MORGAN AND MORECAMBE OFFSHORE WIND FARMS: TRANSMISSION ASSETS

The Applicants' Farm Business Assessment

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Contents

Appendices

Glossary

Term	Meaning
400 kV grid connection cables	Cables that will connect the proposed onshore substations to the existing National Grid Penwortham substation.
400 kV grid connection cable corridor	The corridor within which the 400 kV grid connection cables will be located.
Applicants	Morgan Offshore Wind Limited (Morgan OWL) and Morecambe Offshore Windfarm Ltd (Morecambe OWL).
Biodiversity benefit	An approach to development that leaves biodiversity in a better state than before. Where a development has an impact on biodiversity, developers are encouraged to provide an increase in appropriate natural habitat and ecological features over and above that being affected. For the Transmission Assets, biodiversity benefit will be delivered within identified biodiversity benefit areas within the Onshore Order Limits. Further qualitative benefits to biodiversity are proposed via potential collaboration with stakeholders and local groups, contributing to existing plans and programmes, both within and outside the Order Limits.
Code of Construction Practice	A document detailing the overarching principles of construction, contractor protocols, construction-related environmental management measures, pollution prevention measures, the selection of appropriate construction techniques and monitoring processes.
Commitment	This term is used interchangeably with mitigation and enhancement measures. The purpose of commitments is to avoid, prevent, reduce or, if possible, offset significant adverse environmental effects. Primary and tertiary commitments are taken into account and embedded within the assessment set out in the ES.
Construction Traffic Management Plan	A document detailing the construction traffic routes for heavy goods vehicles and personnel travel, protocols for delivery of Abnormal Indivisible Loads to site, measures for road cleaning and sustainable site travel measures.
Design envelope	A description of the range of possible elements and parameters that make up the Transmission Assets options under consideration, as set out in detail in Volume 1, Chapter 3: Project Description. This envelope is used to define the Transmission Assets for EIA purposes when the exact engineering parameters are not yet known. This is also referred to as the Maximum Design Scenario or Rochdale Envelope approach.
Development Consent Order	An order made under the Planning Act 2008, as amended, granting development consent.
Direct pipe	A cable installation technique which involves the use of a mini (or micro) tunnel boring machine and a hydraulic (or other) thruster rig to directly install a steel pipe between two points.
Environmental Impact Assessment	The process of identifying and assessing the significant effects likely to arise from a project. This requires consideration of the likely changes to the environment, where these arise as a consequence of a project, through comparison with the existing and projected future baseline conditions.

Term	Meaning
Environmental Statement	The document presenting the results of the Environmental Impact Assessment process.
Evidence Plan Process	A voluntary consultation process with specialist stakeholders to agree the approach to, and information to support, the EIA and Habitats Regulations Assessment processes for certain topics.
Generation Assets	The generation assets associated with the Morgan Offshore Wind Project and the Morecambe Offshore Windfarm include the offshore wind turbines, inter-array cables, offshore substation platforms and platform link (interconnector) cables to connect offshore substations.
Intertidal area	The area between Mean High Water Springs and Mean Low Water Springs.
Intertidal Infrastructure Area	The temporary and permanent areas between MLWS and MHWS.
Landfall	The area in which the offshore export cables make landfall (come on shore) and the transitional area between the offshore cabling and the onshore cabling. This term applies to the entire landfall area at Lytham St. Annes between Mean Low Water Springs and the transition joint bay inclusive of all construction works, including the offshore and onshore cable routes, intertidal working area and landfall compound(s).
Local Authority	A body empowered by law to exercise various statutory functions for a particular area of the United Kingdom. This includes County Councils, District Councils and County Borough Councils.
Local Highway Authority	A body responsible for the public highways in a particular area of England and Wales, as defined in the Highways Act 1980.
Main rivers	The term used to describe a watercourse designated as a Main River under the Water Resources Act 1991 and shown on the Main River Map. These are usually larger rivers or streams and are managed by the Environment Agency.
Marine licence	The Marine and Coastal Access Act 2009 requires a marine licence to be obtained for licensable marine activities. Section 149A of the Planning Act 2008 allows an applicant for to apply for 'deemed marine licences' in English waters as part of the development consent process
Maximum design scenario	The realistic worst case scenario, selected on a topic-specific and impact specific basis, from a range of potential parameters for the Transmission Assets.
Mean High Water Springs	The height of mean high water during spring tides in a year.
Mean Low Water Springs	The height of mean low water during spring tides in a year.
Micro-tunnel / micro-tunnelling	A tunnelling technique involving the use of a hydraulic (or other) jacking rig and a mini (or micro) tunnel boring machine to install a concrete tunnel between two points.
Mitigation measures	This term is used interchangeably with Commitments. The purpose of such measures is to avoid, prevent, reduce or, if possible, offset significant adverse environmental effects.
Morecambe Offshore Windfarm: Generation Assets	The offshore generation assets and associated activities for the Morecambe Offshore Windfarm.

Term	Meaning
Morecambe Offshore Windfarm: Transmission Assets	The offshore export cables, landfall, and onshore infrastructure required to connect the Morecambe Offshore Windfarm to the National Grid.
Morecambe OWL	Morecambe Offshore Windfarm Limited is owned by Copenhagen Infrastructure Partners' (CIP) fifth flagship fund, Copenhagen Infrastructure V (CI V).
Morgan and Morecambe Offshore Wind Farms: Transmission Assets	The offshore export cables, landfall, and onshore infrastructure for the Morgan Offshore Wind Project and the Morecambe Offshore Windfarm. This includes the offshore export cables, landfall site, onshore export cables, onshore substations, 400 kV grid connection cables and associated grid connection infrastructure such as circuit breaker compounds. Also referred to in this report as the Transmission Assets, for ease of reading.
Morgan Offshore Wind Project: Generation Assets	The offshore generation assets and associated activities for the Morgan Offshore Wind Project.
Morgan Offshore Wind Project: Transmission Assets	The offshore export cables, landfall and onshore infrastructure required to connect the Morgan Offshore Wind Project to the National Grid.
Morgan OWL	Morgan Offshore Wind Limited is a joint venture between JERA Nex bp (JNbp) and Energie Baden-Württemberg AG (EnBW).
National Grid Penwortham substation	The existing National Grid substation at Penwortham, Lancashire.
National Policy Statement(s)	The current national policy statements published by the Department for Energy and Net Zero in 2023 and adopted in 2024.
Offshore booster station	A fixed structure located along the offshore export cable route, containing electrical equipment to ensure bulk wind farm capacity can be fully transmitted to the onshore substations.
Offshore substation platform(s)	A fixed structure located within the wind farm sites, containing electrical equipment to aggregate the power from the wind turbine generators and convert it into a more suitable form for export to shore.
Offshore export cables	The cables which would bring electricity from the Generation Assets to the landfall.
Offshore export cable corridor	The corridor within which the offshore export cables will be located.
Offshore Permanent Infrastructure Area	The area within the Transmission Assets Offshore Order Limits (up to MLWS) where the permanent offshore electrical infrastructure (i.e. offshore export cables) will be located.
Offshore Order Limits	See Transmission Assets Order Limits: Offshore (below).
Offshore substation platform(s)	A fixed structure located within the wind farm sites, containing electrical equipment to aggregate the power from the wind turbine generators and convert it into a more suitable form for export to shore.
Onshore export cables	The cables which would bring electricity from the landfall to the onshore substations.
Onshore export cable corridor	The corridor within which the onshore export cables will be located.
Onshore Infrastructure Area	The area within the Transmission Assets Order Limits landward of MHWS. Comprising the offshore export cable corridor from MHWS to

Term	Meaning
	the transition joint bay, onshore export cable corridor, onshore substations and 400 kV grid connection cable corridor, and associated temporary and permanent infrastructure including temporary and permanent compound areas and accesses. Those parts of the Transmission Assets Order Limits proposed only for ecological mitigation and/or biodiversity benefit are excluded from this area.
Onshore Order Limits	See Transmission Assets Order Limits: Onshore (below).
Onshore substations	The onshore substations will include a substation for the Morgan Offshore Wind Project: Transmission Assets and a substation for the Morecambe Offshore Windfarm: Transmission Assets. These will each comprise a compound containing the electrical components for transforming the power supplied from the generation assets to 400 kV and to adjust the power quality and power factor, as required to meet the UK Grid Code for supply to the National Grid.
Preliminary Environmental Information Report	A report that provides preliminary environmental information in accordance with the Infrastructure Planning (Environmental Impact Assessment) Regulations 2017. This is information that enables consultees to understand the likely significant environmental effects of a project, and which helps to inform consultation responses.
Renewable energy	Energy from a source that is not depleted when used, such as wind or solar power.
Scour protection	Protective materials to avoid sediment being eroded away from the base of the foundations due to the flow of water.
Substation	Part of an electrical transmission and distribution system. Substations transform voltage from high to low, or the reverse by means of electrical transformers.
The Secretary of State for Energy Security and Net Zero	The decision maker with regards to the application for development consent for the Transmission Assets.
Transmission Assets	See Morgan and Morecambe Offshore Wind Farms: Transmission Assets (above).
Transmission Assets Order Limits	The area within which all components of the Transmission Assets will be located, including areas required on a temporary basis during construction and/or decommissioning (such as construction compounds).
Transmission Assets Order Limits: Offshore	The area within which all components of the Transmission Assets seaward of Mean Low Water Springs will be located, including areas required on a temporary basis during construction and/or decommissioning. Also referred to in this report as the Offshore Order Limits, for ease of reading.
Transmission Assets Order Limits: Onshore	The area within which all components of the Transmission Assets landward of Mean High Water Springs will be located, including areas required on a temporary basis during construction and/or decommissioning (such as construction compounds). Also referred to in this report as the Onshore Order Limits, for ease of reading.

Acronyms

Acronym	Meaning
AIS	Air Insulated Switchgear
AOD	Above Ordnance Datum
BCA	Bilateral Grid Connection Agreement
CoCP	Code of Construction Practice
CoT	Project Commitment
CBRA	Cable Burial Risk Assessment
CfD	Contracts for Difference
CMS	Construction Method Statement
CSIP	Cable Specification and Installation Plan
CTMP	Construction Traffic Management Plan
DCO	Development Consent Order
DECC	Department of Energy and Climate Change
Defra	Department for Environment, Food and Rural Affairs
DESNZ	Department for Energy Security & Net Zero
dML	Deemed Marine Licence
EnBW	Energie Baden-Württemberg AG
EIA	Environmental Impact Assessment
EMP	Environmental Management Plan
EPP	Evidence Plan Process
ES	Environmental Statement
EWG	Expert Working Group
GIS	Gas Insulated Switchgear
HDD	Horizontal Directional Drilling
HGV	Heavy goods vehicle
HNDR	Holistic Network Design Review
HVAC	High Voltage Alternating Current
IALA	International Association of Marine Aids to Navigation and Lighthouse Authorities
IAQM	Institute of Air Quality Management
LAT	Lowest Astronomical Tide
MCA	Maritime and Coastguard Agency
MCZ	Marine Conservation Zone
MDS	Maximum Design Scenario

Acronym	Meaning
MHWS	Mean High Water Springs
MLWS	Mean Low Water Springs
MMO	Marine Management Organisation
MPS	Marine Policy Statement
MTBM	Mini (or micro) tunnel boring machine
NGESO	National Grid Electricity System Operator
NPS	National Policy Statement
NSIP	Nationally Significant Infrastructure Project
O&M	Operation and Maintenance
OSP	Offshore Substation Platform
OTNR	Offshore Transmission Network Review
PDE	Project Design Envelope
PEIR	Preliminary Environmental Information Report
PPP	Pollution Prevention Plan
PRoW	Public rights of way
SAC	Special Areas of Conservation
SAR	Search and Rescue
SPA	Special Protection Area
SNCBs	Statutory Nature Conservation Bodies
SSSI	Sit of Special Scientific Interest
SWMP	Site Waste Management Plan
TEP	Technical Engagement Plan
TJB	Transition Joint Bay
UK	United Kingdom
UXO	Unexploded Ordnance
WSI	Written scheme of investigation

Units

Unit	Description
%	Percentage
dB	Decibels
Kg	Kilogram
kHz	Kilohertz

Unit	Description
KJ	Kilojoules
km	Kilometres
km^2	Kilometres squared
kV	Kilovolt
m	Metres
m^2	Metres squared
m^3	Metres cubed
nm	Nautical mile
µPa	micropascal

1 Farm Business Assessments

1.1 Purpose of this document

1.1.1 Introduction

1.1.1.1 This document is provided as an update in response to Issue Specific Hearing 2 (ISH2) Action Point ISH2_38 and Compulsory Acquisition Hearing 3 (CAH3), and Action Point CAH _5. The Applicants have sought to undertake farming business impact assessments for those businesses occupying land required for permanent acquisition of the Morgan Onshore Substation and the Morecambe Onshore Substation being Landholdings 22, 25 and 26 as shown on the Distribution of Land Holdings Plan (REP1-044) and building on the work submitted by the Applicants in their Response to Hearing Action Point ISH2_38 (REP4-111).

1.2 Progress Update

1.2.1 Landholding 22

1.2.1.1 Landholding 22 is occupied on a mix of owner occupied and tenanted basis.

1.2.1.2 Heads of Terms have been secured for the permanent acquisition of land required for the Morgan substation including the associated mitigation, and for the land rights required for the onshore export cables that affect this landholding.

1.2.1.3 In order to undertake the business assessment an independent farm consultant was instructed in August following Issue Specific Hearing 2 The consultant prepared and issued a questionnaire to the Landholder 22 and a meeting followed on 17th September 2025.

1.2.1.4 The meeting included a site visit and inspection of farm buildings and walkover of the land proposed for the Morgan substation and associated works.

1.2.1.5 The Applicants will discuss the outcome of the business assessment with the landholders prior to finalisation. As part of this they will review any mitigation measures that could be implemented to minimise the impacts of construction works to allow the ongoing operation of the farming business during and following construction as a means of minimising losses in accordance with the compensation code.

1.2.1.6 The accommodation measures set out in the Applicants Response to Hearing Action Point ISH2_38 (REP4-111) will be implemented to support this farming business alongside any additional measures identified in the land agreements for landholding 22 following completion of the agreed Heads of Terms.

1.2.2 Landholding 25

1.2.2.1 Landholding 25 is held on a mix of owner occupier and tenanted basis.

1.2.2.2 Heads of Terms negotiations are ongoing for the land that is owned freehold, and the Applicant is hopeful that the rights sought for both the permanent acquisition of land and the temporary rights sought can be agreed in the coming weeks (a single issue remains in relation to access). An alternative access is being sought with a neighbouring landowner which has been verbally agreed by all parties concerned, this would remove the requirement to take vehicles for operational and maintenance past the residential properties at Freshfields Farm and Greenbank Farm.

1.2.2.3 Due to the permanent land take from the landholding for the Morgan substation access, approximately, 1 acre, following Issue Specific Hearing 2 the Applicants have endeavoured to secure the information needed to undertake farm business assessment. The land is currently used as grazing and fodder production for the livestock enterprise, the Applicants understand the holding can continue with its current operations with the implementation of suitable accommodation works to facilitate crossing of the substation access road.

1.2.2.4 The Applicants have been in ongoing discussion and met with landholders on 6th October 2025 to discuss the Heads of Terms and the information needed to complete the business assessment.

1.2.2.5 It is understood that the Landholders do not wish for the farm assessment to be completed due to the nature of the information required and on that basis the Applicants have agreed not to progress with a farm business impact assessment. In considering the impact of land acquisition for the Transmission Assets on this landholding, the landholder has confirmed that heads of terms for the voluntary land agreement provide sufficient support in the event of business losses. The land agent and landholders have stated that they are comfortable that should the Applicants need to exercise any compulsory acquisition powers that rights to compensation are sufficient and that the farming business can continue

1.2.3 Landholding 26

1.2.3.1 Land holding 26 is occupied on an Agricultural Holdings Act 1986 tenancy agreement.

1.2.3.2 Heads of Terms with the freeholder have been secured for both the Morgan and Morecambe substation and the associated mitigation areas.

1.2.3.3 In their second written questions, the Examining Authority requested that the “applicants submit their Business Examination & Mitigation Report to the examination” (PD-011) this related to an entry in the Land Rights Tracker (REP5-098) as follows: “*17.04.25 - The applicants shared with the occupiers’ agent the Business Impact Assessment & Mitigation Report that was completed by an impartial 3rd party”.* The Applicants explained in their response to Examining Authority Second Written Questions (PD-011) that the document is confidential to the

parties and subject to Non-Disclosure Agreements between the parties. At Compulsory Acquisition Hearing 3 the Applicants also explained that this document was a “Stage 1 Assessment” for discussion between the parties and that a further report was being prepared for the purposes of the Examination – the “Stage 2 Assessment”. The Applicants then committed to:

1.2.3.4 “*Engage with the occupier of land holding number 26 regarding the phase 2 assessment. Seek consent to provide evidence to the examination regarding impacts and mitigations on business loss to that occupier” (Compulsory Acquisition Hearing Action Point 5)*

1.2.3.5 The Applicants have engaged with the occupiers of Landholding 26 and have agreed a redacted version of the Stage 1 Assessment (Appendix1 to this document). The Applicants also submit the Stage 2 Assessment which has been prepared for Examination (Appendix 2) As part of Appendix 2 the Applicants have also provided a summary of the key conclusions of the Stage 2 Report.

Appendix A - Stage 1 Assessment

Stage 1 Business Impact and Mitigation Options Assessment

[redacted]

GSC GRAYS

PROPERTY • ESTATES • LAND

FARM BUSINESS CONSULTANTS

Prepared on Behalf of:

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List of Tables

1. Introduction

1.1 Background

The collaborative project between the Morgan Offshore Wind Farm and the Morecambe Offshore Wind Farm involves the construction of onshore infrastructure to connect the offshore generation assets to the National Grid at Penwortham. Part of this infrastructure involves the construction of two substations in the area between Kirkham, Newton-with-Scales and Freckleton. For ease of reference, we will refer to the combined project as The Scheme.

The two substations required by the Scheme are both located on land at [redacted]. The farm is owned by [redacted] and let to [redacted] under an Agricultural Holdings Act 1986 tenancy. [redacted] operates two businesses from [redacted].

The farm will be affected in two distinct ways:

1. The permanent land take for the two substations. It is assumed that this land will be lost on either a date agreed between the parties or the service of the appropriate notice to obtain possession under the Development Consent Order for the project, whichever is earlier.
2. The temporary possession by the Scheme of a greater area of land for the construction of both the sub-stations and the installation of the cabling. At this stage, it is not known with any degree of detail how long construction will take and whether all the affected land will be lost simultaneously.

[redacted] businesses together interact to create a highly successful progressive dairy enterprise. The extent and position of the land to be permanently lost, combined with the uncertainty over the temporary land take, has led [redacted] to conclude that the damage to his businesses is so severe that he will be forced to cease dairying entirely due to the magnitude of the financial losses.

This Stage 1 Business Impact Assessment has been prepared based on assumptions set out herein, along with the information provided to date. A Stage 2 assessment is anticipated following further discussion with [redacted], testing and updating assumptions and information provided, alongside further consideration of engineering solutions and mitigations.

