

## Scottish Agritourism Monitor Farm Programme

### Meeting Five Report – WEST CENTRAL

# HOW TO RUN A HAPPY FAMILY BUSINESS AND PLAN FOR SUCCESSFUL SUCCESSION

Stirling Agricultural Centre – Wednesday 15<sup>th</sup> January 2020





The first Scottish Enterprise Agritourism Monitor Farm meeting of 2020 took place on Wednesday 15<sup>th</sup> January 2020.

The meeting, which focused on succession, included speakers; Sian Bushell, a Family Business and Succession Expert and Linda Tinson from Ledingham Chalmers, who is a legal expert in structuring family business and succession. Duncan McConchie and his father Kerr, the Scottish Enterprise Agritourism Monitor Farmers from the 2014/15 programme, also were speakers at the event.

39 individuals from farming/agritourism enterprises attended the event from all over Scotland with people travelling from as far north as Aberdeenshire and as far south as Dumfries.

Many farming family businesses are held back by inadequate succession planning, with key problems including; a lack of communication, clarity on roles, responsibilities and too many generations/parts of family trying to make a living from the farming/agritourism enterprise.

## BEING PART OF A HAPPY FAMILY BUSINESS & SUCCESSION

### When do you start planning for succession?

[Click here](#) to access part one of Sian's talk which was recorded live at the meeting.

Sian highlighted some of areas to consider before a **young member** of the family returns home to the family business;

- **Time** – start/finishing time. Are they expected to work weekends? Do they get holiday allowance? Make sure **EVERYONE** gets time off (younger and older generation);
- **Housing** – where are they going to live? Will they pay rent/bills?
  - o If possible, make sure family members that work alongside each other don't live too close to each other – have your own privacy;
  - o Take into consideration spouse/partners that may not be used to farming. Give them the opportunity to have their own space;
- **Pay** – are they going straight into the farm partnership? If they are, make sure you have proper legal advice to help the business through the process. Or, are they going to get paid until both parties are comfortable that the younger generation returning home is the right thing to do?
  - o **Make sure you have a partnership agreement and all partners have signed it;**
  - o If they are being paid – put a value on that young person e.g. often young people will take a pay cut when they come back into the business so, make sure it's taken into consideration. Are they going to get additional perks i.e. a house, car, phone through the business? But put a figure on this!
    - E.g. if the young person is worth £25,000 and the business can only afford to pay them £15,000 – keep a record of it through the accountant so there is proof of exactly how much that person is owed if there are any issues that arise;
    - It could be a way for that young person to buy into the business - e.g. the £10,000 they are not getting could go towards their contribution into the business;
- **Siblings** – if your business is in a financial position to pay out siblings early – do so. This could be done through several ways;
  - o Deposits on houses;
  - o Splitting the business (if you are in a financial position to do so) e.g. two farms split;
  - o Work out when the young person coming home is no longer required to pay their siblings e.g. if the young person that comes home expands the business in their own right, should they have to pay their siblings that value?
  - o If you have two or more siblings wanting to farm – try get them set up separately (if you can) or start thinking of ways, the business could be split;
    - It may be fine when they are younger, but as they get older more complications may come to light;
      - New generation (cousins working together);



- Marriage;
- When parents die (parents tend to referee and keep the peace);
- One sibling may be more ambitious than the other;
- **Responsibility** – young people WANT responsibility;
  - If you expect the younger generation to come home and work, they should have responsibility;
    - Don't treat them like a farm worker. They should have access to accounts and be given day to day management (e.g. responsible for the livestock or arable enterprise or the diversification business);
  - ***In New Zealand they say the younger generation should have the cheque book by the time they are 30!***
  - It's not just young people – there is older people (in their 50s/60s) that STILL don't have responsibility;
- **Communication** – ***the biggest problem affecting succession;***
  - Take time out to speak to each other;
    - This is **NOT** round the breakfast or dinner table!
  - Create an agenda, action plan and have proper business meetings away from the farm so you can talk about things without distractions;
    - Have a regular date/time and stick to it;
  - Have weekly catch up – this could be 10 minutes with the family and then 10 minutes with the staff included;
    - Put any actions in writing (or create a WhatsApp group) with responsibilities allocated to specific family members so they all have responsibilities and proof of these;
  - Have an annual meeting – with banker, accountant, solicitor etc. to go through overall functionalities of the business.

