

# A New Forestry Partnership Model: Annualising Investor Payments



The new Forestry Partnership Model has been drawn up to provide an additional option for investors and landowners to co-operate in the creation of new woodland.

It is not intended to replace any existing model, instead it is a new model whereby investors and landowners who would not previously have considered forestry as an option will be able to take advantage of the many benefits of doing so.

The key features of the new model are: -

- A Limited Liability Partnership (LLP) consisting of the landowner and the investor(s) is formed
- The landowner retains ownership of the land
- The investor makes annual payments into the partnership
- The landowner draws a management fee from the partnership
- An exit route is provided for both parties
- The usual tax advantages of forestry are retained by both partners

By enabling an investor to make annual payments into the partnership, rather than requiring an initial purchase of the freehold, it opens up forestry to high income but (relatively) low capital rich individuals. It means the landowner retains ownership of the land but could provide, for example, the opportunity for them to focus the farming enterprise on better quality land within the holding, whilst having the security of an annual income.

Arrangements for securing the necessary regulatory permission and grant funding for any proposals will be as for all other schemes. Working capital to finance the design, approval and planting of the scheme will be provided by either or both parties, in the form of a loan to the LLP, repayable once the planting grant is received.

The landowner will draw an annual management fee for their services to the partnership. In addition, they can derive additional income by providing services such as maintenance, deer management etc.

Income from timber and potentially other income derived from tree planting, such as the sale of woodland carbon credits, will be divided between the partners according to the partnership agreement.

At the end of the agreed period of the agreement, normally the first rotation, the land reverts to the landowner. The agreement will include responsibility for meeting any felling licence conditions. A new partnership may be formed at this point, the land sold, or the landowner continue in sole occupation.

A template Heads of Terms and accompanying Guidance Document are in preparation and will be available shortly, as will a spreadsheet model which will calculate the annual management fee available to the landowner. All documents can be used freely by any party.

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Roots to Prosperity

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