1.2 Terms of Reference

GSC Grays were instructed in late November 2024 by [redacted] of Dalcour Maclaren, agents acting on behalf of Morgan Offshore Wind Farm Ltd and Morecambe Offshore Wind Farm Ltd, to provide an independent assessment of the position, as follows:

1. Understand the farming system employed, and comment on the profitability of the system compared to other conventional dairy systems.

2. Assess the information provided by [redacted] on the historic performance of the combined businesses and their projected future performance to either corroborate these figures as being reasonable or identify areas which should be subject to debate.
3. Based on the above, identify the financial and practical implications of the permanent loss of land, this to include:
    a. An evaluation of the feasibility of returning to the current system, or one similar.
    b. If such a return is feasible, evaluate the differential in profitability between the current system and the amended system necessitated by the land take.

    In addition, to evaluate the impact of the temporary possession of land by the Scheme in respect of:

    c. The feasibility of continuing the current system during the construction phase for the businesses to survive to the end of the project.
    d. The associated financial impact on the businesses.
4. Following consideration of the above, provide an opinion on:
    a. [redacted] contention is that in both financial and practical terms dairying cannot continue due to the combined impacts of the permanent and temporary land take.
    b. If that is the case, the appropriate comparator for the loss of profit associated with the change is between the forecast average annual profits of the current system and the forecast average annual profits of a beef fattening system utilising the buildings at [redacted] and the limited land available.
    c. A fair and proportionate method for agreeing on how the loss of annual profits should be converted to a settlement sum.

1.3 Assumptions Agreed

The following agreed assumptions have been made in the course of the instruction:

i. That the permanent loss of land is early in 'Year 1' of the construction phase.
ii. That the construction phase will last for a seven-year period.
iii. That the temporary land take is simultaneous across all areas – given that a worst-case scenario has to be assumed.
iv. That the areas affected are as per the plans at Appendix 1 and the data provided to GSC Grays. These areas are used for consistency of comparison purposes and may not reflect the actual areas taken.
v. It has been agreed between the parties that for the purposes of this exercise, the two businesses are to be treated as one, and our assessment is to be made without distinction between the two. The question of how any compensation should be split between the two businesses is outside of the scope of this instruction.

1.4 Sources of Information

Documents provided to GSC Grays are listed in Appendix 10.

1.4.1 All Parties Meeting

A meeting of all stakeholders was held at [redacted] on Wednesday 18th December at 10 am.

Those present:

- [redacted] Tenant, proprietor of [redacted]
- [redacted] Wife of [redacted]
- [redacted] – Land agent acting on behalf of [redacted]
- [redacted] – Dairy consultant employed by [redacted]
- Rory O'Brien – Land Manager for Flotation Energy
- [redacted] Land agent acting on behalf of Morgan Offshore Wind Farm Ltd and Morecambe Offshore Wind Farm Ltd
- Greg Ricketts – Farm business consultant for GSC Grays
- Fran Barigan – Land agent for GSC Grays
- Jake Nixon - Farm business consultant for GSC Grays

The meeting involved:

- A tour of the farm conducted [redacted], explaining the farming system.
- A discussion of the issues faced by the [redacted] as a result of the scheme.

2. Executive Summary

This Executive Summary should not be read in isolation from the contents of our report, but to summarise our conclusions:

1. The financial projections provided by [redacted] and his advisors are considered fair and robust.
2. The lack of certainty around temporary land take timescale and duration is such that it is reasonable to seek a 'permanent' solution at the outset.
3. There is an argument to be made that a dairy business could be maintained or restarted on the holding based purely on financial projections, but:
    a. The financial models of the mitigation options show that the difference between these options is not necessarily significant.
    b. The practical aspects of doing so would present a considerable burden to [redacted] and his family. These are not presently quantified, but should be recognised in reaching a settlement. In particular, the level of stress associated with trying to operate the business in close proximity to such a large construction project should not be underestimated. We consider that this aspect narrows the gap between the beef enterprise and the alternative options to the point a figure based on the beef enterprise would not be unreasonable.
    c. There are advantages to both parties in certainty of position compared to a business continuing with escalating loss claims.
4. That a capitalisation/discounted cashflow approach is considered sensible to convert loss of annual profit to a lump sum figure.
5. That this approach leads to a range of [redacted] to [redacted] lump sum settlement on the basis of our models and calculations contained within this report.
6. That the size of this figure is such that it may be sufficient to acquire a replacement holding:
    a. We comment only on a superficial level in respect of the Scheme purchasing a farm for relocation, and would refer this to Dalcour Maclaren for further consideration.
    b. We have identified that there is an argument that a compensation sum sufficient to acquire freehold property may result in betterment applying. We recommend that specialist advice should be sought on this point should it be of concern.

3. Current System of [redacted]

3.1 System Description

3.1.1 [redacted] Farm

GSC Grays have been provided with details of the total area of land available to the combined business. This extends to 229.05 acres based on the map of areas provided shown in Appendix 1 and comprises:

- [redacted] Fully equipped grassland farm, total area 180.38 acres, including the farmyard, buildings, and key infrastructure such as the milking parlour, silage clamps and slurry store.
- 31.95 acres of adjoining grassland owned by [redacted] with 18.20 acres lying to the west, 13.75 acres to the east.
- 16.72 acres made available from the [redacted] on a separate arrangement.

The main farm buildings are the landlords, but the remaining farm infrastructure is provided by the tenant as follows:

- Dairy parlour and associated fittings and handling facilities.
- Mains-powered electric fencing to all fields (save those west of [redacted]).
- Mains-supplied water troughs to all fields (save those west of [redacted]).
- Comprehensive system of livestock tracks, of hardcore and concrete sleeper construction, totalling c.2.85km. The main 'spine' track stretches 1.39km from the farmyard through the centre of the grazing platform to the northern-most field parcel, with 'spur' tracks projecting outwards to provide access to paddocks that cannot be accessed directly from this main track.

3.1.2 Business Structure

[redacted]

Production of forage as the tenant of the holding, forage sold into [redacted]. Agricultural contractors are employed to undertake the majority of fieldwork including silage-making, slurry and manure spreading, spraying, and reseeding, although fertiliser spreading and hedge cutting are undertaken in-house.

[redacted]

Operation of grass-based dairy enterprise:

- 306-cow split-block calving dairy herd, with associated youngstock. Youngstock are reared by a neighbouring business from 10 weeks of age through to three weeks before calving.
- [redacted]

- [redacted]

There are no full-time employees of the combined businesses. [redacted] is dedicated to the business in a full-time capacity, but the remaining labour requirement is supplied on a part-time basis by employees and self-employed contractors, who predominantly fulfil milking, grazing management, herd husbandry and calf rearing roles.

3.1.3 Overview of the Production System

The driving ethos of [redacted] dairy enterprise is the optimisation of milk output from grass — preferably grazed grass — with minimised fixed costs in the form of labour, power, and machinery.

A detailed explanation of the farming system and of how that system allows the combined businesses to generate a level of profit at the top of the sector is included in Appendix 2, with a comparison against conventional targets is found at Table 8 in Appendix 3.

3.2 Analysis of Profitability

3.2.1 Past Performance

[redacted]

[redacted]

3.2.2 Future Performance

[redacted]

[redacted]

[redacted]

3.3 Summary of Conclusions as to Current System

[redacted]

[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				
[redacted]				

Table 1 - Average Annual Profit Calculations

[redacted]

- [redacted]
- [redacted]

4. Impact of Permanent Land Acquisition and Temporary Possession

4.1 Impact of Scheme

The physical impact of the development on [redacted] businesses is substantial, both during and after construction. The plan shown in Appendix 1 illustrates the extent of the development's impact.

The areas impacted by the development are classified as either:

- Permanent land take.
- Unhindered access and practical to farm — These areas would be freely accessible by [redacted] without prior arrangement with the operatives of Morgan Offshore Wind Farm Ltd or Morecambe Offshore Wind Farm Ltd and could likely be managed by grazing and/or cutting.
- Restricted access and practical to farm — These areas would be accessible by [redacted] with prior arrangement with the operatives of Morgan Offshore Wind Farm Ltd or Morecambe Offshore Wind Farm Ltd and could likely be managed by cutting only.
- Restricted access & unpractical to farm — These areas would be accessible by [redacted] with prior arrangement with the operatives of Morgan Offshore Wind Farm Ltd or Morecambe Offshore Wind Farm Ltd but are of a size and/or shape which would make managing these areas productively unpractical.

During the period of maximum land-take, [redacted] will have unhindered access and management control over just 23.51% of [redacted] Farm.

The land areas affected by the development are summarised in Table 2.

Land Areas (Fields only)	At Max. Extent of Land Take	Post-Development
Unhindered access & practical to farm	75.63	180.59
Restricted access & practical to farm	52.95	0.00
Restricted access & unpractical to farm	21.77	14.06
Occupied by the Development	71.43	27.13

Table 2 - Summary of land areas affected by the Scheme

4.2 Impact of Permanent Land Take – Post Construction

Two areas of the farm will be permanently acquired for sub-station development. These are shown crosshatched pink on the Dalcour Maclaren plan in Appendix 1.

Approximately 12. 82 acres will be acquired for the Morgan substation. This area lies on the northern boundary of that part of the farm, so the main consequence of the land take is the loss of grazing land.

Approximately 15.18 acres will be lost to the Morecombe substation. The impact of this loss will be much more significant, as the position of the substation severs the farm across the middle. Whilst a narrow strip of land against [redacted] will not form part of the permanent acquisition, that strip will be crossed by the access to the substation.

The overall result is that there will be no possibility of the cows walking through the farm unhindered. Since the free movement around the farm is absolutely critical to the farming system, the impact of this acquisition extends beyond the loss of grazing.

The impact of the permanent acquisition of these areas on production (ignoring construction-phase impacts) is assessed as:

- A herd reduction of approximately 40 cows, reducing overall milk volume sold per annum and associated loss of calf and cull sales.
- Increased labour costs resulting from the loss of ability to utilise automated latches to move the herd to the milking parlour assumed at an additional half a full-time equivalent.

4.3 Impact of Temporary Possession by the Scheme during Construction Phase

If the project were such that the temporary land take works were completed in a reasonably short period and affected no other land areas, the overall impact of the scheme would be limited to the factors described in 4.2 above, plus the usual disturbance claims associated.

However, the scheme also involves extensive temporary land take for use in the construction of the substations and for the laying of cables. Both types of areas will be reinstated after construction, but will have been damaged in the process.

The duration and timing of the temporary land take cannot be confirmed by the scheme at this stage, and could be simultaneous.

In general, whether simultaneous or phased, the impact of the temporary land take will be:

- Loss of grazing on affected areas, both during works and during remediation, requiring replacement concentrate or forage ration at additional cost, together with the housing of cows at further additional cost.
- Reduced grass yield in the years of recovery following remediation.

Further detail on these impacts is provided in Appendix 5.

If the work was phased on absolute timescales with no overrun, there is a slim chance that managing the disruption might be practically achievable if costly. However, since there are no guarantees possible around the extent of land take at any one time, and the duration for which the land might be needed, it has to be assumed that a substantial area will be taken on relatively short notice and not returned for months/years.

As a result, we considered that the business has to assume that they will lose land on short notice for an undefined period, and that it will not be possible or safe to move cows around much of the farm using the track system. Access will either be physically blocked or require consultation with the scheme and the potentially dangerous movement of cows through a works site.

To assess the financial impact, it is necessary to consider the options available to the business during and after the construction phase. These are considered in the next section.

5. Review of Mitigation Options

5.1 Introduction

[redacted] and his advisors have considered mitigation options, as have GSC Grays. In this section, the practical and financial requirements of each option as well as their likelihood of successfully easing the effects of the development are explored.

The mitigation options modelled in detail by GSC Grays are:

7. Housed herd during construction
8. Temporary Cessation followed by a return to dairying
9. Permanent cessation of dairy enterprise and replacement with beef enterprise

Other options identified by GSC Grays are:

10. Provision of replacement land
11. Continuation of the current system
12. System changed to a housed herd during construction, with grazing reintroduced post-construction
13. Relocation

5.2 Housed Herd

5.2.1 Alternative System Description and Challenges

Once work starts, uninterrupted access to land will only be available to the area closest to the farmstead. It would be possible to modify the farming system to run a herd which was predominantly housed (and fed on conserved forage and concentrate feed), making use of the adjacent grassland as loafing space and short-term grazing.

Without grazing, all of the required forage would need to be conserved and mechanically distributed to the herd twice daily. This would increase labour, power, and machinery costs significantly, through reliance on mechanised handling of all feeds and greater output of slurry. It is also likely that higher feed rates for concentrate feeds would be required to offset the nutritional value lost from grazed grass compared to forage through the ensiling process.

Furthermore, as the holding is currently equipped to suit the production system that [redacted] currently operates, substantial capital investment would be required to construct additional silage clamps and slurry storage capacity, and to upgrade the current fleet of machinery to handle the increased work-rate capacity that a housed system would necessitate.

An outline assessment of the likely level of capital investment to equip the holding to operate a year-round housed herd is summarised in Table 3 below.

Item	Capacity	Cost per Unit Capacity	Total Cost
Silage Clamps (cu m)	7,026	50	£351,300
Slurry Storage (cu m)	2,960	40	£118,400
Feeder Wagon			£35,000
Telehandler (SH)			£75,000
Total			**£579,700**

Table 3 - Assessment of capital investment required to house the herd

5.2.2 Reversion to grazing post-construction

Whilst the end of the construction phase will see the end of the disruption caused by the temporary land take, a full return to a replica of the current system will be impossible, as the layout of the farm will have been irreparably altered. It will no longer be possible, based on current plans, to have the cows move themselves around the farm. A grazing-based system will be possible, but not the current system which relies so much on intensive stocking and freedom of movement through use of automation. Our models factor the associated additional cost into the profitability of the post-construction years.

5.2.3 Financial Implications

We conclude that a year-round housed herd reliant on conserved forage could not, after allowing for increased operational costs and the necessary capital expenditure, generate sufficient profit to equal those of the current system.

The use of a zero-grazing approach to cutting grass would potentially reduce the nutrient losses suffered through conservation, but like traditional grazing, this strategy would be highly dependent on the ability to access the land at the required intervals to ensure that grass is harvested at the optimum growth stage to maximise its feed value. This is not likely to be possible due to access restrictions during the construction phase and would leave [redacted] dependent on a smaller area of the holding that would be able to support the mass of a travelling tractor and zero-grazer at the fringes of the season.

The genetic makeup of the herd has been developed to suit the grazing-focused system, and so it is unlikely that it would have the genetic potential to increase milk output sufficiently to offset these additional costs.

[redacted]

5.3 Temporary Cessation

Temporary cessation of milk production during the period in which the holding is worst affected by temporary land take has been modelled on the assumption that a temporary

beef enterprise could be operated before a return to dairying thereafter. The same post -construction challenges of operating a grazed dairy herd apply to both this option and the temporary housing of the herd.

Relevant factors for this option are:

- It is important to note that any meaningful cessation would almost certainly result in the loss of [redacted] milk supply contract; a similar replacement for which would probably not be available upon recommencement. If forced to seek a supply contract with [redacted], this would almost certainly significantly reduce the price [redacted] is able to achieve for his milk in the future.

- Temporary cessation for more than six months or so would require dispersal of the herd. [redacted] has developed the genotype of the herd over the last decade to be able to produce the type of cow that specifically suits his highly effective system. It is highly unlikely that [redacted] would be able to purchase a like-for-like replacement herd on restarting milking and thus would need to recommence a breeding programme from scratch having potentially lost 17 years of genetic gain. A temporary cessation of milk production, even for a very short period, could be difficult to manage practically.

- Dairy systems, especially in regard to grazed herds, are highly seasonal and this system requires a high degree of synchronisation to maintain tight calving patterns. Ceasing milk production for even two months results in disruption which has knock on impacts extending for up to two years while the appropriate patterns are re-established.

- Taking the parlour and associated infrastructure out of use is likely to mean that much of the machinery and fixed equipment would require significant renovation or replacement on restart. The parlour in particular would likely require the replacement of all rubber components, including liners, pipework, and seals. The cost of this could be significant.

- It is likely that over the course of the next five to seven years tightening environmental regulation will increase the build standards and capacity requirements of key infrastructure such as slurry and silage stores, increasing both the level and uncertainty of the cost of re-establishment.

- There has also been debate at government level on the introduction of permitting for dairy farms. If this were to be introduced, there would be a very real chance that [redacted] may be legislatively prevented from recommencing dairy production at [redacted] after such a protracted period.

5.4 Replacement of the dairy enterprise with an alternative

5.4.1 Beef Enterprise - Introduction

The alternative business model put forward by [redacted] is based on the rearing of dairy-bred calves for sale as store cattle. We agree that this would be the preferred alternative farming system considering [redacted] top-quartile competence for forage-based livestock production and preference for cattle over other livestock and that the holding's infrastructure is suited to housing and grazing cattle, rather than sheep.

The beef system proposed would utilise the current farm buildings and infrastructure with minimal conversion costs for tenant assets. The strengths of this system are that would optimise the use of existing housing facilities which are suitable for growing cattle but too small for finishing cattle and utilise the existing slurry system with consideration for the buildings' unsuitability for grain-based finishing diets as manure would be too dense for the slurry system.

The proposals are to batch rear 300 dairy-beef calves purchased from block-calving dairy units with 150 taken each spring and 150 taken each autumn. Calves will be loose housed until six months of age and then reared in cubicle buildings.

Cattle would be sold as stores between 15 and 18 months of age at an assumed 450 kilograms live weight.

The system would be based on a forage-based diet with minimal concentrate input. The system would make use of existing machinery and equipment including the feed wagon, and feed silos suitable for the storage of pelletised concentrate feeds. The only additional equipment required would be a straw chopper and cattle crush with weighing capabilities.

5.4.2 Beef Enterprise – Financial Implications, Budget Projection

On assessment, the budget projections supplied by [redacted] on [redacted] behalf appear a reasonable assessment of the likely profitability of this enterprise with an annual return of [redacted] equivalent to [redacted] per head. This enterprise is a logical alternative system for the holding when the resources that would be available and [redacted] skillset are considered.

5.5 Other Options

5.5.1 Provision of additional land adjacent to the holding

This may or may not be a practical option.

The easiest way to mitigate the land loss at the lowest financial cost would be to create a direct replacement: to replace land lost with additional adjoining land such that [redacted] a ring-fenced unit with the same grazeable area across which cows can move themselves.

This would be possible if the land adjacent to [redacted] to the east was available and sufficiently unaffected by the scheme.

We have not modelled this option at this stage but would be happy to do so if it becomes apparent that there may be scope to pursue this option.

5.5.2 Continuing the present system- discounted

For the sake of completeness, it is confirmed that continuing with the current system in the hope that the temporary loss of land can be managed is not financially or practically feasible.

In financial terms, no detailed modelling has been carried out, but it is considered that the level of claim from the investigation works, on a small area for a short period with much of the farm intact provides a good illustration of how disturbance claims would escalate, leading to no 'saving' for the scheme in encouraging this option. It would also be the most demanding of professional time in handling claims and managing communications.