**REMEMBER – You don't have to be equitable to be fair!**

***Farmland is only worth its value if you sell it. The earning capacity of the farm bears NO resemblance of its value.***

It is important for siblings to understand that if they want to have an equal share, the farm business would need to be sold.

**FAMILY MEETINGS ARE IMPORTANT TO MAKE SURE THIS IS EXPLAINED AND THE 'OFF FARM' SIBLINGS UNDERSTAND**

Sian then went on to highlight some of areas to consider with the **older generation** of the family. [Click here](#) to access the video from Sian's presentation;

We are all living longer/healthier lives – this could be a problem and we need to be able to accommodate them;

- Once in your 50s you should really be thinking of where you are going to live and what you are going to live on?
- What is the history – this can often be very relevant to the future (a problem in the past creates worry for the future);
- **ASK** the older generation what retirement means to them;
  - It means lots of different things to the older generation;
    - They often still want to feel useful and helpful
    - **Listen to Mum** – often she wants to retire much earlier and often her voice is not heard;
- **Money** – often farmers don't have a pension as they invest the money back into the farm
  - Work out what they need if they don't have a pension. **REMEMBER** they have played a big part in building the business to where it is;
  - ***Often the farm will have to pay the shortfall to the older generation;***
  - Discuss and confirm the money they are getting and put it in writing;



- **DON'T** agree to allow them to take drawings here and there over the years. Clarify how much they will get per year and add it in to the business budget. That way everyone knows how much is to be provided;
- It's worth making the 'off farm' children aware that Mum and Dad's pensions/income after they retire will still come from the farm;
  - Their money is coming from the hard work of the son/daughter that is now farming/running the business;
- **Housing** – where will the older generation live? Is there enough money to buy a house for them?
  - The person in the farmhouse **SHOULD** be the one farming;
  - Make sure the older generation move out the farmhouse before they are too old. Once they get to a certain age, it's unlikely they will ever move – e.g. once Granny and Grandad are in their 80s, it's very unlikely you will get them out;
- **Self-esteem** – farmers are not people who earn a living farming – they are farmers and you cannot expect them to step back and shut off straight away;
  - Manage their self-esteem and help them gradually step back;
  - What will Mum and Dad do with themselves? Encourage them to get a hobby/go have a holiday etc.
    - Have the conversations early and get them to start talking about it sooner rather than later.

### **We are doing a HUGE disservice to the industry by not allowing the younger generation in**

If you don't have the future generation coming in behind, consider shared farming/joint venture:

- Allowing a niece or nephew to farm;
- A local neighbour (do a joint farming venture for a set number of years if you want to take the farm back eventually for a younger member of family (e.g. grandchild);
- First time farmer who isn't inheriting a farm.

### **Give someone the opportunity!**

## **WILLS, POWER OF ATTORNEY & LEGAL DOCUMENTS**

If you are farming or in any business/partnership – get yourself a will and power of attorney.

- Even if you are a beneficiary in a will – you should have a will;
- Update in regularly – at least every two years or if something happens (marriage, divorce, death etc.).

Linda Tinson from Ledingham Chalmers followed on from Sian to highlight and discuss some of the changes to policy that could affect farming family businesses as well as giving examples of partnership agreements.

### **Route to success;**

- Diversification;
- Expansion;
- Supply direct to consumers;
- Create legacy;
- Future-proof the business;
- Create the ability to retire!

### **Make sure you and the rest of the family know where the business is;**

- Review the current business;
  - Sole trader, Partnership, Ltd?
  - How is the property held within that structure?
  - What is the businesses lending position?
- Check ownerships (all areas within the business);



- Check tenancies;
- Check/update succession plan, wills;
- Survivorship destinations – e.g. Mr & Mrs Smith. If Mr Smith dies, Mrs Smith will be the survivor and potentially be entitled to their shares etc. if no will etc. is in place.

### Structure the business appropriately;

- Use a legal team;
  - o Consider changing the legal team you use. Often many farming families will continue to use the same lawyer, accountant, solicitor etc. as the previous generation. Sometimes is worth getting a second opinion and introducing new legal teams that you can build a relationship with;
- Look at the tax implications and valuations of the business;
- **TAKE TIME** to evaluate the best route forward;
  - o In order to take time and make the right decisions, plans need to start early!
- Leverage against assets to allow expansion;
  - o ***Growing the pie “Give everyone a chance to have a piece of the pie, if the pie’s not big enough, make the pie bigger.”***
- Consider the exit strategy at the outset;
  - o Make sure everyone knows the situation and what is required.

