

# Expert advice for setting up a diversification

It's easy to get excited about developing new business ventures, but it's vital to get the groundwork right to ensure long-term viability. **Olivia Cooper** reports

**F**arm diversification is becoming the norm for many agricultural businesses, creating new income streams and spreading financial risk. But what do you need to consider when launching any new venture? Three experts offered their advice in a recent *Farmers Weekly* webinar.

Those in the know say diversification is a case of planning, planning and more planning. That covers planning permission, deciding on the business structure, researching the market, complying with legislation and preparing for day-to-day management.

## Planning permission

For many, the first question is whether the new venture needs planning permission. Many do not, but there are some surprising exceptions, according to Nicola Quick, rural associate at Carter Jonas. For example, a dog-walking field will require change of use, as it is no longer agricultural land.

Converting buildings into farm shops,

offices, or for light industrial use will also require permission – although in some cases conversions may fall within permitted development rights.

“Diversification is very broad, so planning requirements will depend on the project, local plans and national policies,” she says.

Having identified whether permission is required, prospective developers should then undertake pre-planning consultation, both with the local authority and the local community. “Help them to understand what you’re trying to achieve. Show them what you’re proposing and your environmental and sustainable credentials.”

Ms Quick suggests preparing visual illustrations of what the end project will look like in the wider environment, rather than just elevation drawings, which can be hard to understand.

It's also worth taking expert advice to help with surveys such as highways access, environmental reports and so on. “And don't forget



Ensure you obtain the necessary licences if you plan to serve food or alcohol

about services [such as water and electricity] – they can be costly to install.”

## Legal considerations

According to Jonathan Thompson, senior associate at Thrings solicitors, there are three core areas to consider when it comes to diversification: Risk, regulation and reward. “Can

the project be done given the land use circumstance?”

For example, are there any restrictive covenants on the land or property? Do tenants need their landlord's consent, and what terms will they impose? Is there free access to the new venture, and does it fit with the wider business and ethos?

Developers should also consider whether they need new employment contracts, and – if serving food or alcohol – whether they can obtain the necessary licenses and insurance, says Mr Thompson. “There may also be safeguarding issues if you have children on site.”

When it comes to the reward element, it's important to identify how the business will be structured and the way income and expenditure will be split between interested parties. It may be a simple partnership, a limited-liability partnership or a limited company, and could sit within the existing farming business or as an entirely separate entity. “You need to do what's right for you. It may be ring-fencing a new business in case of failure, or catering for the next generation.”

## ONLINE

A recording of the Business Clinic diversification webinar is available at [fwi.co.uk/bc-diversify](http://fwi.co.uk/bc-diversify). This includes answers to many of the questions asked and expert advice from the panelists.

Insurance brokers will be able to advise farmers about the level and type of cover required and then seek out the most appropriate deal.

“We are always acting with the best intentions – involve us in the conversation, no matter how small or large it is, and we'll be able to guide and offer advice.”

Even small changes could incur a surprising amount of risk, leaving landowners facing significant potential liabilities if underinsured, warns Mr Braithwaite-Exley.

That could be allowing camping guests to use your swimming pool, occasionally exercising horses kept in your DIY livery, or doing contracting work for a neighbour. “Are you covered if they have an accident or if you damage their property?”

Public liability is one of the most important insurance considerations. Following recent changes to award calculations, landowners should consider taking out more than the minimum required level.

“Be mindful of higher-risk activities, particularly if children are on site. Don't go for the bare minimum without looking closely at it. Insurance is not the place to save money – it will sting you if you get it wrong.”

Employer's liability is another essential type of cover, and those developing a diversification should check that contractors have their own cover in place, too. “If you're having construction work done, check what insurance is in place.”

Converted buildings may be worth more, and might need additional contents insurance once finished, says Mr Braithwaite-Exley.

“Do you also want to protect your new income stream if the building were to burn down?” Some 33% of agricultural claims are for fire, so it's a serious consideration. Always ensure electrical inspections are up to date, and if there is a series of adjoining buildings, try to ensure they are covered by the same insurer to avoid quibbling over payouts.

When renting buildings and providing services, will you be liable for your tenants' loss of income if the electricity or water fails, for example.

“You also need to be aware of what tenants are doing in your buildings – are they undertaking risky activities? There are so many things to consider.” ■

## DIVERSIFICATION QUESTIONS FROM THE WEBINAR AUDIENCE

### Q I want to offer goat walking, cream teas and cheese-making classes. What are the pitfalls?

Ensure good signage of potential hazards, undertake a risk assessment, and check the licenses required for serving and handling food. Check the insurer knows about every element of the enterprise. And you will need to obtain change of use on land and buildings – while grazing land will still be agricultural, the walking paths and parking will need changing to leisure use.

planning permission, but it needs to be moved every six weeks to qualify. Glamping huts are usually connected to services such as drainage, so they aren't moved. Therefore you will need change of use for non-agricultural land use.

### Q My landlord always quashes my diversification plans – do you think institutional landlords will be more open to diversification in future?

As the Basic Payment Scheme is withdrawn, landlords and tenants will have to work together to generate more sustainable incomes, and that means additional income streams. So there will have to be a change of mindset if rents still need to be paid.

### Q Do I need planning permission for glamping pods and shepherd's huts?

Often people think that because something is “mobile” it doesn't need

### Q I want to test the water for a pop-up café – can I open for a limited number of days without planning permission?

If the pop-up café is outside (or under a gazebo) for up to 28 days in a year, there is no need for planning permission. If it is in a building, permission will be required.

### Q Rebuild costs have increased due to the Covid-19 pandemic and Brexit – does that need to be reflected in my insured amounts?

Yes. Getting your sums insured right is absolutely essential. Usually policies are index-linked to allow for annual changes in building costs and they have gone up substantially over the past 12-18 months.

## DO YOU HAVE A QUESTION FOR THE PANEL?

Outline the issue and *Farmers Weekly* will put your question to a member of the panel.

Send your enquiry to Business Clinic, *Farmers Weekly*, Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS, and include a telephone number. You can also email [fw-businessclinic@markallengroup.com](mailto:fw-businessclinic@markallengroup.com)

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