

Succession Planning

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- Different circumstances require different strategies
- There are two essentials: early planning and professional advice.

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Gilbert Evans is the sole preferred supplier of property advice to the HTA. Members can contact us via gardencentres@hta.co.uk



For every independent garden centre operator, the time arrives to decide on the best timing to step away from the business and choose who will take on responsibility for operations and the centre's staff. Succession planning is complex, often emotionally-charged. Choosing the best option depends on individual circumstances. Different circumstances require different strategies. There are two essentials: early planning and professional advice.

There are several routes to be considered, each with its own set of risks and rewards.

Passing on to the next generation: Life is different today and whilst one might have automatically passed a business down to the next generation, this is not always the case today. If the decision is made to pass the business on to the next generation, then seeking early advice from a tax specialist is a must. Gifting a business, inheritance tax and retaining a right to income can all take years in planning as outlined in Advice Note 21.

Employing a management team: If retaining ownership within the family is important, employ a management team to run the business, reporting directly to family board members. The risk is accurately assessing the capabilities of the new management team. Rewards include retaining ownership, receiving an income and maintaining control of the strategic direction of the business without the stress of daily operational management.

Implementing a management contract: Putting into place some form of management contract with an existing garden centre has significant advantages including benefiting from proven retailing skills, better buying margins and the potential to incentivise performance. A significant drawback is possible loss of control.

Leasing the business: Leasing removes management responsibility whilst guaranteeing a regular rental together with an initial capital sum for the goodwill of the business. The tenant's covenant is critical to long-term value and taxation may be an issue but the freehold investment is retained and has a value.

Selling: Selling the business and investing the capital sum to provide income can potentially be very tax effective. With early planning and professional advice, correct structuring of the transaction should minimise any tax liability.

Succession planning is critical and can take months, sometimes years to evolve. Decisions should be based on impartial professional advice rather than emotions.