5.5.3 Relocation to an alternative holding - discounted

We have discounted the option of the Scheme locating and purchasing an appropriate holding for [redacted] since it introduces an unacceptable level of uncertainty for all parties, but for completeness we set out the considerable challenges this option would involve, whether an alternative farm is rented or purchased.

[redacted] Farm is not unique in its suitability for the production system employed by [redacted] but the infrastructure is bespoke. If a broadly suitable alternative farm could be found in an acceptable location, that farm would have to be equipped. Costs of equipping a unit may be low if an existing dairy farm is purchased but could otherwise be £4,000 - £6,000, or even higher (ex VAT) per cow place.

A major difficulty arises in finding a suitable farm in the requisite timescale. The farmland market tends to be seasonal for both sale and rental, so no alternative may be available at the critical point.

Timescales would also be difficult even if a holding is available. For sales, the typical conveyancing period from accepted offer to completion is currently four to six months. Even if a suitable farm could be found immediately on grant of DCO, a period of months would elapse before a move could be completed, delaying progress on the scheme.

6. Conclusions and Recommendations

6.1.1 Current System Profitability

The Profitability of businesses within the dairy sector is highly dependent on the competence of the manager and the strength and reliability of the milk contract held. Small fluctuations in input costs, efficiency and milk prices can produce major variations in profitability from year to year. With annual variations in the factors that contribute to these, it is appropriate to base any settlement on an average profit per annum.

We are satisfied that the projections provided by the [redacted] are appropriate, as detailed elsewhere, and conclude that an average annual profit from the current system can fairly be assumed at [redacted] per annum.

6.1.2 Mitigation Option Profitability Comparison

As described above, we have reviewed mitigation options and derived a comparison of the current system to mitigation options as follows:

Item	Construction Phase	Post Construction
Housed Herd then Return to grazing-based dairying	[redacted]	[redacted]
Temporary Beef Enterprise then Return to grazing-based dairying	[redacted]	[redacted]
Beef Enterprise	[redacted]	[redacted]
Current System Comparator	[redacted]	

Table 4 - Comparison of Mitigation Options

The following should be noted:

- All forward projections include no allowance for inflation, and use 24/25 figures to allow direct comparison
- The significant non-financial impact of system change should not be ignored, though it cannot easily be modelled. Factors such as redundancies and re-hiring of staff, burden in cost and time of dispersals and re-purchase of stock and machinery and the like are all relevant factors that cannot be easily captured as financial impact at this stage.

7. Calculating a Fair and Proportionate Settlement

7.1 Principles

The particular circumstances of both the Scheme and [redacted] farming system have collided to create a situation where it will simply not be feasible, based on current information and assumptions, for the occupier of the land to continue to farm more or less as usual, subject to agreed accommodation works and a subsequent claim for injurious affection and disturbance, offset by accommodation works and any betterment.

7.2 Compensation Calculations

7.2.1 Principles

Given the slim chance that the provision of adjoining land will be deliverable, we have concentrated on the financial settlement option.

Our proposal would be:

1. A Payment (as a lump sum or in stages) to reflect the loss of average projected profits available to [redacted] based on the profit differential established in the preceding sections.
2. Further claims during the continuance of works to be limited to those which reflect the loss of conserved forage available to the farm as a result of temporary land take.

To phrase this another way, a payment would be made to reflect the fact that the permanent land take and duration of the temporary works will transform the holding from one on which the current highly profitable dairy enterprise can be operated, to one on which profits have to be based on the operation of the alternative beef enterprise. Any subsequent disturbance claims would then be by reference to the use of the temporary land take areas for the cutting and conserving of forage, not by reference to lost milk output.

This structure is suggested because there is no way to predict the timing or duration of the temporary land take, meaning it either has to be compensated at the time, or a total loss has to be assumed for the entirety of the seven-year period, and a full and final settlement reached at the outset.

That latter could be a suitable option if both parties are amenable when factors such as future costs, time and certainty of position are considered, but we consider it would be hard to achieve in practice given that the Scheme is long and complex, so it will be hard to satisfactorily predict all future circumstances giving rise to claims. As a result, any agreement would likely have so many carve-outs and exceptions that the settlement is not sufficiently final and does not negate the need for professional involvement on both sides.

7.3 Converting loss of annual profit to a settlement sum

7.3.1 Valuation Approach

The traditional valuation approach to calculating the value now of a series of future payments would be to carry out an investment calculation using Year's Purchase to reflect the time value of money.

We have adopted a simplistic Discounted Cash Flow, though the two approaches will ultimately yield the same answer. This method was chosen it more easily handles the changing profitability pre- and post-construction, and is perhaps more intuitively understood by non-valuers.

This we have done as shown in Appendix 9, comparing the various options on the following basis:

- Construction Phase for 7 years
- Post Construction Phase 1, being the period post-construction to [redacted] 70th Birthday
- Post Construction Phase 2, being the period from [redacted] 70th Birthday to the national life tables average expectancy for a [redacted] The use of lifetables is the standard methodology used when calculating terms related to lie expectancy. We are not privy to any medical information, nor do we have any such knowledge and thus an assumption based on UK averages is a fair and independent assessment.
- Average annual profit projections in each case for each option, with deductions in Post Construction Phase 2 to reflect an assumed need for additional employees in the period where [redacted] may be 'retired' but still able to farm using employees given the terms of his tenancy.

A range of discount rates (known as capitalisation rates in traditional term and reversion valuations) are shown to assist in determining a fair figure.

Comparators of relevance are:

- [redacted]
- [redacted]
- [redacted]
- [redacted]

These rates are selected to show a range of appropriate investment yields between the extremely low-risk option of gilts, compared to borrowing costs and yields in a property-related asset class. Agricultural investment yields are not included as the relationship between farm profitability, rents receivable and capital value are too distorted to offer a reliable comparator.

7.3.2 Conclusions as to Settlement Sum

Using the above methodology, we conclude that the reasonable range of settlement sums is relatively broad, being between [redacted] as shown in Appendix 9.

We would note that:

- The highest figures at every discount rate are for the permanent cessation of dairying and replacement with a beef enterprise, as proposed by the[redacted]
- Our analysis shows that the alternative mitigation options are sufficiently close between the different mitigation options that the beef enterprise proposal is reasonable as the preferred mitigation option
- Further, the advantage of a settlement based on the beef enterprise mitigation option is that it permanently removes any claims relating to disturbance to a continuing dairy enterprise, which mitigates risk for the Scheme whilst providing greater certainty to [redacted]
- In addition, the level of stress associated with trying to operate a continuing business in close proximity to such a large construction project should not be underestimated. We consider that this aspect narrows the gap between the beef enterprise and the alternative options to the point a figure based on the beef enterprise would not be unreasonable.
- The range of discount rates suggested are all based around rates of return reasonably current at the date of report. We would note that if the intention is to agree a methodology but to finalise the figure at a later date, both Base Rate and Gilt Yields may have moved significantly in the intervening period.
- There is a debate to be had as to the final settlement figure, once other factors such as wider scheme considerations are broad into play, on which GSC Grays do not have sufficient visibility to comment.

7.4 Potential Alternative Solution

Given the unusual situation, we note that one potential alternative is to look at annuities, such that the Scheme purchases [redacted] an annuity which pays an annual sum equal to an agreed loss of profit.

The purchase of an annuity could also be used as a comparator against the amount of lump sum compensation to be paid, but to get an accurate price providers would need [redacted] full details including medical information.

7.5 Assessment of Betterment

It is arguable that that any lump sum payment should not exceed the cost of purchase of an alternative property to avoid betterment. We are not instructed to consider the question of betterment in detail, and therefore make a general comment below. We would suggest that given the sums involved, specific legal advice should be sought on the point if it is of concern.

In general, we would comment that:

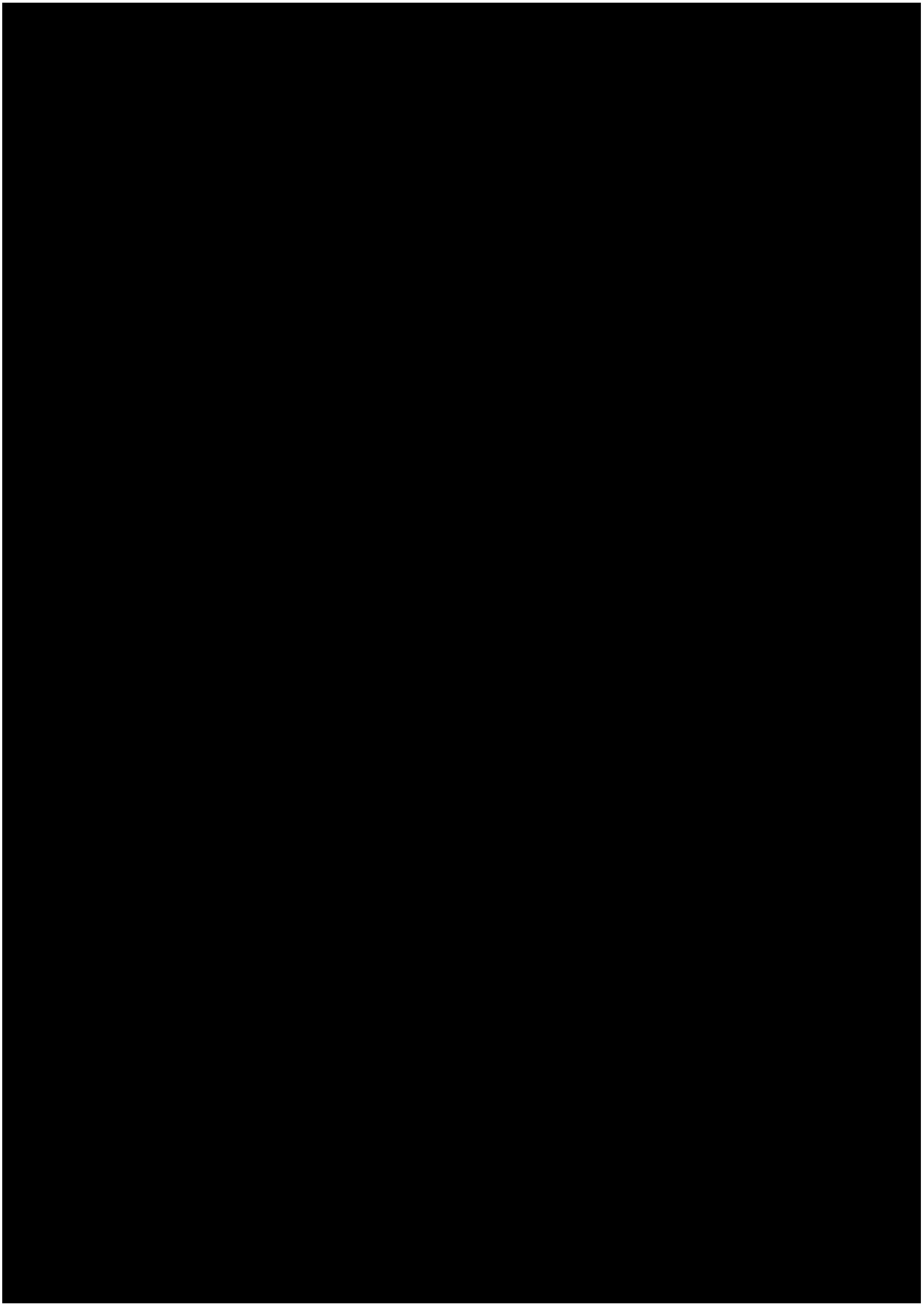
- [redacted] is an Agricultural Holdings Act tenant. Whilst his tenancy has a theoretical value for certain tax purposes, in practice he cannot sell it. The closest he can come

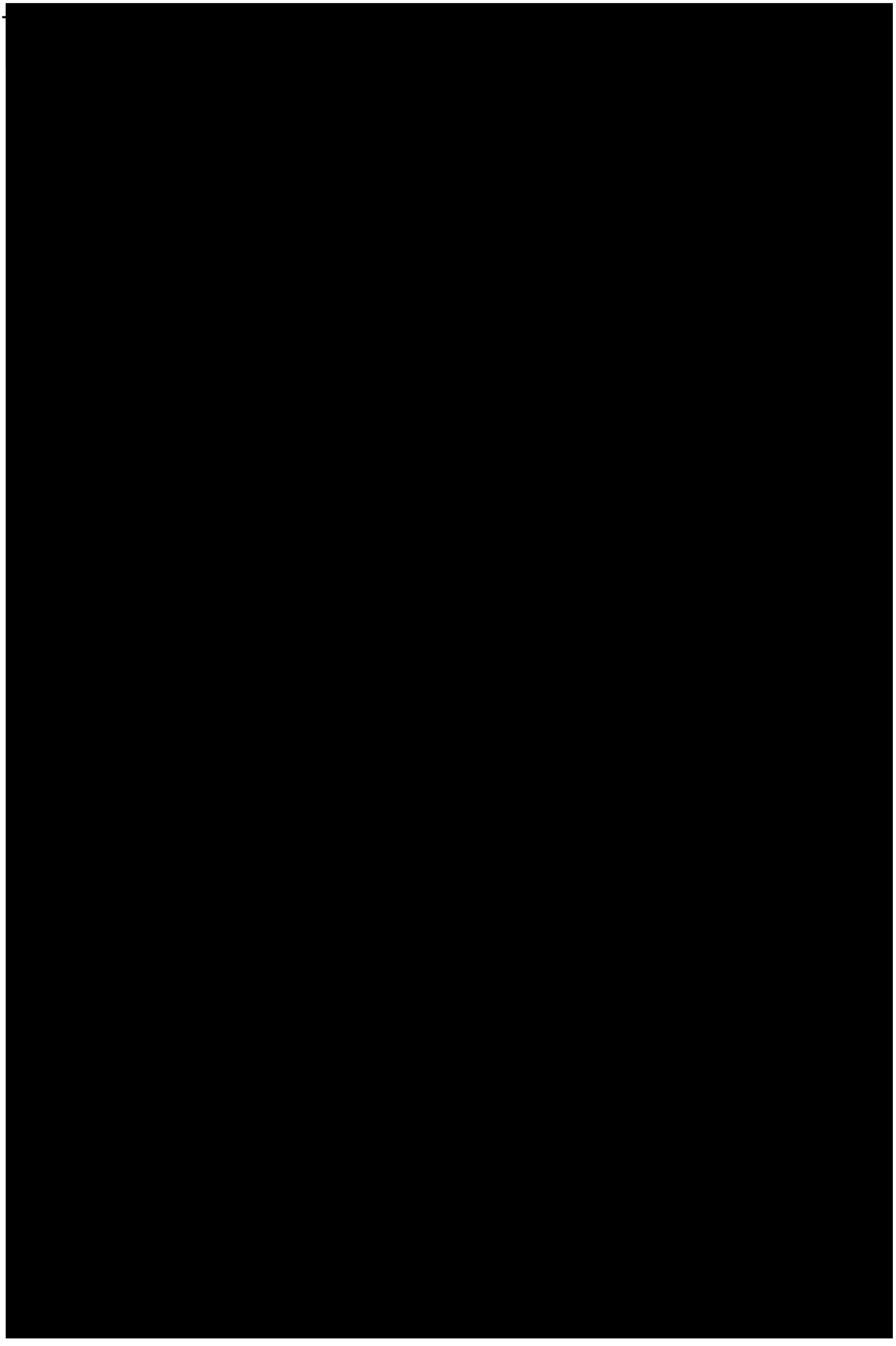
to selling the tenancy is reaching a surrender agreement with his landlord for which he is paid a capital sum.

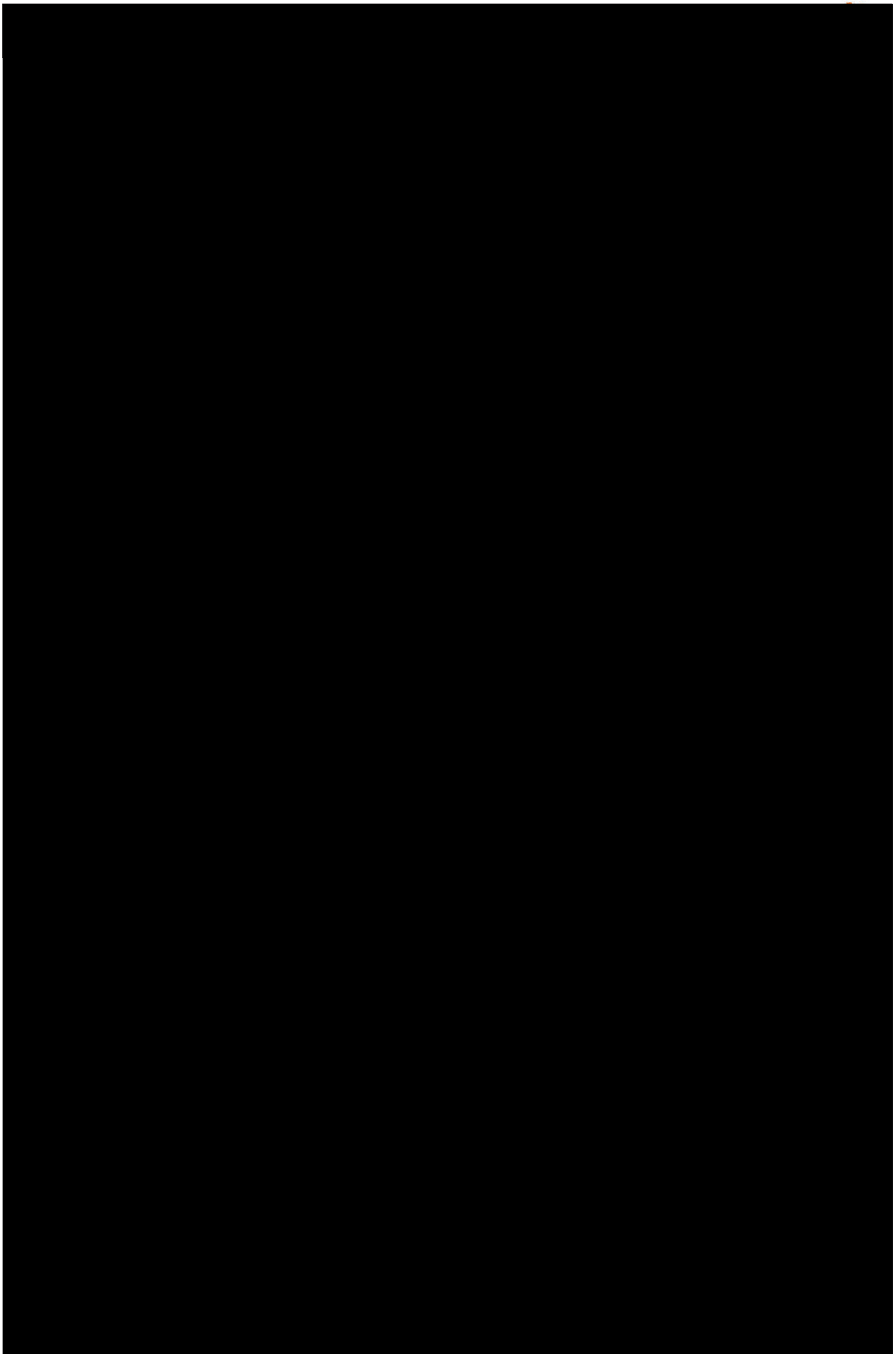
- Were the lump sum payment made under the scheme to significantly exceed the value of purchasing a new farm, [redacted] would then have a capital asset in the new farm, meaning he would have a realisable capital asset rather than a tenancy, hence the question of betterment.
- Given the exceptional profitability of the current enterprise, there may well be parity between the lump sum calculation and the cost of purchasing an equivalent area of land, but that is unavoidable.