### Passing on assets, when is the right time;

[Click here](#) to access the power point presentation from Linda which shows some examples of difference scenarios where assets were passed on and the affects it had on members of the family including pay out and the correct method that should have been taken.

### Protection against inheritance falling into “wrong hands”;

- **Minutes of agreement to determine succession;**
  - o Make sure everything that is discussed and agreed is written down and given to the legal advisers;
- **Pre/Post nuptial agreements;**
  - o This can ensure that an agreement is formed at a time when a couple is still able to cooperate, rather than attempting to divide assets once/if a relationship has turned sour (e.g. separation/divorce);
- **Clawback agreements;**
  - o A clawback provision in a business contract is a provision that requires something to be given back, depending on the circumstances (e.g. if land is sold and then sold again for housing development, you could have a clawback agreement that allows you a share);
- **Partnership agreements;**
  - o It's important to have a written Partnership Agreement because it sets up all the rules, responsibilities, and financial details of a business partnership and its general partners;
  - o Creating a written contract also lessens the possibility of disputes between partners at a later date because the rules for the partnership were previously agreed to and signed by all the partners;
  - o Remember the partnership agreement is there to protect everyone involved, and to protect the business as an entity in its own right, so if a partner is reluctant to enter into a formal agreement of this kind, you should be asking some very serious questions about why that is;
- **Shareholders' Agreements;**
  - o A Shareholders' Agreement can set out a varied dividend policy which may allow different dividends to be payable to each shareholder, where they have different classes of shares. These are just a few of the reasons why a Shareholders' Agreement is important and useful for a company to have in its armoury and to protect individual shareholders.



## SUCCESSFUL SUCCESSION EXPERIENCE

You can watch the video from Kerr and Duncan McConchie's presentation on 15<sup>th</sup> January 2020 [here](#).

Kerr and Caroline McConchie have three sons and the family took part in the 2014/15 Agritourism Monitor Farm Programme during which time, they tackled succession head on.

Kerr and Caroline's three sons originally all went and worked away from home but one by one decided to return home and, in 2000 Kerr came out of the partnership he was in with his brother.

In 2006 Kerr's wife and three sons; John, Murray and Duncan came into the business which consisted of a farming enterprise, caravan park and small activity centre (three very successful businesses).

In 2008 Kerr had some health issues and this was when the succession plans started to take place. In 2014 these plans were fast tracked due to Kerr's ill health and by 2015 Kerr was removed from the partnership and the business was split three ways, now consisting of;

- Murray being responsible for the farming enterprise and one of the holiday cottages;
- John taking on the caravan/holiday let business;
- Duncan taking on Laggan outdoors and developing an on-farm venue in 'GG's Yard' carrying out weddings and conferences.

The brothers still work together and support each other's businesses (e.g. Murray grazes the spare land Duncan now has) but they can move forward and drive their own businesses separately with their partners and plan for their future generations.

## TOP TIPS FOR SUCCESSFUL SUCCESSION

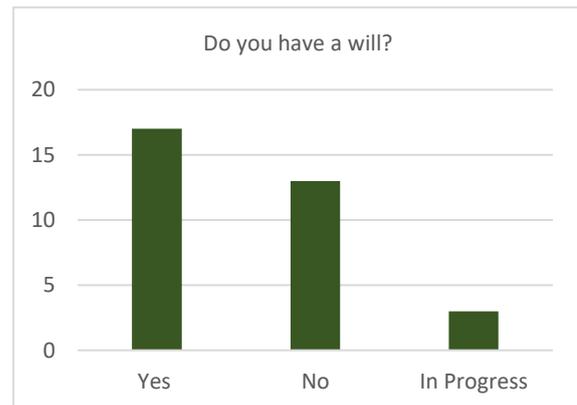
Many people only focus on succession once there has been a bereavement, illness or when the older generation becomes less able.

Businesses need to start talking and actioning succession when all parties are fit and able (physically and mentally) and put plans in place when the older generation are still around and can see the vision of the future generation.

