to provide sound advice on estate management over the whole spectrum of property interests, while still giving a dedicated local service.

We can provide advice to estate owners on everything from land management to identifying leisure, forestry and development opportunities, as well as the management of commercial and residential property portfolios. We also offer valuations and property sales service for estates wishing to re-focus portfolios, rationalise and adapt to future opportunities.

Our services now range from full management, including bookkeeping, to ad hoc consultancy advice. Whatever your plans, please do contact us to discuss your own particular requirements.

ALEX REW FRICS, FAAV

Stags Managing Partner and Head of Professional Services



Successfully growing your estate's income

Mark Neason explains how an innovative approach to land management has generated several new income streams for an historic West Country estate



As a chartered surveyor and land agent, I have been acting for Combe Sydenham Country Park, a

commercial forestry estate in Somerset, since 2005. The estate includes an Elizabethan manor house, recorded in the Domesday Book, which is Grade I listed and was the home of Elizabeth Sydenham, wife of Sir Francis Drake. The current owner, William Theed, inherited the property from his father, who bought it in the 1950s and converted the agricultural land to commercial forestry. My role as agent is to advise on and manage many of the diversifications of the estate land.

Mr Theed has an innovative approach to making the most of the land and my job is to make those ideas work from a legal, planning and commercial perspective. In the time I have been working for Mr Theed, we have seen the estate's income from non-core sources quadruple.

The diversified income comes from a variety of sources. In 2011, a sawmill was set up on the estate to maximise the potential of the home-grown timber. Alongside this, a woodchip boiler was installed which uses thinnings from the woodland to heat the manor house. My role included advising on contractors and helping to apply for financial support through the Renewable Heat Incentive to make this idea a reality. Additionally, a large commercial shoot is run on the estate, providing a valuable annual income from the woodland. The

shoot has justified the redevelopment of redundant buildings to create a shoot lodge. Future plans may also include the conversion of another building to provide accommodation for shooting parties. One noteworthy feature of the management of Combe Sydenham estate is that Mr Theed actively promotes public access to the woodland and manor house. The estate encourages environmental and historic education through a range of activities and school visits and, to ensure quality and consistency, employs an educational officer. As a result, the estate holds several national awards, including the acclaimed Sandford Award, for its work encouraging local schools to visit the estate. Pupils undertake a wide range of fun activities on the estate that enhance the National Curriculum.

The estate also allows general public access over much of the woodland. This is encouraged subject to careful management with the other potentially-conflicting land uses. To enable this, I have sought grant funding from the Forestry Commission's Woodland Management Grant. Another key aspect of my work is to make sure that the estate's best interests are protected at the same time as allowing safe public access.

The estate also works hard on its environmental credentials. Management of the woodland trees takes into account the promotion of suitable habitats for wildlife. Through this, Combe Sydenham is in Natural England's Countryside Stewardship Scheme across the



estate. The estate has also carried out works backed by the (now withdrawn) Woodland Improvement Grant. More recently, the estate has explored a new avenue of diversification through links with off-road car and motorcycle training organisations, establishing Combe Sydenham as a venue for off-road training and demonstration. All this hard work by the estate paid off in 2014 when Combe Sydenham won the prestigious Royal Forest Society's Duke of Cornwall Award for multi-purpose forestry.

Combe Sydenham Country Park is just one example of the many ways in which a dedicated estate management team can help develop, diversify and grow your estate's business.

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Planning for change...

When it comes to earmarking land for development, many estates need to plan not just for the next decade but for future generations. Alister King-Smith, Head of Planning Services at Stags, shares his expert knowledge



The importance of promoting potential development land and the time required to do so can often be underestimated. For large landowners, and as with many estate management matters, you may well be planning for the next generation as well as your own. At the heart of the matter lies the fact that we live in a country with a growing population and economy. This drives the need for development but the raw resource of land required to support this is finite.

Today, central government – most notably in the National Planning Policy Framework (NPPF) – is focussed on identifying a sufficient supply of both deliverable housing and employment land. To this end, there has never, in the era of the current planning system, been a better moment to take positive action and promote land for development.