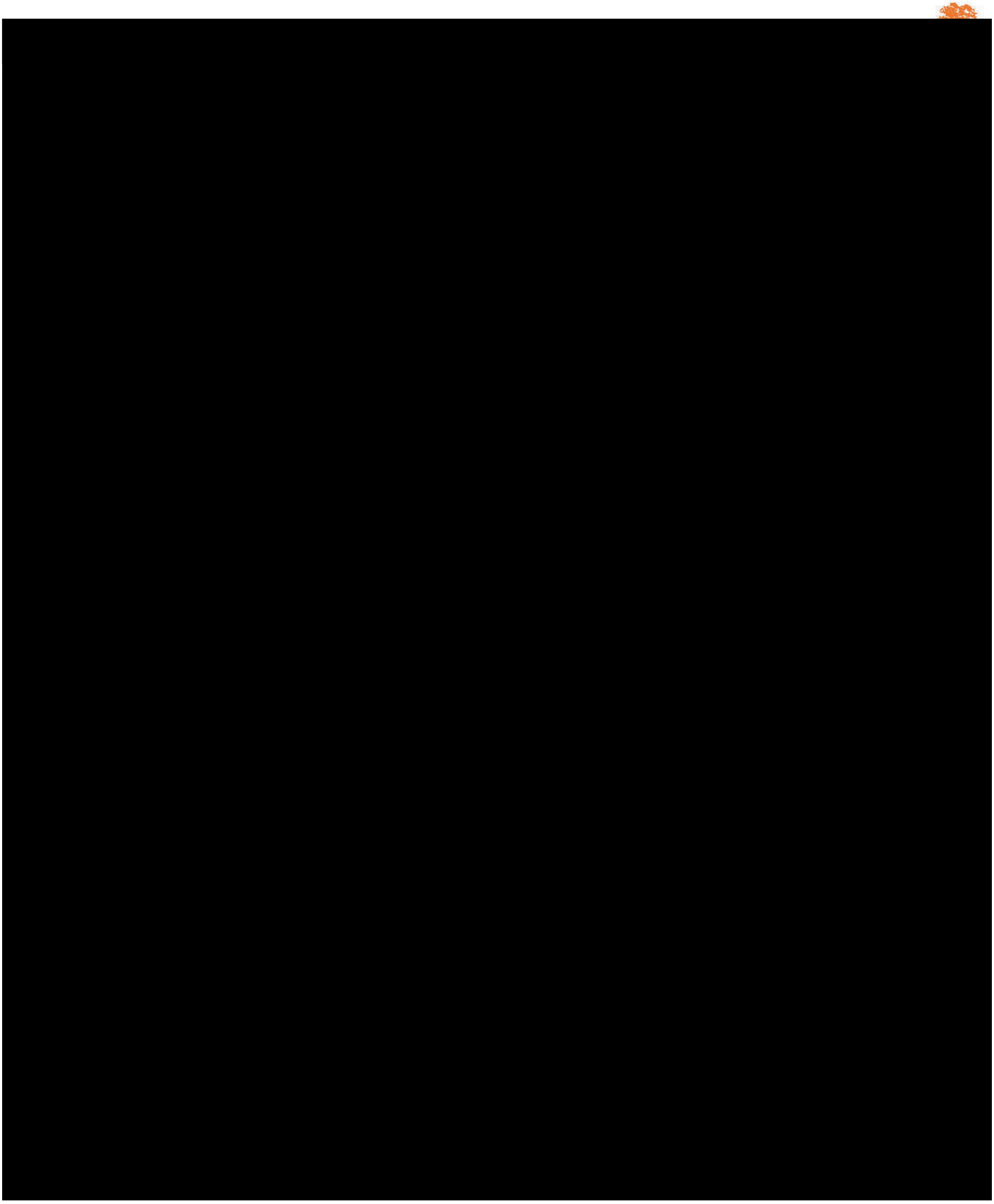
It is beyond the scope of our instruction to carry out detailed valuations or calculations, but in Appendix 10 we include a selection of dairy farm sales in the northwest of England and a selection of dairy farms available in the same area and in Southwest Scotland as at the date of compilation of this report. Their inclusion in no way suggests any direct comparison or recommendation; their inclusion is to illustrate that the figure proposed does not exceed the fully equipped headline value per acre of recently sold farms.

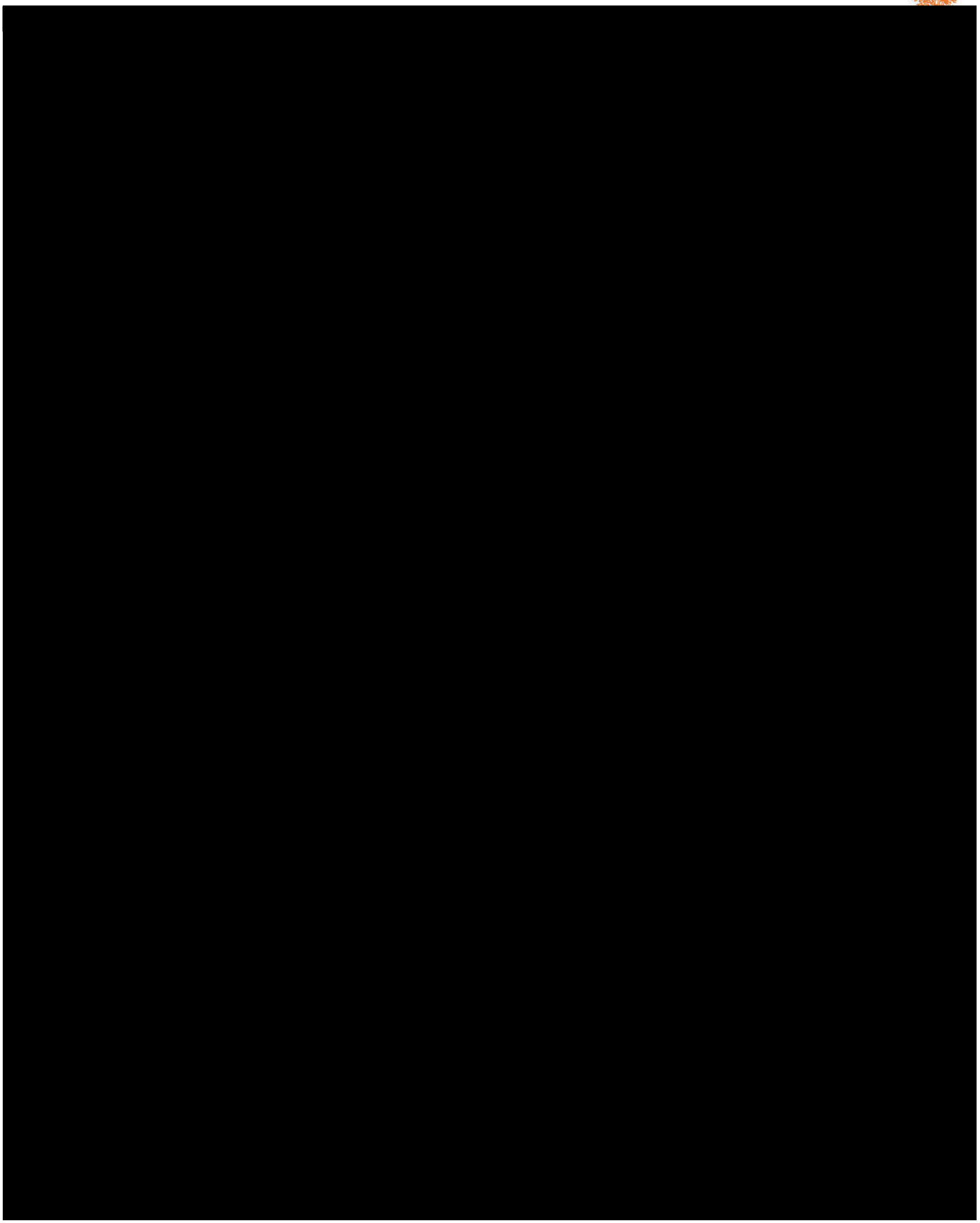
[redacted]