- ✓ **Communicate;**
  - Communicate to the WHOLE family not just the members involved in the business. If the 'off farm' members are kept regularly updated with what's happening they will understand the process;
  - Meetings – weekly catch ups about day to day work; fortnightly/monthly business catch ups about operational discussions; annual meetings with the whole family looking at year end accounts, plans for future etc.
- ✓ **Plan;**
  - Start planning succession as soon as you have children;
  - Make the pie big enough for everyone if you can;
    - If not make sure you have a clear plan in place of who gets what and explain from an early stage;
  - Look at new opportunities;
  - Have knowledge of your own prospects – what do you want?
- ✓ **Document;**
  - Wills – Get a will done and SIGN IT. Keep it regularly updated;
    - They need to correspond to the business structure;
  - Power of Attorney – everyone should have one, helps keep a business ticking smoothly if the event of an accident or death. Think of them as an insurance policy;
  - Partnership agreements etc. – make sure these are done correctly with legal guidance;
  - Document actions/agendas from meetings so there is evidence/proof of discussions;
- ✓ **Move forward;**
  - Let the younger generation have a say;
  - Don't leave it too late before retiring;

- Look at new ways to develop/run your business;
- Don't let an opportunity pass by (purchase land etc.);
- "Diversify or die."

## BUSINESS FEEDBACK FROM THE SUCCESSION MEETING



### What aspects around succession do you/your family find challenging?

- Keeping daughter and sons equal;
- The thought process of the older generation;
- Communication (x 6);
- Structure;
- Parents-in-law won't release control/and will not agree to discuss what they need financially from the farm;
- Talking away from the work environment;
- Age of older partners;
- Difficult family relationships/personalities;
- Never prioritising running the business as we are too busy with day to day work;
- Not really thought much about it as our kids are all under 10 but realise now that we need to;
- Talking about individual aspirations;
- Discussing future financial arrangements;
- Fair division;
- Need to talk more about parent's retirement plans. Understanding business and finances better;
- Approaching the subject;
- Tying up partnership, tenancy, accountancy so everything works;
- Communication – different lifestyles/expectations from the business;

- The emotional aspect of death in the family;
- Time management – one person having to do most of the legislation;
- How to split assets;
- All the family members being heard AND listened to;
- Struggles in understanding diversification/changes within the farming business and attempts made to stand in the way;
- We have never discussed 'retirement' except in one of our business plans – planned for 2019...but never happened;
- Unable to plan ahead;
- Working out what is fair;
- People to succeed;
- Change.

**What aspects around succession are working well?**

- Keeping the business going forward;
- Continually chipping away at giving all family members an insight into the importance of succession planning – slow progress though!
- Sister-in-law has been paid out with house already. Beyond that, not much!
- Change in partnership;
- Older generation cutting back;
- Nothing (x 3);
- I'm a first-generation farmer so I make most of the important decisions, occasionally speaking to my father (financial director!);
- Honest open discussion about business accounts;
- Yearly meeting with accountant;
- Family get on well together;
- Good understanding of CGT & inheritance tax;
- We are all singing from the same hymn sheet;
- Communication;
- All the family are striving forward positive outcomes – no disagreements;
- The older generation are keen and willing to hand over the reins and all parties want to step up the mark;
- The joint venture is young but seems to add many benefits to the farming future of the farm;
- Having a plan of action – working through the 'to do' list;
- Family meetings;
- A meeting with Sian really helped for hearing and listening! Feelings shared, future thoughts, wants;
- No succession planning as yet;
- We all get on well with each other and do talk about things as a family;
- Operational – niece now running the farm.

**What things will you change as a result of what your learning?**

- Continue to move forward;
- Try and put deadlines in place;
- Put a discipline in place to have meetings;
- New will (x 2);
- Power of attorney (x 2);
- Structure of business;
- Bring Sian in for a family meeting (x 2)
- We will push for more open discussion;
- Try to get everyone to agree to regular meetings;
- Communication – weekly meetings (x 8);
- Checking wills regularly;
- Assess information;
- Organise meeting with Sian to try and open communication around succession;
- Planning;
- Look at the bigger picture not overrun with general day to day;
- More in depth succession meeting;
- Get more advice;
- Discuss plans with parents;
- Discuss parents' retirement plans;