The most common starting point for promoting land is through a Local Planning Authority (LPA) or, in some cases, a Town or Parish Council 'call for sites'. With LPAs under pressure to review available land, Housing and Employment Land Availability Assessments (HELAAAs) should be being undertaken on a

frequent basis. The HELAA process is an early opportunity to make it known that a potential site is available for development, with the assessment of the site potentially helping to open a number of further doors. In addition, the relevant local Town or Parish Council may also be undertaking similar studies and these should not be overlooked. Even once a site has been put forward and a favourable response is received, further action may be required when draft development plans are published. Without positive representation even good sites may fall to the wayside in favour of those that have been more actively promoted. The old adage of 'Let he who shouts the loudest be heard first' can be rather fitting in this situation.



There has never, in the current era, been a better moment to promote land for development

If you receive a negative response at the HELAA stage or a failure to secure an allocation at the first attempt, all is not lost. On occasions it may be necessary – and worthwhile – to promote a site over a number of years before your efforts finally bear fruit. There is no doubt that promoting land can be a long process. However, it is also important to be aware

of short-term opportunities. With the revised NPPF placing an even greater focus on deliverability as well as forward land supply, there may be potential for a landowner or a developer to make a more prompt application rather than



simply waiting for a future allocation. It is wise to take professional advice, as this can be invaluable in assessing whether such opportunities exist. Throughout your promotion process, you may attract interest from developers. In which case, consideration needs to be given to the differing merits of working with a development partner. This can be done through an 'option' or 'promotion' agreement, some other form of formal arrangement or by making a planning application directly. Individual circumstances will greatly influence what is the best answer and you should always take professional guidance. One action I would definitely recommend is that, periodically, landowners should seek planning advice on all their land. It is always worthwhile finding out if there is development potential and to identify the best strategy for promotion going forward. Then you can keep the situation under review and be prepared to act should the opportunity arise.

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Heritage matters

Miles Webber, Head of Estate Management at Michelmores Hughes Stags, takes a look at the issues facing owners of heritage properties today and suggests some solutions



There is no doubt that a heritage property can, at times, be a challenge. However there are significant opportunities

available for funding and financial savings if you know where to look. Here are some suggestions based on my work as land agent for estates with Grade I listed properties.

Funding: When applying for grants, it's crucial to approach the organisation most likely to support your project. For instance, I recently worked on projects to stabilise, re-roof and protect two Grade II* listed 18th century buildings. We secured significant financial assistance from Natural England for one building and Historic England for the other. Neither would have been eligible for funding under the opposing grant scheme, so it is important to understand which scheme best suits which project and put together an application that will be looked on favourably.

A heritage angle can also improve environmental stewardship applications. Natural England, in particular, recognises that heritage and environment are intertwined. Likewise, heritage property may form the focal point for a business looking to grow with the assistance of an injection of capital investment under the Rural Development Programme for England (RDPE). Such schemes may well become ever more important with likely changes to support payments post-Brexit.

Taxation: A Heritage Property Exemption can be used to preserve a property intact for future generations by providing an exemption from inheritance taxation. What's more, if well planned, the boundary of the exemption can often shelter much more than just the principal dwelling from taxation.

An associated Heritage Property Maintenance Fund can also be used to shelter additional properties from taxation, with the aim of generating a surplus to assist with the maintenance of the principal heritage property. An estate's commercial and smaller residential properties are therefore often well suited to such funds, with their higher yield rates and lack of readily available independent reliefs from inheritance tax. This may become even more important in future if the review of Agricultural Property Relief currently being discussed is implemented.

Insurance: It's important to ensure appropriate, but not excessive, insurance cover is in place for a heritage property, with accurate sums insured. On several occasions I have been able to save estate-owning clients significant amounts on their insurance bill as a result of a careful review of existing insurances and an accurate revaluation of the sums insured.

Covenants: Heritage property has a habit of accumulating covenants, often put in place during the 20th century at times when large estates were broken up to pay death duties. Covenants can restrict the ability for the owner (or a neighbour) to undertake alterations and may, or may not, still be enforceable. What is more, covenants have a habit of rearing their heads at stressful times such as during a sale or when works are planned. However an experienced surveyor can quantify such matters and allow pragmatic solutions to be found,

from negotiating a payment for relaxation or removal, to acknowledgement that the covenant is no longer enforceable.