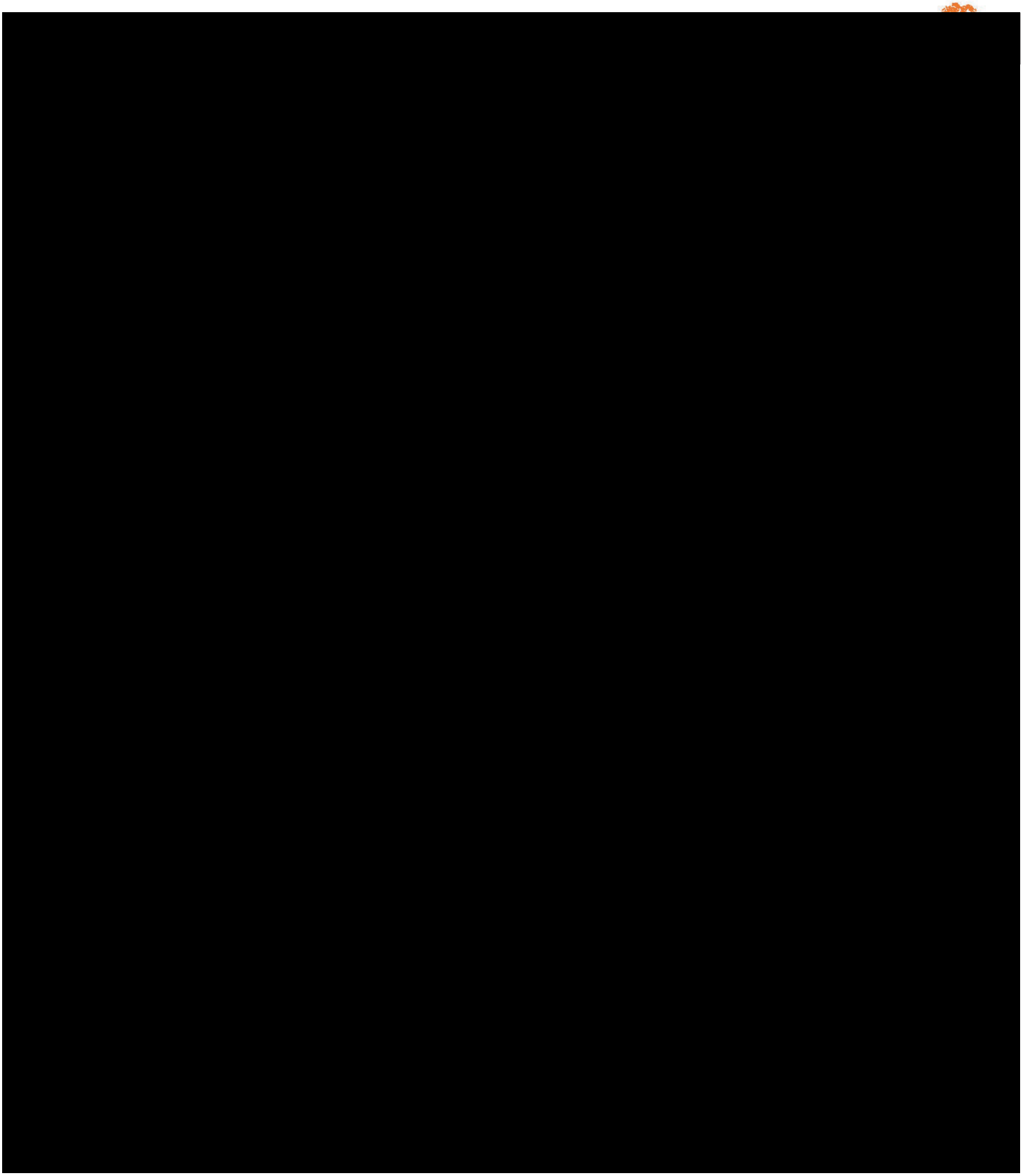


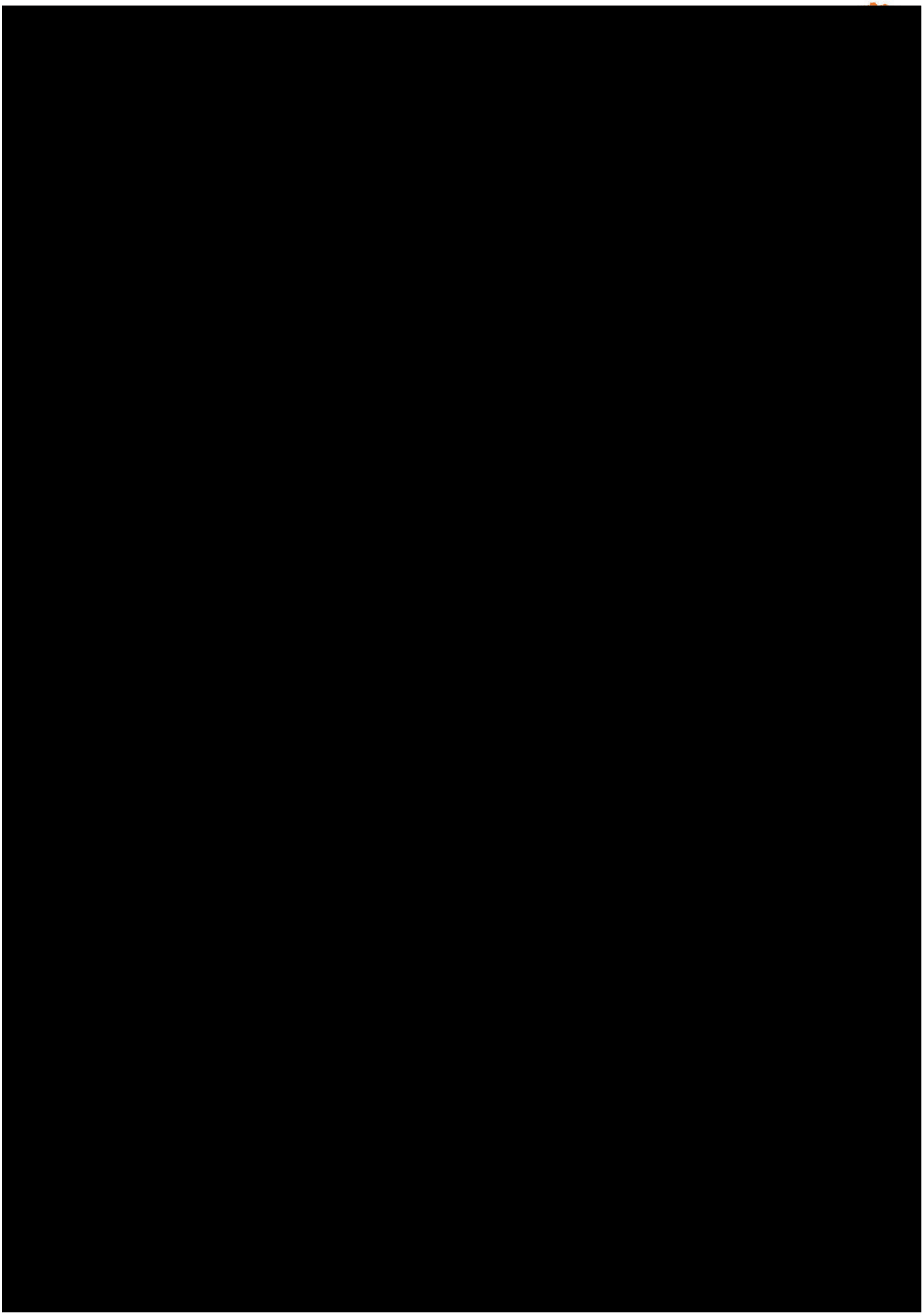


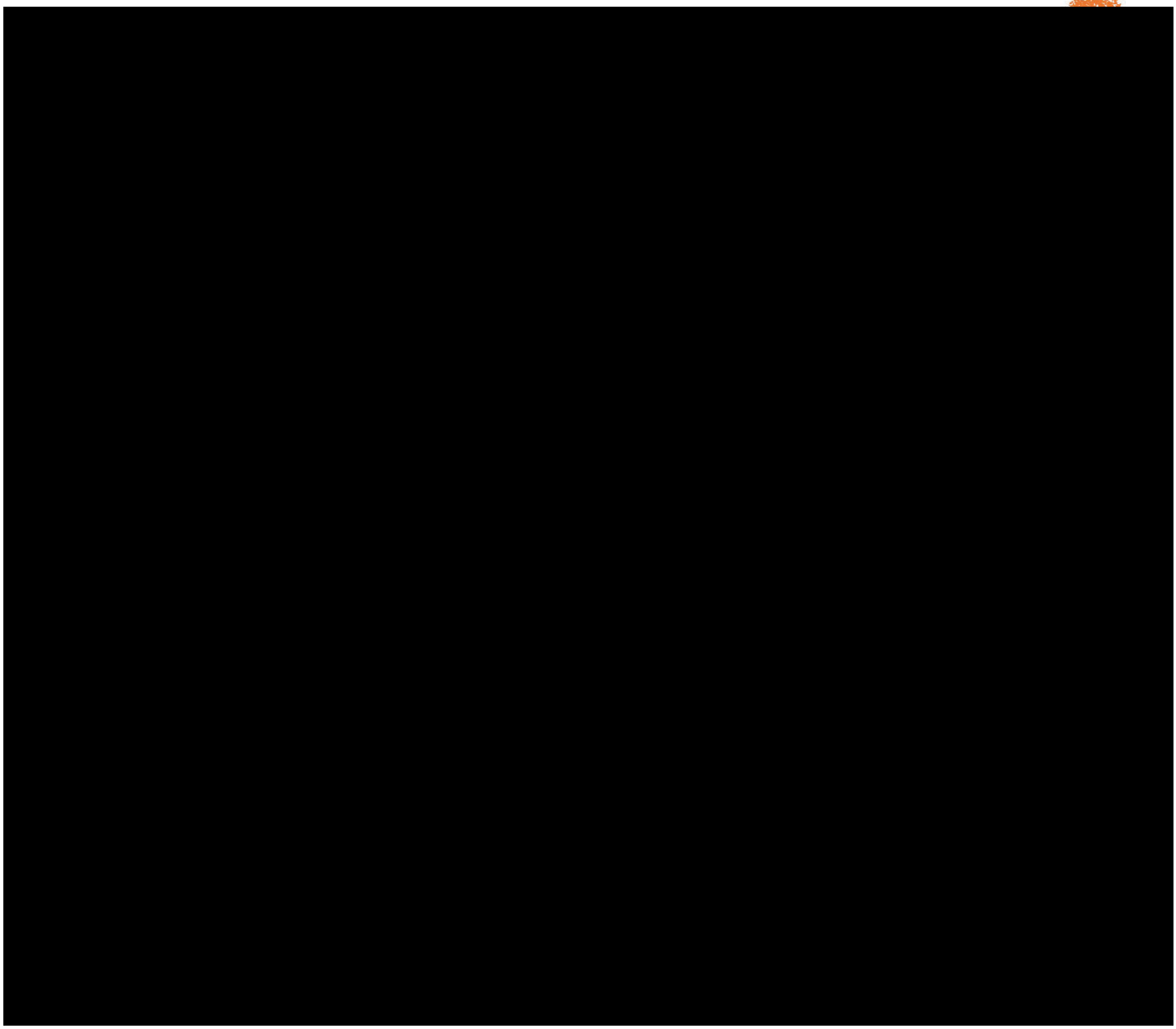


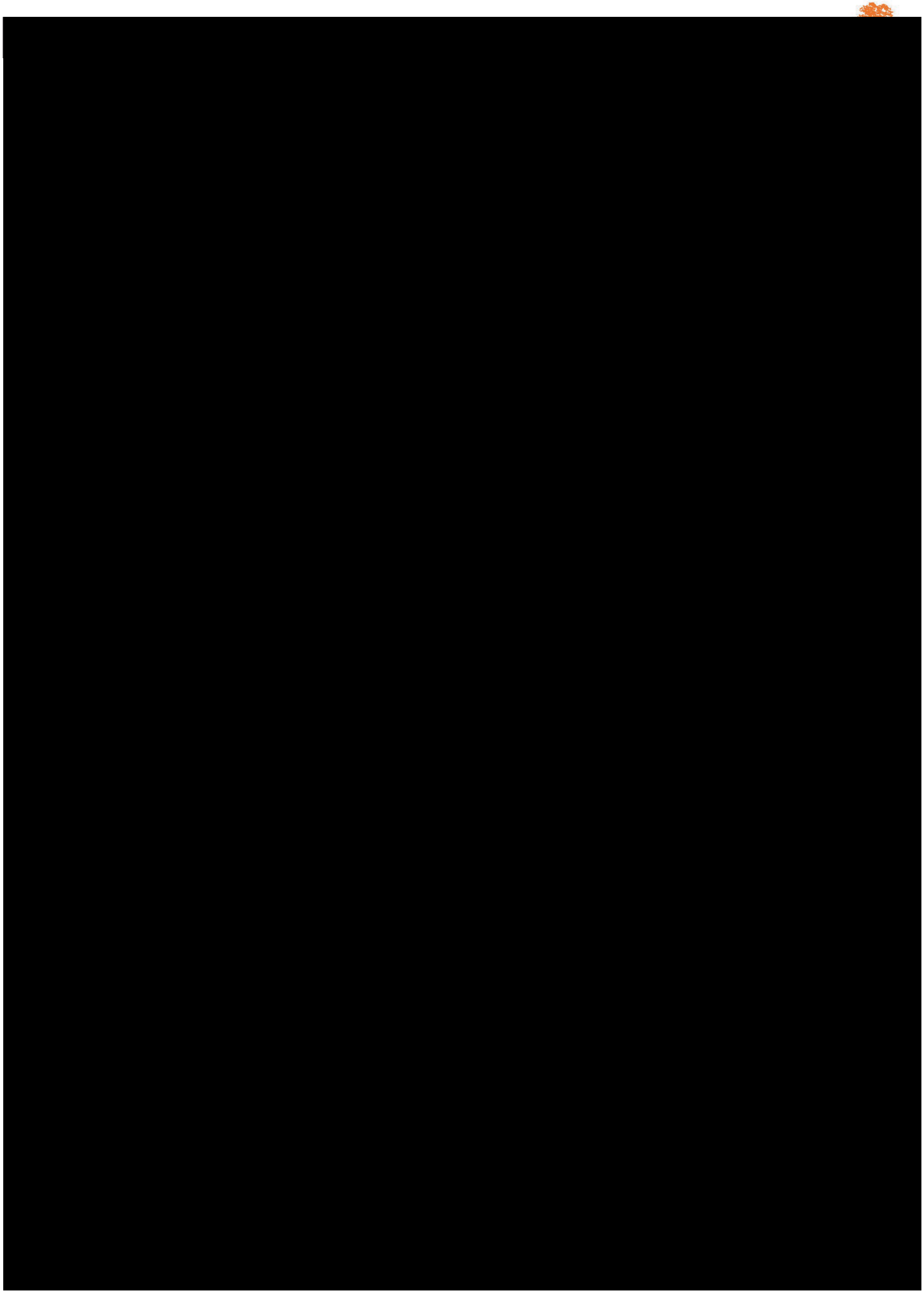


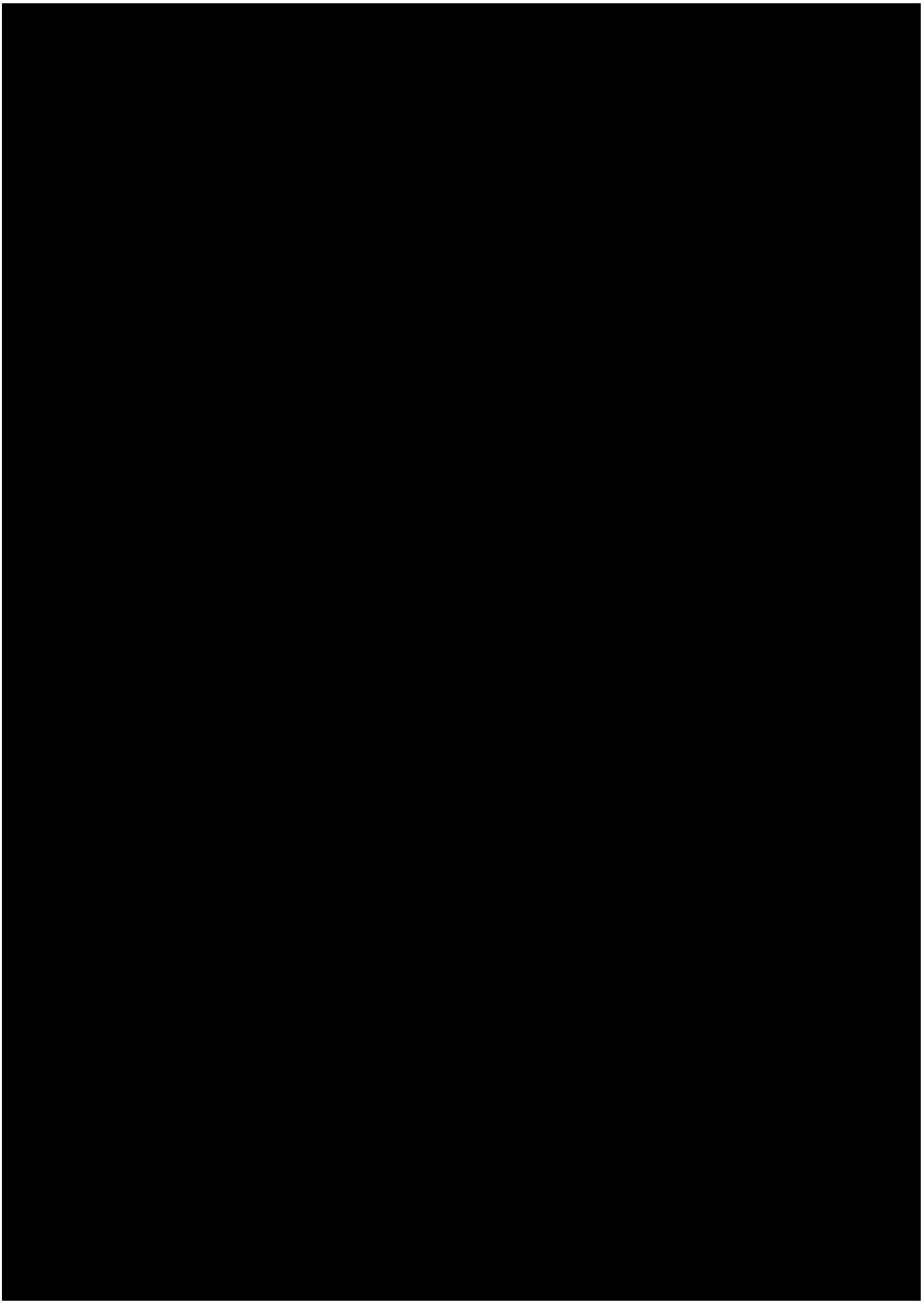


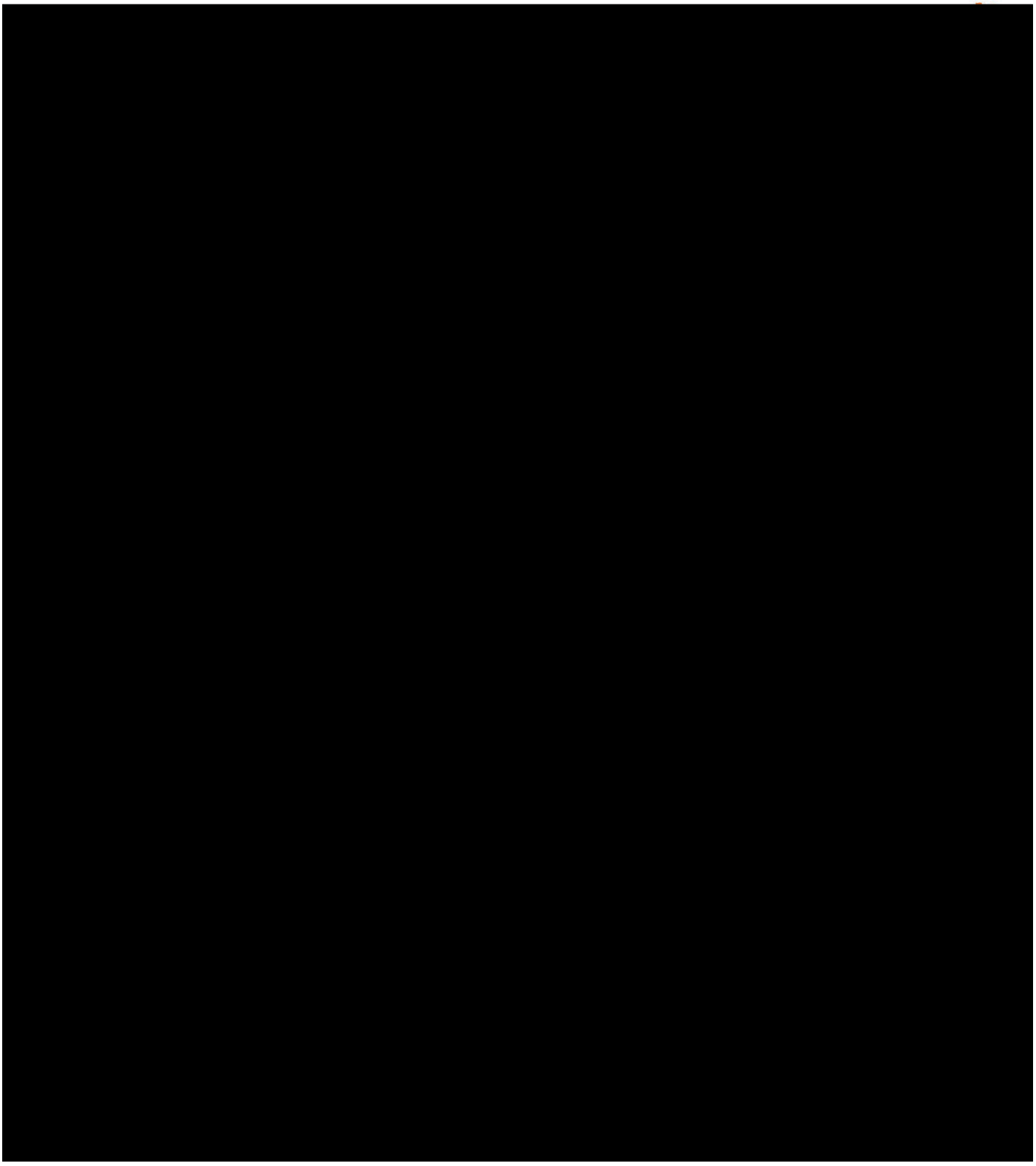