- Talk;
- Get things in writing (x 2);
- Make a will/agreement;
- Better communication;
- Include family in the discussions from an early age;
- Try and accelerate the succession planning;
- Open more financial discussions with all the family;
- Allow children more exposure to the farm and financial information;
- More family meetings both day to day & strategic;
- Get an independent person to come for full family meeting (x 3);
- Speed up succession planning;
- Simplify the business;
- Consider alternative lawyer;
- Look at clawback – if our son decides to sell, would it be fair to consider reverting a portion of money back to our daughter? We need to consider our son's work (for peanuts) on the farm;
- Examine the paperwork again and share again;
- Very useful information looking at all aspects (especially for me as the 'dreaded in-law');
- Improve communication;
- Finish wills.

**What did you enjoy about the meeting?**

- Meeting people on the same wavelength (x 5);
- Speakers (x 6);
- Everything – very informative. A thought provoking, sharing experience (x 3);
- Informative & friendliness (x 4);
- All very interesting;
- Sian and Linda were both fantastic speakers;
- Sian's talk (x 5);
- Openness of everyone (x 3);
- So many people in a similar boat;
- Very informative and great to hear real life examples – especially how they have overcome/trying to overcome challenges;
- Networking and learning about succession – I need a plan!
- Hearing from Sian about succession issues;
- Networking;
- Hearing Duncan and Kerr's experiences (x 2);
- Light-hearted discussions;
- It made us think about both practical and legal issues in succession;
- All of it;
- Structure of meeting/facilitator – mini breakout sessions were very useful and fun!

**WEST MEETING FIVE ATTENDEES**

There were 39 attendees at the meeting on 15<sup>th</sup> January 2020. A full list is detailed along with links to their websites/social media channels.

| No. | First Name | Surname | Ticket Type                | Company                 | Website   |
|-----|------------|---------|----------------------------|-------------------------|---|
| 1   | Stuart     | McNicol | Agritourism/Monitor Farmer | DRIFT./Castleton Events | <a href="https://www.facebook.com/DRIFTeatdrinkrelax/">https://www.facebook.com/DRIFTeatdrinkrelax/</a> |
| 2   | Jo         | McNicol | Agritourism/Monitor Farmer | DRIFT./Castleton Events | <a href="https://www.facebook.com/DRIFTeatdrinkrelax/">https://www.facebook.com/DRIFTeatdrinkrelax/</a> |
| 3   | Bobby      | Lennox  | Agritourism/Monitor Farmer | Lennox of Lomond        | <a href="https://www.shemoreonlochlomond.com/">https://www.shemoreonlochlomond.com/</a>                 |
| 4   | Anne       | Lennox  | Agritourism/Monitor Farmer | Lennox of Lomond        | <a href="https://www.shemoreonlochlomond.com/">https://www.shemoreonlochlomond.com/</a>                 |
| 5   | Kay        | Wilson  | Agritourism/Monitor Farmer | Lennox of Lomond        | <a href="https://www.shemoreonlochlomond.com/">https://www.shemoreonlochlomond.com/</a>                 |
| 6   | Dougie     | Wilson  | Agritourism/Monitor Farmer | Lennox of Lomond        | <a href="https://www.shemoreonlochlomond.com/">https://www.shemoreonlochlomond.com/</a>                 |