Planning: A heritage property's Listed Building status affects how it sits within the planning system. In addition, a property's listing may stretch further than you think, with the curtilage often including neighbouring land and other buildings too. It's important, therefore, to consider the extent and impact of your property's

listing before submitting an application to ensure the best chance of success.

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When applying for grants, it's crucial to approach the organisation most likely to support your project

Looking to the future for the rural economy



Nick Millard and Lydia Cox weigh up the opportunities and challenges currently facing rural estates in the South West

A furious pace of change is usually more associated with urban businesses and city life in general, rather than a peaceful existence in the West Country countryside.

However, the scale of the changes in store for the rural economy over the next ten years looks set to be just as dramatic - if not more so - as that facing many urban businesses. As a consequence, the need for the South West's estate owners and land managers to prepare for the future is equally as great.

One only need consider Brexit and the future post-March 2019 to see the challenges ahead. But Brexit is by no means the only issue. Demographic change and policy inertia have conspired to create a housing crisis in much of the UK. On the health front, bio-security and animal health threats challenge many rural businesses and the associated regulations are unlikely to be relaxed when we are no longer in the EU.

Finally, if this year is anything to go by, climate change is upon us, with summer 2018 often seeing parched grass too poor for second cut.

When it comes to Brexit, the difficulty for estate owners and commentators alike is that the principal characters in charge

of Brexit seem reluctant (or unable) to offer very much in the way of clarity on this question.

However, in the context of Brexit, while we do not know all the detail, we can be fairly confident that:

- Financial support from the state will shift from generally bolstering farming income to more targeted schemes. Some money may be aimed at supporting farming costs but other funds will support land-owner activities deemed to be in the public interest, such as environmental enhancement, soil and water management.
- There will be less support available for overseas labour to play such a key role in the rural economy.
- The UK government appears to have moved towards a plan for tariff-free trade and, more importantly, trade which is not inhibited by custom regimes. But EU agreement is by no means certain yet.

This may all seem fine in high policy terms but how, a busy land-owner may ask, does that help me plan for the future?

The current support regime offers perhaps the most straightforward and brutal test. Take £80 per acre off your farm income and see if the business still works. Yes, you could save some money from the cost of submitting the claim and cross-compliance, if you are confident that the UK Government and devolved administrations are less bureaucratic than the EU. And we can probably count on five more years of digressive Basic Payment



As a brutal test, take £80 per acre off your farm income and see if the business still works

Scheme (BPS) payments to bridge the gap. But after that, what will happen? This is a daunting prospect but things will certainly be easier for the estate owner who starts making plans now, with the benefit of the BPS payments to support changes to the business. It will be far more difficult for anyone who waits for the final details of Brexit to be settled or, worse still, the final BPS cheque to arrive before putting their



house in order.

At first glance, Brexit may focus matters on to a single question of trading income. But, in fact, preparing an estate so that it is fit to adapt to future will mean a much wider range of considerations.

At Michelmore Hughes Stags, we work together with our clients to consider the long-term sustainability of their estate.

The issues we address include:

- **Business performance** Does the business generate a surplus? Is that sufficient? What happens if you stress-test it against reduced commodity prices, stagnant rental income or climate change?
- **Business opportunities** What opportunities are there for new directions or diversification? What skills will be required, whether in-house or from third parties?
- **Physical stock** Are the buildings in reasonable condition? Are there significant accrued liabilities or debts on the business and how will they be funded? Is there an ongoing investment plan for complying with regulations (eg the latest Energy Performance Certificate regulations coming into force in 2020)? Can you position rental properties to access a premium market?
- **Ownership and succession** Is the ownership of the estate properly structured, for personal as well as

fiscal considerations? Is there a succession plan? Is it fundable? Has this been discussed with the successor? Are the right structures in place to enable/accommodate new business developments?