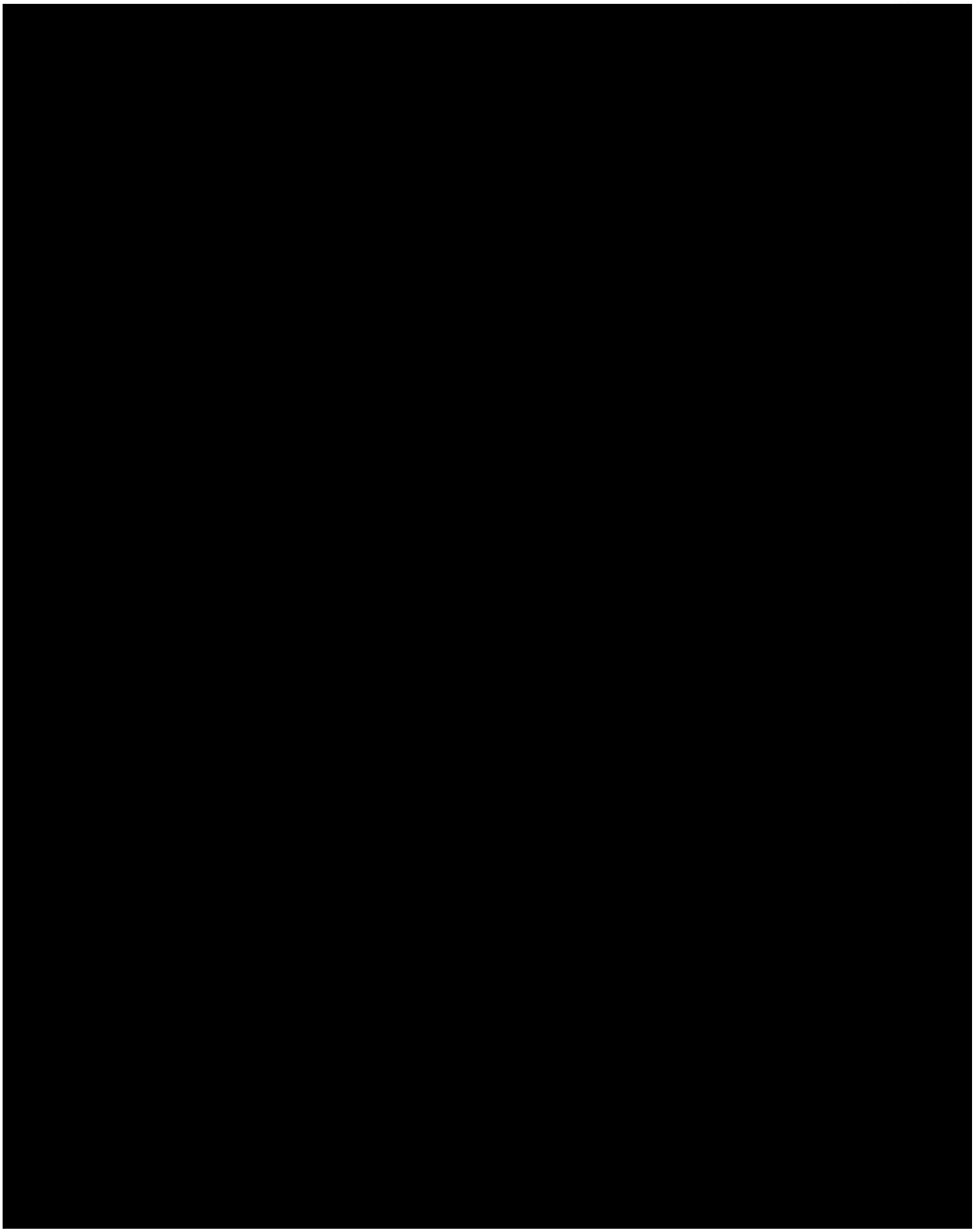


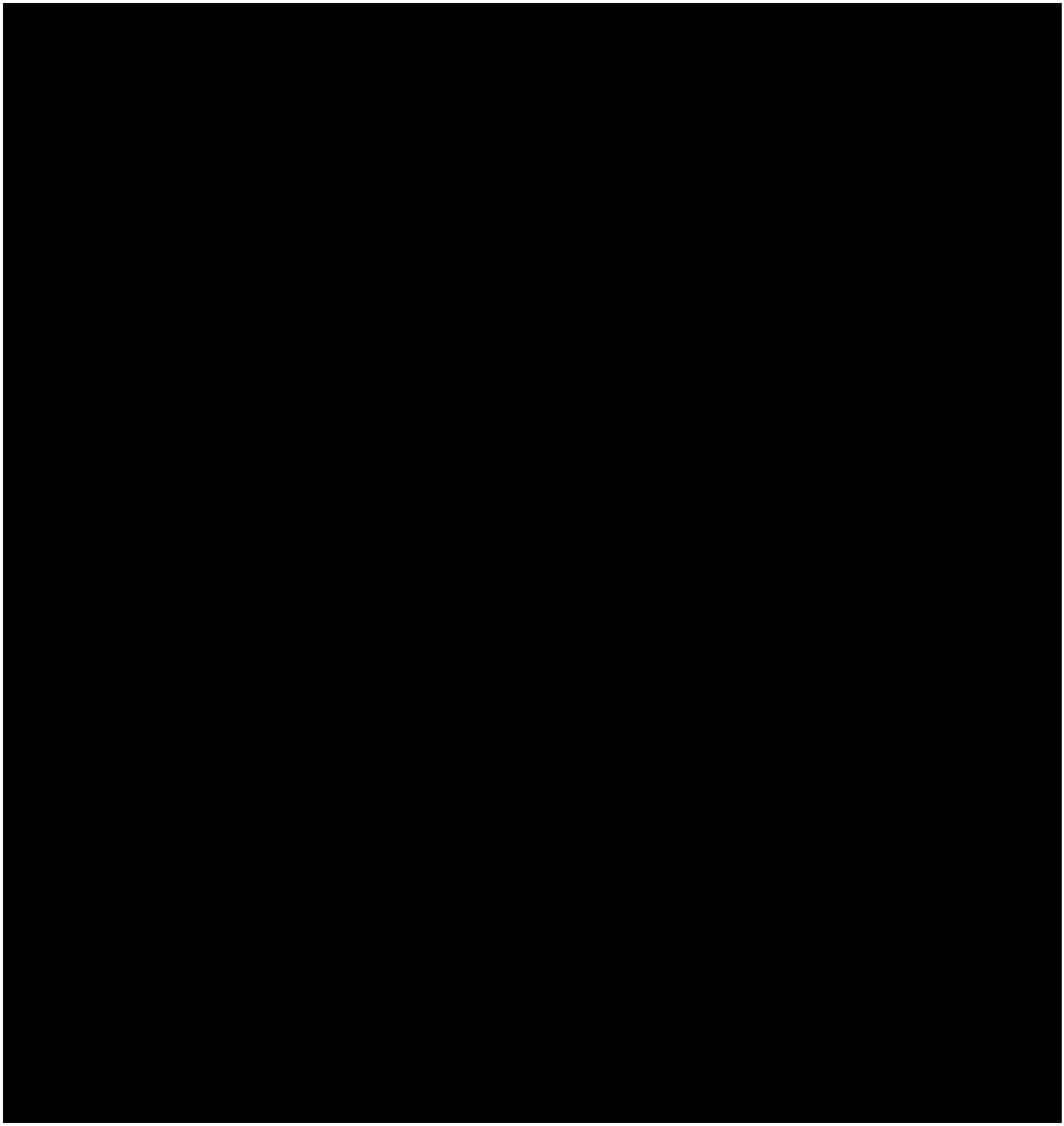


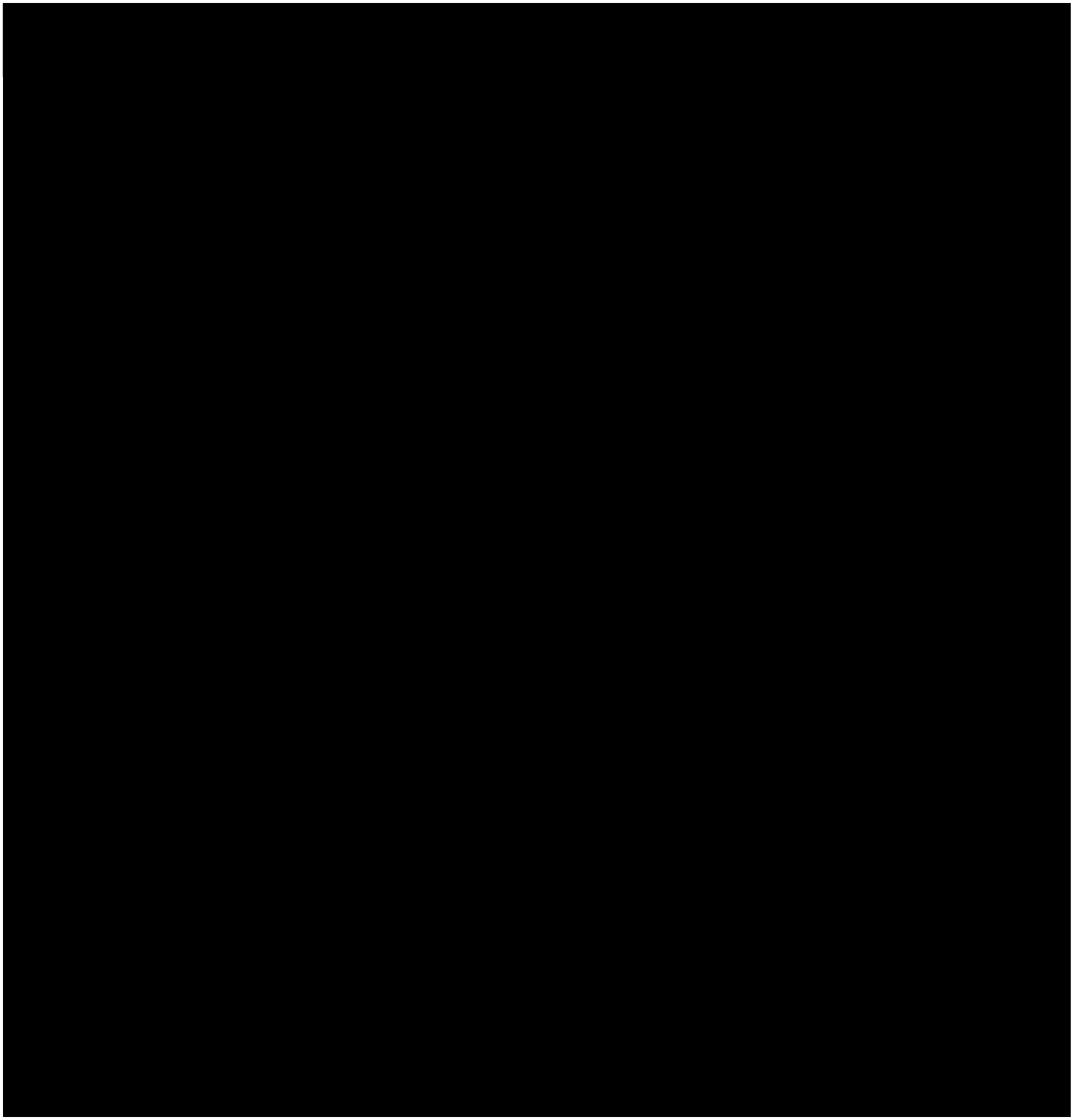


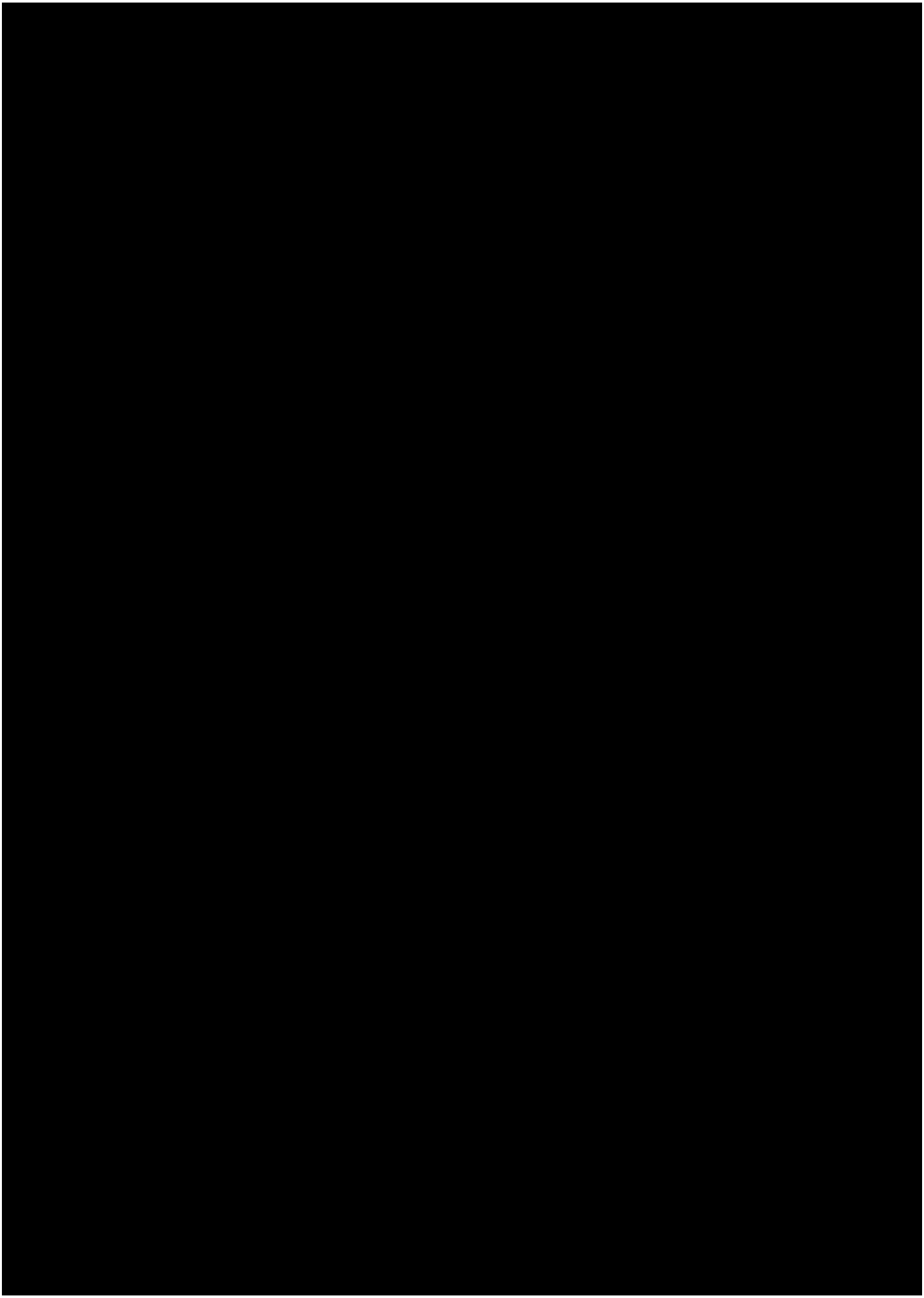


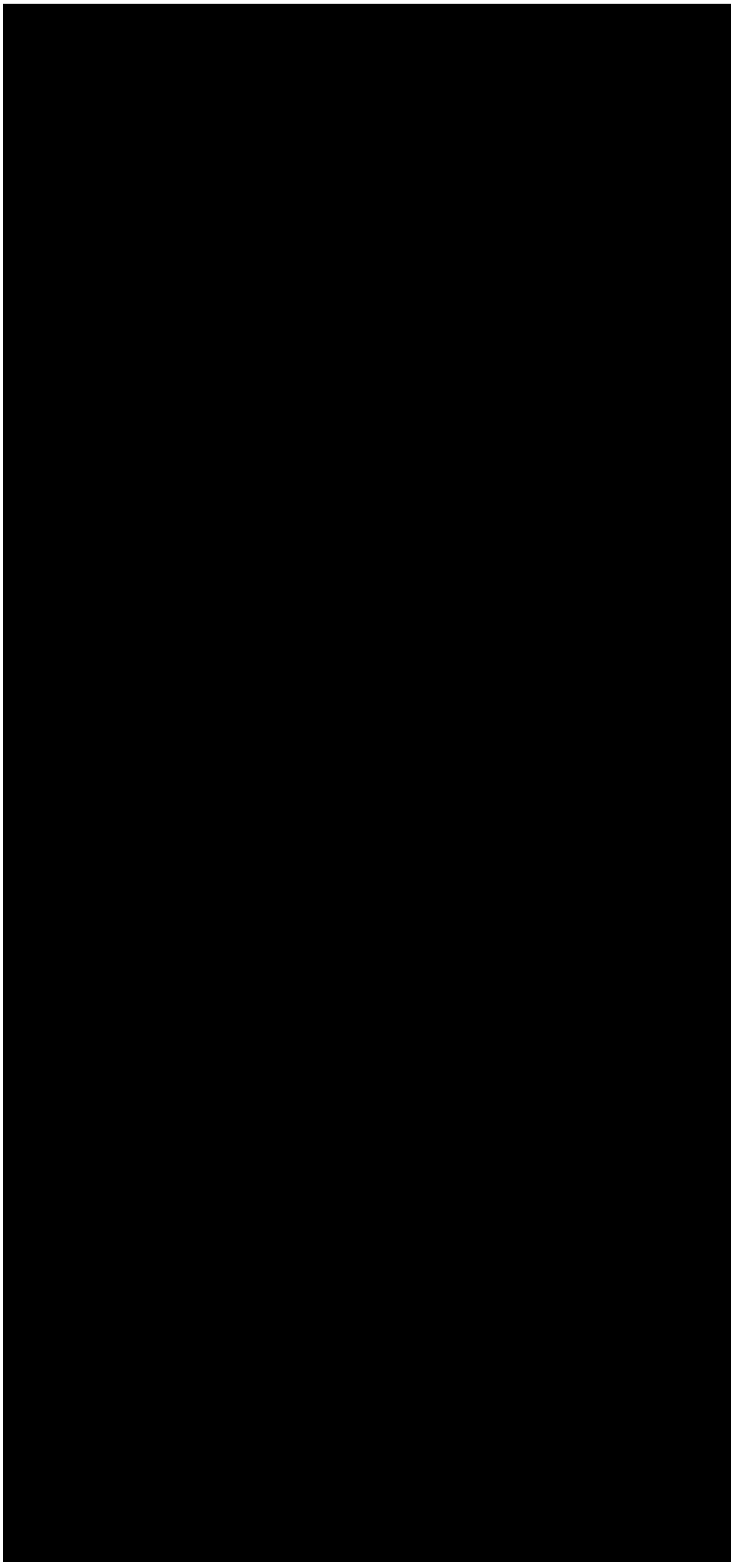