|    |            |            |                             |  |   |
|----|------------|------------|-----------------------------|--|---|
| 7  | Robin      | Austin     | Agritourism business        | Barstobrick and Fellend Farm                 | <a href="https://www.barstobrick.co.uk/">https://www.barstobrick.co.uk/</a>   |
| 8  | Ellen      | Austin     | Agritourism business        | Barstobrick and Fellend Farm                 | <a href="https://www.barstobrick.co.uk/">https://www.barstobrick.co.uk/</a>   |
| 9  | Hilary     | Austin     | Agritourism business        | Barstobrick and Fellend Farm                 | <a href="https://www.barstobrick.co.uk/">https://www.barstobrick.co.uk/</a>   |
| 10 | Chris      | Scott-Park | Agritourism business        | Portnellan Farm LLP                          | <a href="http://portnellanfarm.co.uk/">http://portnellanfarm.co.uk/</a>   |
| 11 | Freda      | Scott-Park | Agritourism business        | Portnellan Farm LLP                          | <a href="http://portnellanfarm.co.uk/">http://portnellanfarm.co.uk/</a>   |
| 12 | David      | Scott-Park | Agritourism business        | Portnellan Farm LLP                          | <a href="http://portnellanfarm.co.uk/">http://portnellanfarm.co.uk/</a>   |
| 13 | Grant      | Turnbull   | Agritourism business        | Carr's Hill                                  | <a href="http://www.carrshill.co.uk/">http://www.carrshill.co.uk/</a>   |
| 14 | Alison     | Younger    | Agritourism business        | F&A younger                                  | <a href="http://www.oldleckie.co.uk/index.php/farm-tours/">http://www.oldleckie.co.uk/index.php/farm-tours/</a>                           |
| 15 | Fergus     | Younger    | Agritourism business        | F&A younger                                  | <a href="http://www.oldleckie.co.uk/index.php/farm-tours/">http://www.oldleckie.co.uk/index.php/farm-tours/</a>                           |
| 16 | Shona      | Duncan     | Agritourism business        | Duncan Family Farms                          | <a href="https://www.facebook.com/Duncan-Family-Farms-330252160999100/">https://www.facebook.com/Duncan-Family-Farms-330252160999100/</a> |
| 17 | Tom        | Bowser     | Agritourism business        | Argaty Red Kite                              | <a href="http://www.argatyredkites.co.uk/index">http://www.argatyredkites.co.uk/index</a>   |
| 18 | Robert     | Wilson     | Agritourism business        | Fluffy Moos                                  | <a href="https://www.fluffymoos.com/">https://www.fluffymoos.com/</a>   |
| 19 | Lucy       | Wilson     | Agritourism business        | Fluffy Moos                                  | <a href="https://www.fluffymoos.com/">https://www.fluffymoos.com/</a>   |
| 20 | Helen      | Smith      | Agritourism business        | Byres Farm                                   | <a href="https://byresfarm.co.uk/">https://byresfarm.co.uk/</a>   |
| 21 | Agnes      | Smith      | Agritourism business        | Stralochy Farm                               |   |
| 32 | Geraldine  | Hamilton   | Agritourism business        | Crosswoodhill Farm                           | <a href="http://www.crosswoodhill.co.uk">www.crosswoodhill.co.uk</a>  |
| 33 | Hew        | Hamilton   | Agritourism business        | Crosswoodhill Farm                           | <a href="http://www.crosswoodhill.co.uk">www.crosswoodhill.co.uk</a>  |
| 23 | Gordon     | Murray     | Agritourism business        | Craigmaddie Muir Farm                        | <a href="http://www.craigmaddiemuir.co.uk">www.craigmaddiemuir.co.uk</a>  |
| 24 | Tom        | Bowser     | Agritourism business        | Argaty Kites                                 | <a href="http://www.argatyredkites.co.uk">www.argatyredkites.co.uk</a>  |
| 25 | David      | Smiley     | Farmer looking to diversify |  |   |
| 26 | Elizabeth  | Smiley     | Farmer looking to diversify |  |   |
| 27 | Marguerite | Osborn     | Farmer looking to diversify | Kinclune Farm                                |   |
| 28 | Ronald     | Pollock    | Farmer looking to diversify | Bonnyhill Farm                               |   |
| 29 | Fiona      | Pollock    | Farmer looking to diversify | Bonnyhill Farm                               |   |
| 30 | Craig      | Robertson  | Farmer looking to diversify | Newtown of Logieraite Farm                   |   |
| 31 | Eilidh     | Robertson  | Farmer looking to diversify | Newtown of Logieraite Farm                   |   |
| 22 | Sheila     | Bannerman  | Farmer looking to diversify | The Old Manse Farm                           |   |
| 34 | Kim        | Christie   | Farmer looking to diversify |  |   |
| 35 | Neil       | Christie   | Farmer looking to diversify |  |   |
| 36 | Gordon     | Christie   | Farmer looking to diversify |  |   |
| 37 | Alistair   | Christie   | Farmer looking to diversify |  |   |
| 38 | Kirsty     | Scott      | Industry Representative     | Undertaking food tourism project in Shetland |   |
| 39 | Sharon     | Flanigan   | Industry Representative     | James Hutton Institute                       |   |