- **Planning and development** Are there relevant permissions for the existing uses? What Permitted Development Rights remain and how should they be used? What prospect is there for alternative development?
- **Finance** Is the right finance in place? Is the proportion of debt to equity manageable? Is there sufficient liquidity and equity to manage new investment requirements? Is sufficient use being made of low-cost capital?

A host of other questions will also arise, some more relevant than others as client

and consultant work together to map the future direction of the business. However, planning is only part (and probably the simplest part) of the process. Implementation is the key. To that end, here at Michelmore Hughes Stags we now look at business planning for farms and estates as more akin to an annual stocktaking process than a once-in-a-generation strategic document. We find that business planning on a regular basis is more manageable, more current and more readily refreshed. Clearly, an estate's trading performance needs more routine attention than, for example, its capital values. But up-to-date information on both aspects is essential if an estate is to thrive in these challenging times. With all this in hand, the future need not look so daunting after all. Forewarned is forearmed, as they say.

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Our dedicated departments are here to help you



As well as our expertise in land management, Stags also has a wide range of property services for you to call upon. Lydia Cox takes a look at the Stags departments which can strengthen and add value to your estate



PLANNING SERVICES

Our planning consultants provide expert advice which can maximise the value of your land and property. Contact us if you are considering new development, wanting to increase rental income by optimum land use or need strategic planning advice for future generations. We offer a range of planning services which, combined with our deep knowledge of the property market and the development process, enables us to provide clients with a complete planning service.

Our experience ranges from large scale housing developments to proposals for new agricultural buildings. Our dedicated planning department can advise on all planning matters, whatever the scale. Our services include project co-ordination and lead consultancy, strategic site promotion, full planning applications, permitted development right submissions and listed building and conservation area applications.



RESIDENTIAL SALES

There are times when the sale of an estate's off-lying assets or properties with costly upkeep can enable proceeds to be reinvested elsewhere. With our extensive network of 21 West Country estate agent offices, Stags is well placed to sell your property successfully. Our website stags.co.uk receives more than 200,000 visits every month and we have a vibrant social media presence plus a strong contact list of potential buyers keen to move. We advertise extensively through online portals such as Rightmove as well as in print regionally and nationally. Our estate agents can offer expert advice on the property market and on preparing a property for sale.



RESIDENTIAL LETTINGS

Stags lets and manages more than 3,000 rental properties across the South West. We pride ourselves on the service and support we provide to landlords and can offer advice on all aspects of being a landlord, including how to prepare a property for rental.

We can find you the perfect tenants and, should you wish, we can also manage the property completely in terms of repairs, upkeep and communications with tenants.

Call 01803 862002 or email rural@stags.co.uk



ACCOUNTANCY

Our Estate Management division, Michelmores Hughes Stags, offers a bespoke accountancy service for estates, in which our dedicated team of knowledgeable staff undertakes all your accounting needs. From purchase ledger to rent demands, service charges to paying contractors, Michelmores Hughes Stags can be relied on to run a trustworthy, expert accountancy service for your estate.

FARM AGENCY

Our Farm Agency team specialises in the sale of a diverse range of rural property including commercial and residential farms, farmland, paddocks, modern and traditional barns, woodland, fishing and sporting rights. With a full understanding of our clients' reasons for selling, we can ensure that our advice is tailored to achieve the best possible outcome. This includes advising on the most suitable method of sale, price and marketing strategy.

We provide coordinated national and regional marketing coverage for all farms and larger land lots and act as a hub for buyers originating from outside the South West who do not have specific requirements to buy in a particular location.



RURAL GRANTS

Having developed an excellent working knowledge of the rural grant system, particularly relating to the Rural Payments Agency, our Professional Services team is well-equipped to offer informed advice on the Basic Payment Scheme (BPS) and rural grant schemes in Devon, Somerset, Cornwall and Dorset. In particular we can assist with the Basic Payment Scheme, cross-compliance advice, nitrate vulnerable zones requirements, rural land registration, Countryside Stewardship and capital grant applications. The team is also up-to-date with local authorities' capital grant funding initiatives and the opportunities available to estates and landowners.

Call 01803 862002 or email rural@stags.co.uk

Michelmores Hughes Stags is the Estate Management division of Stags.
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