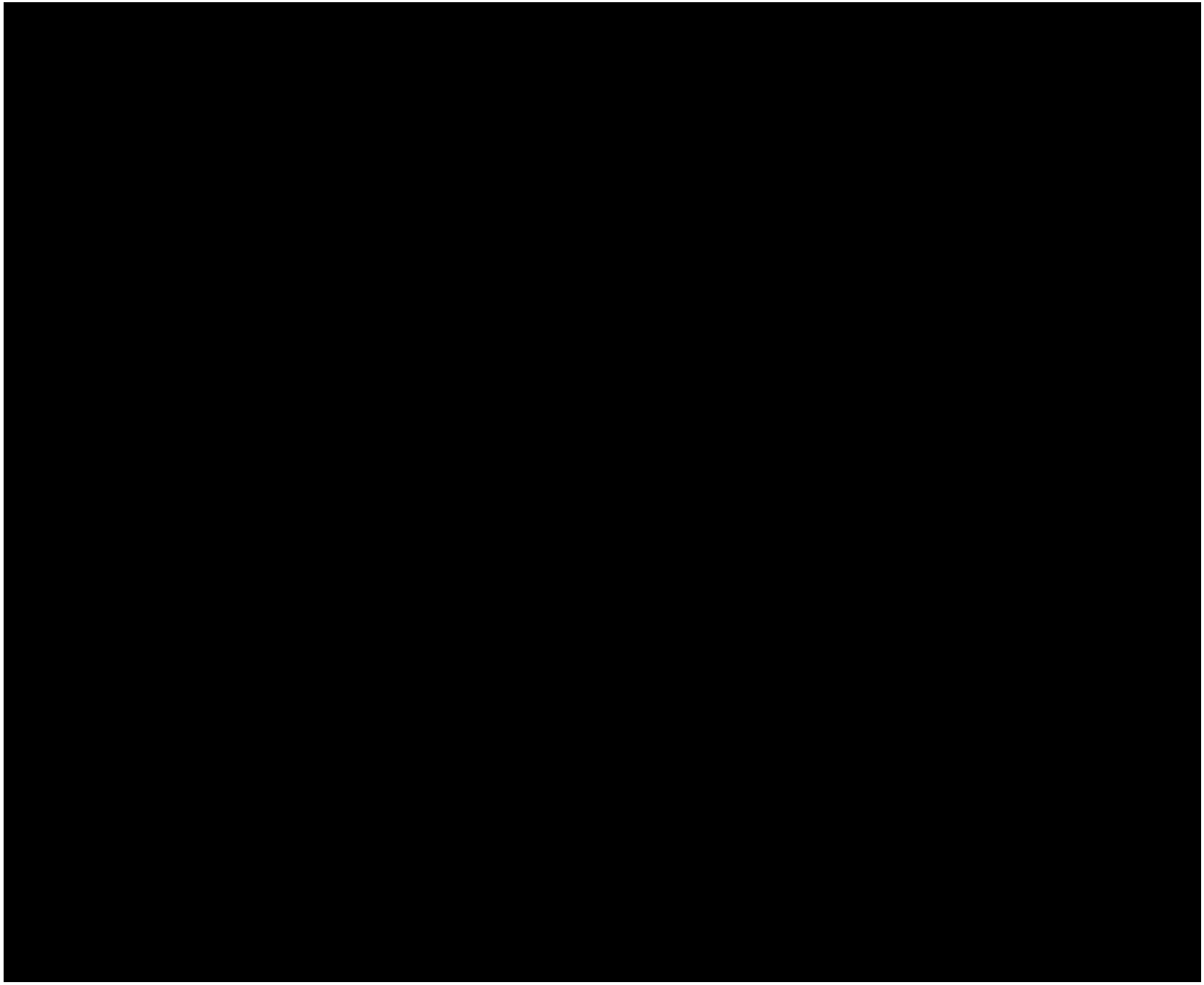


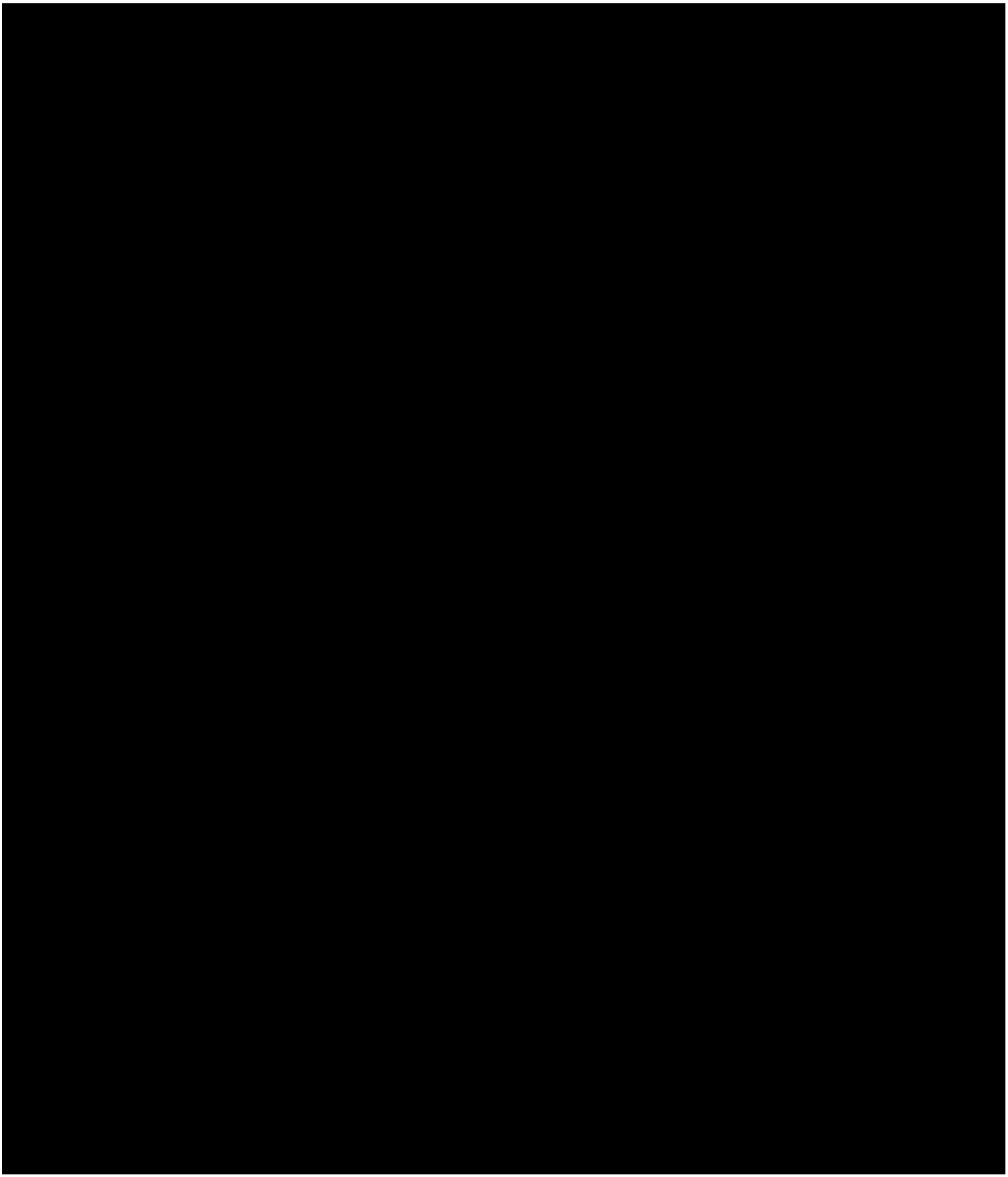


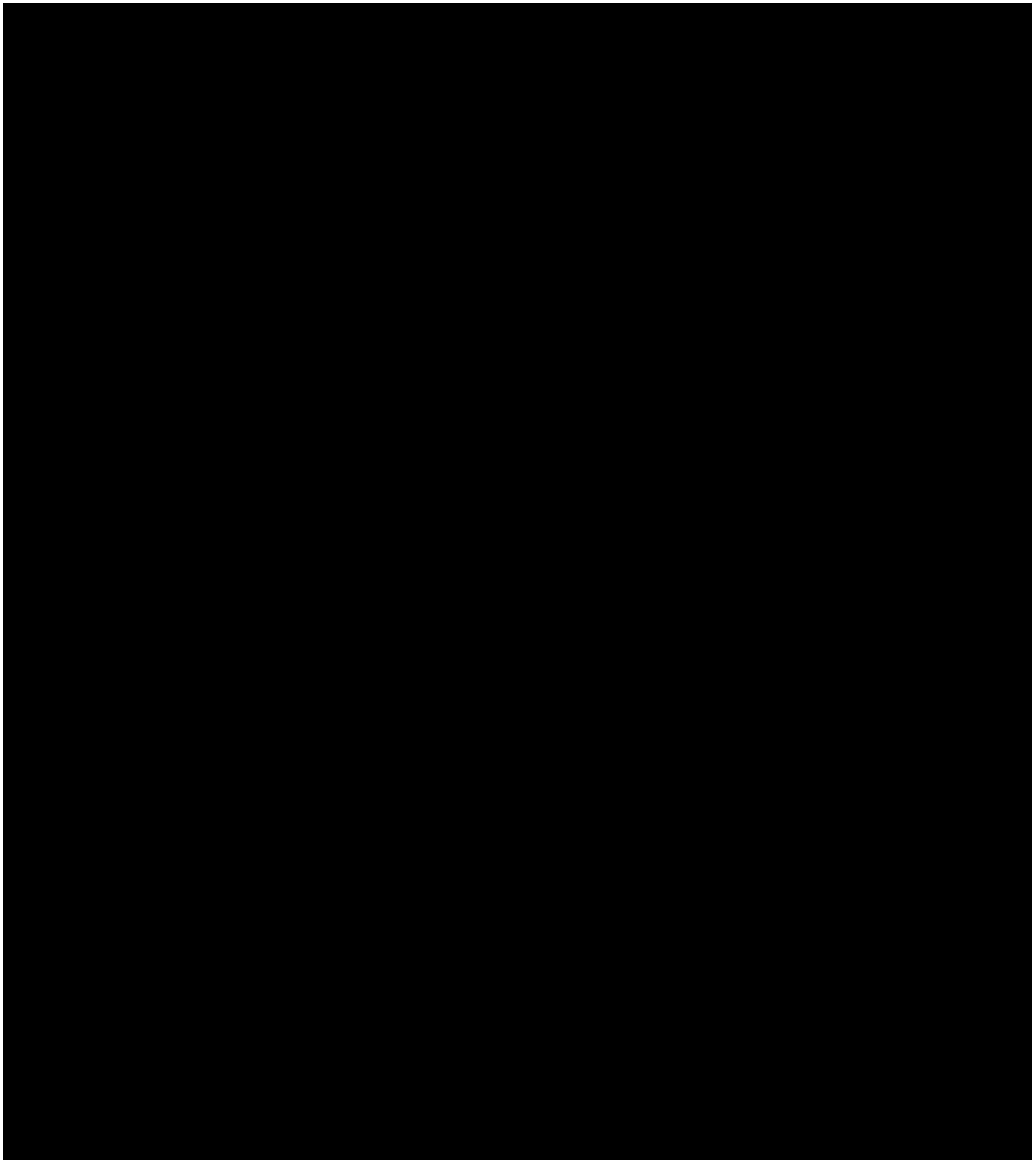


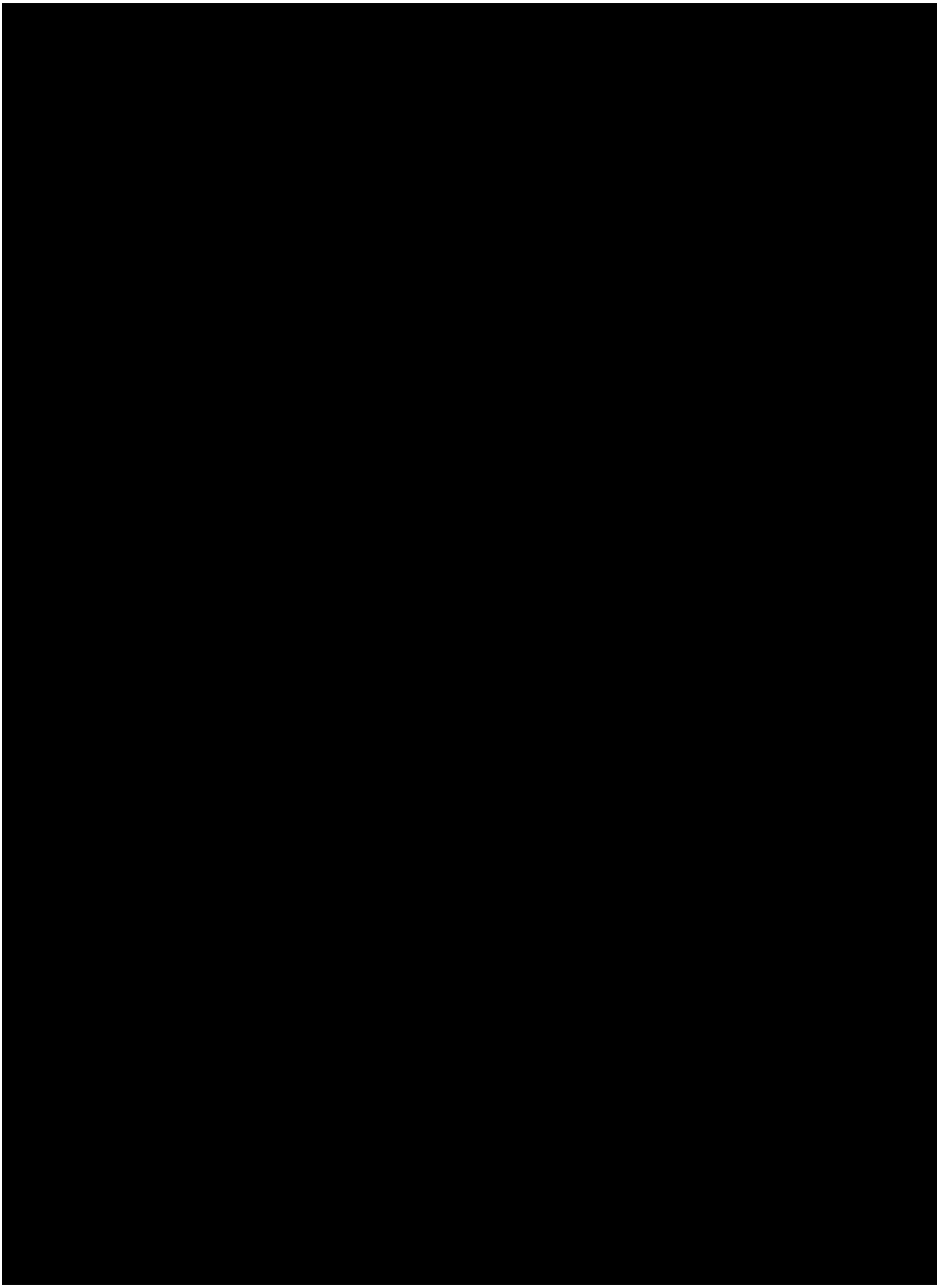


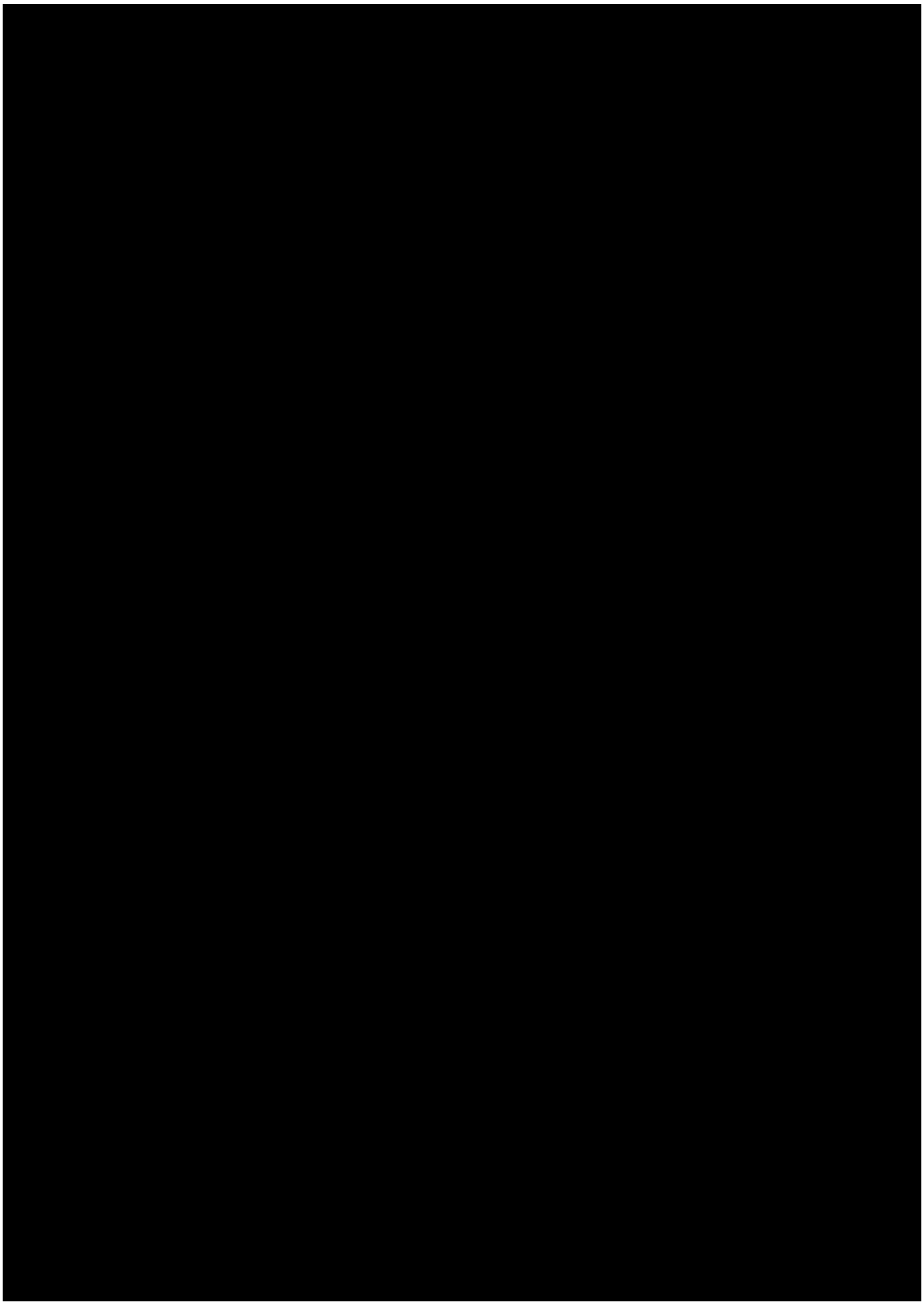


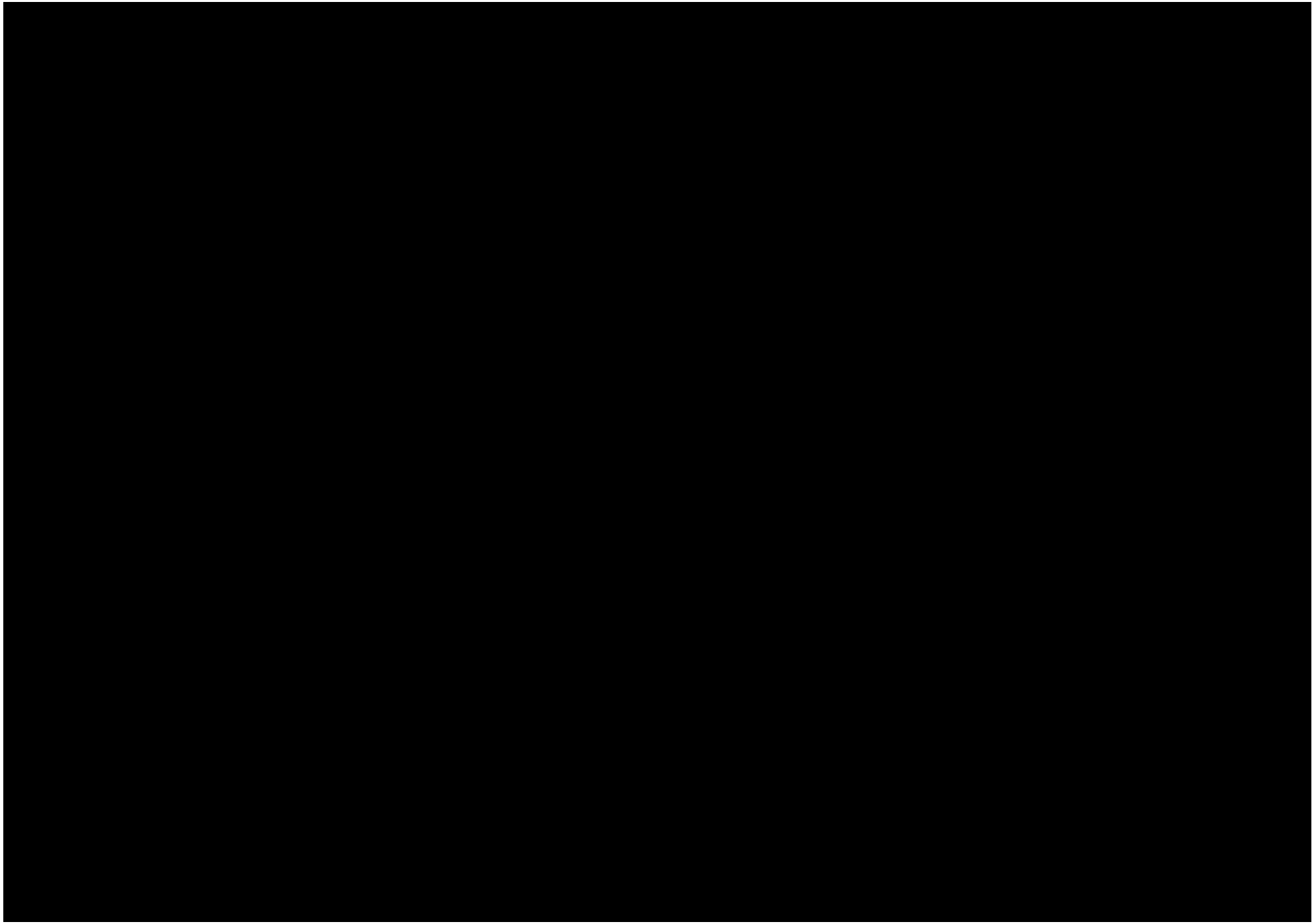


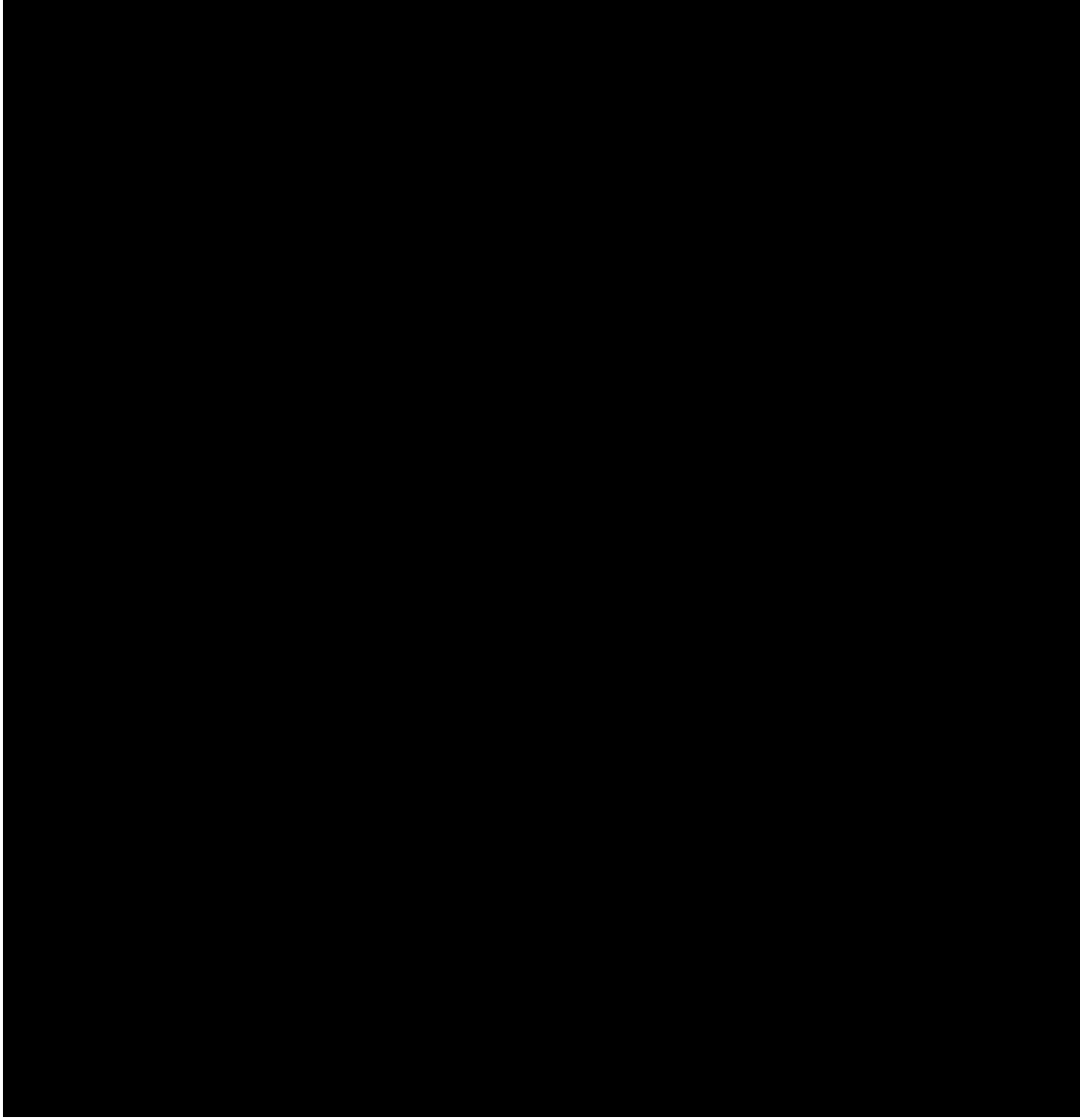


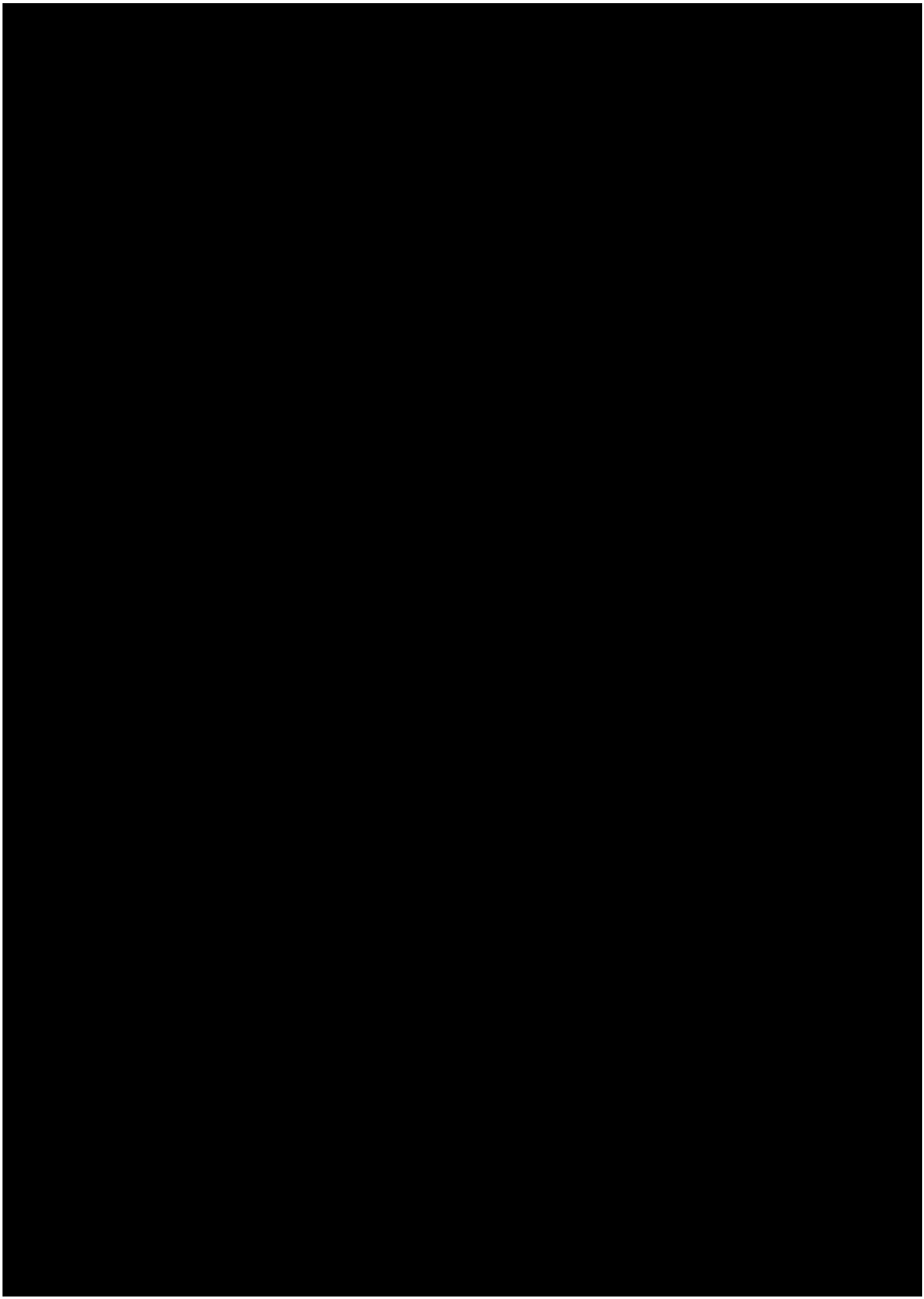


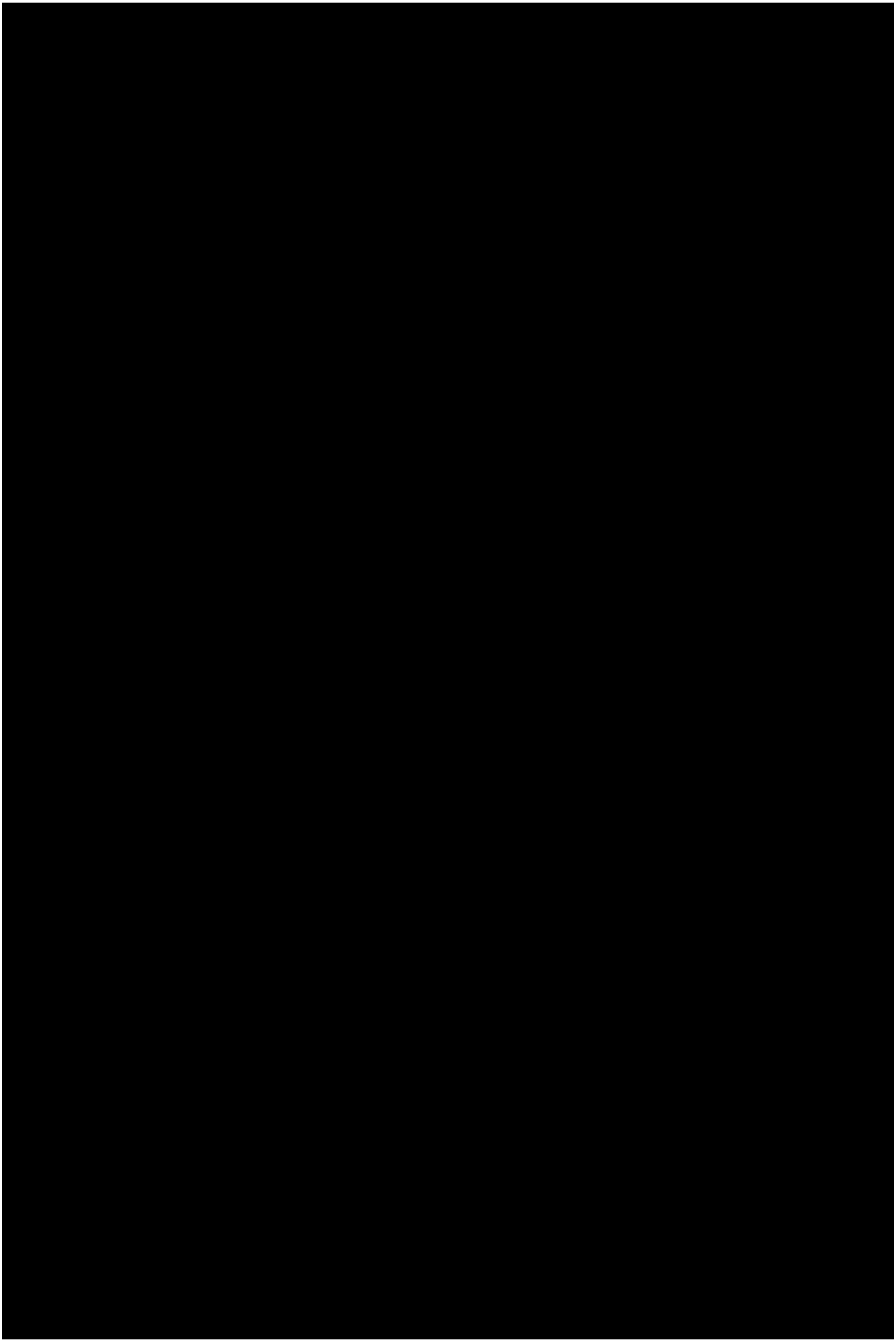


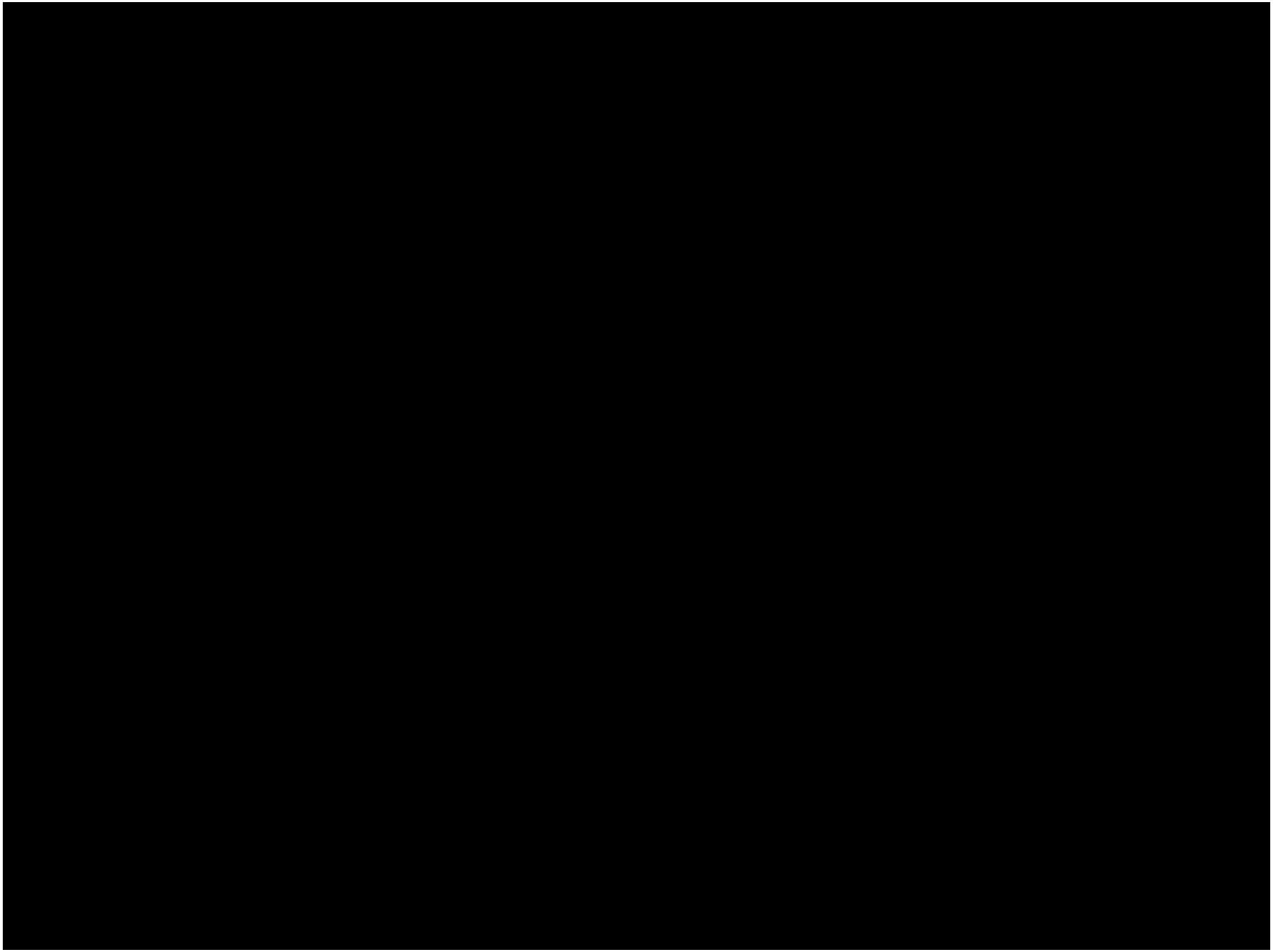


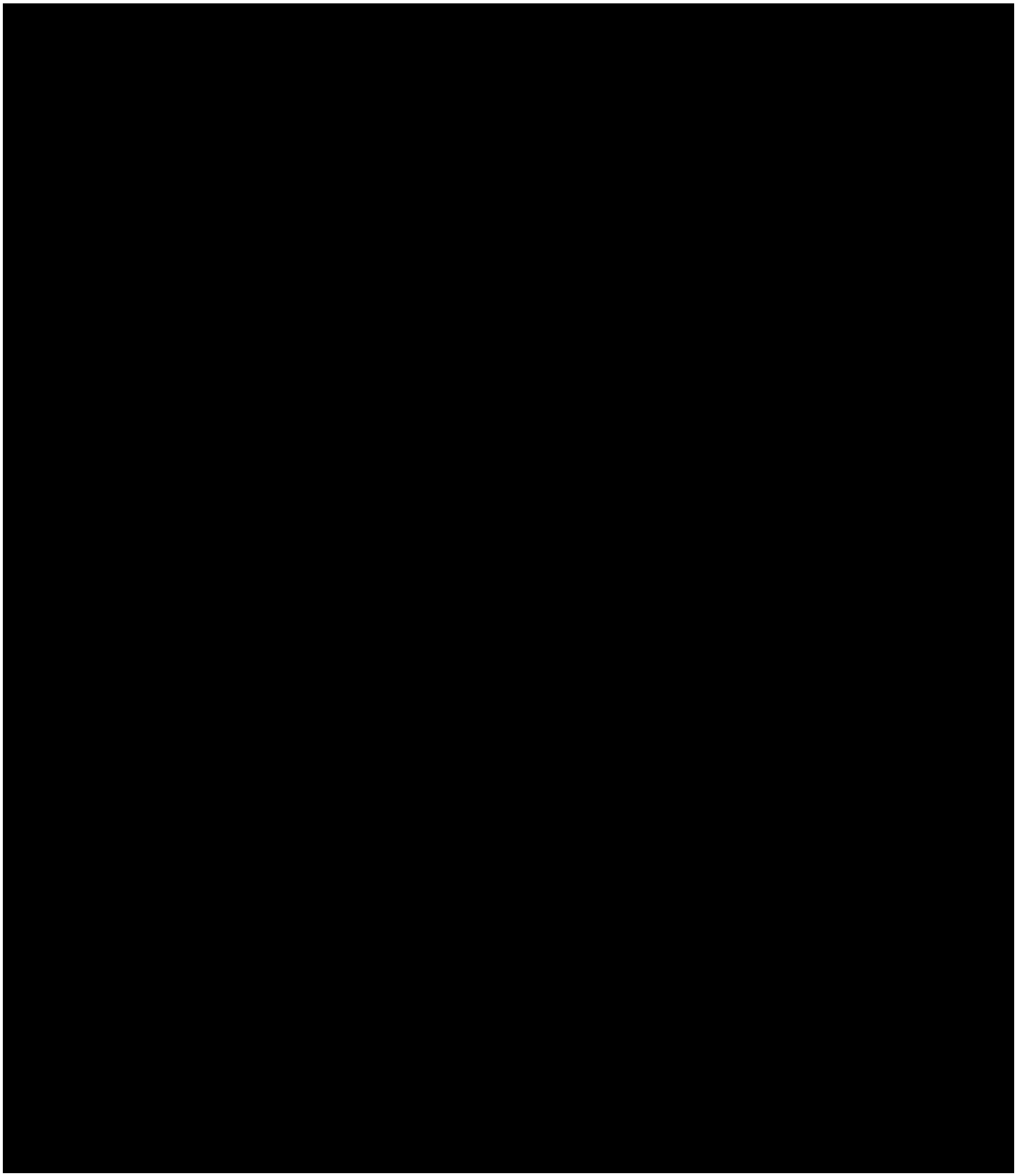


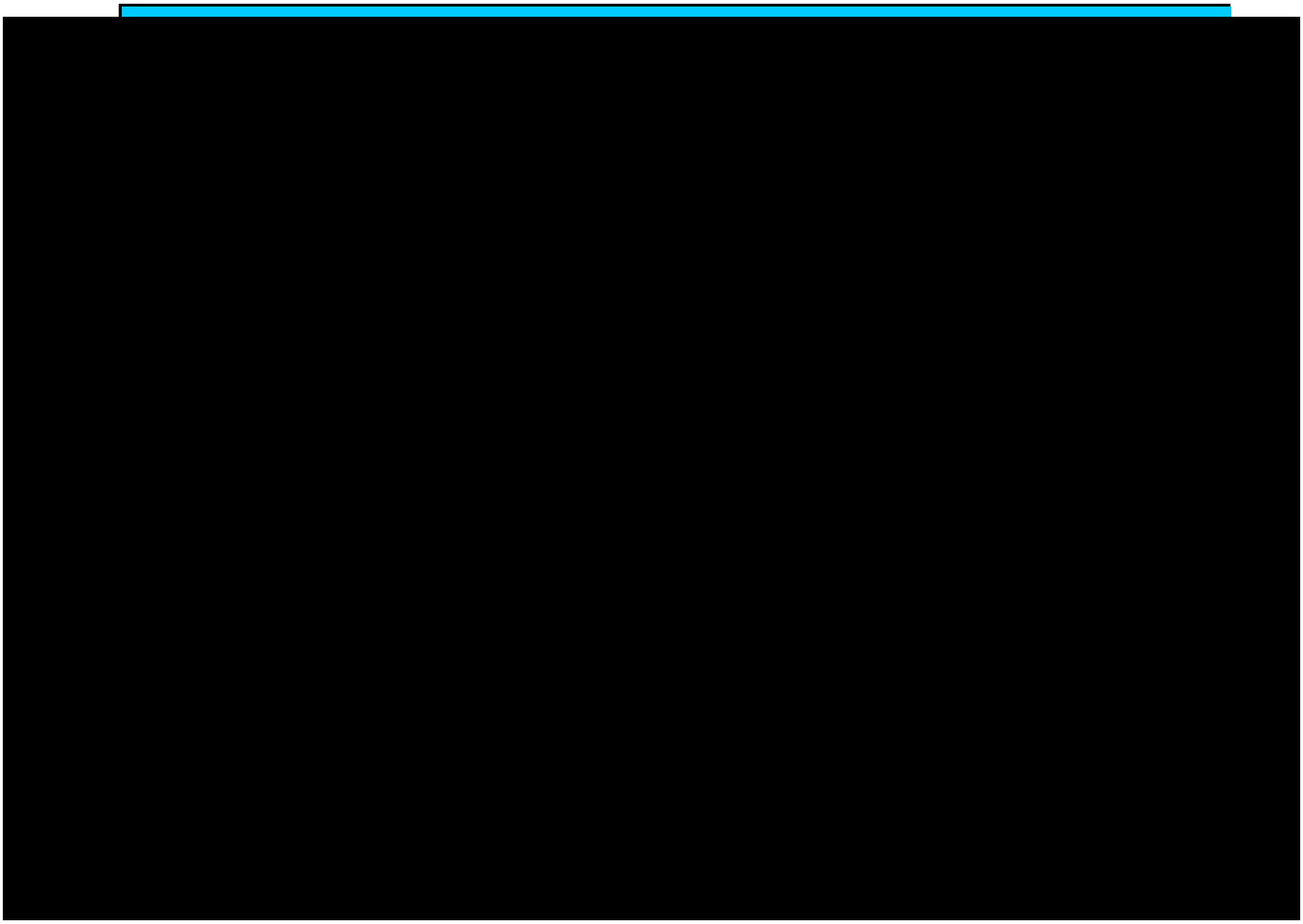


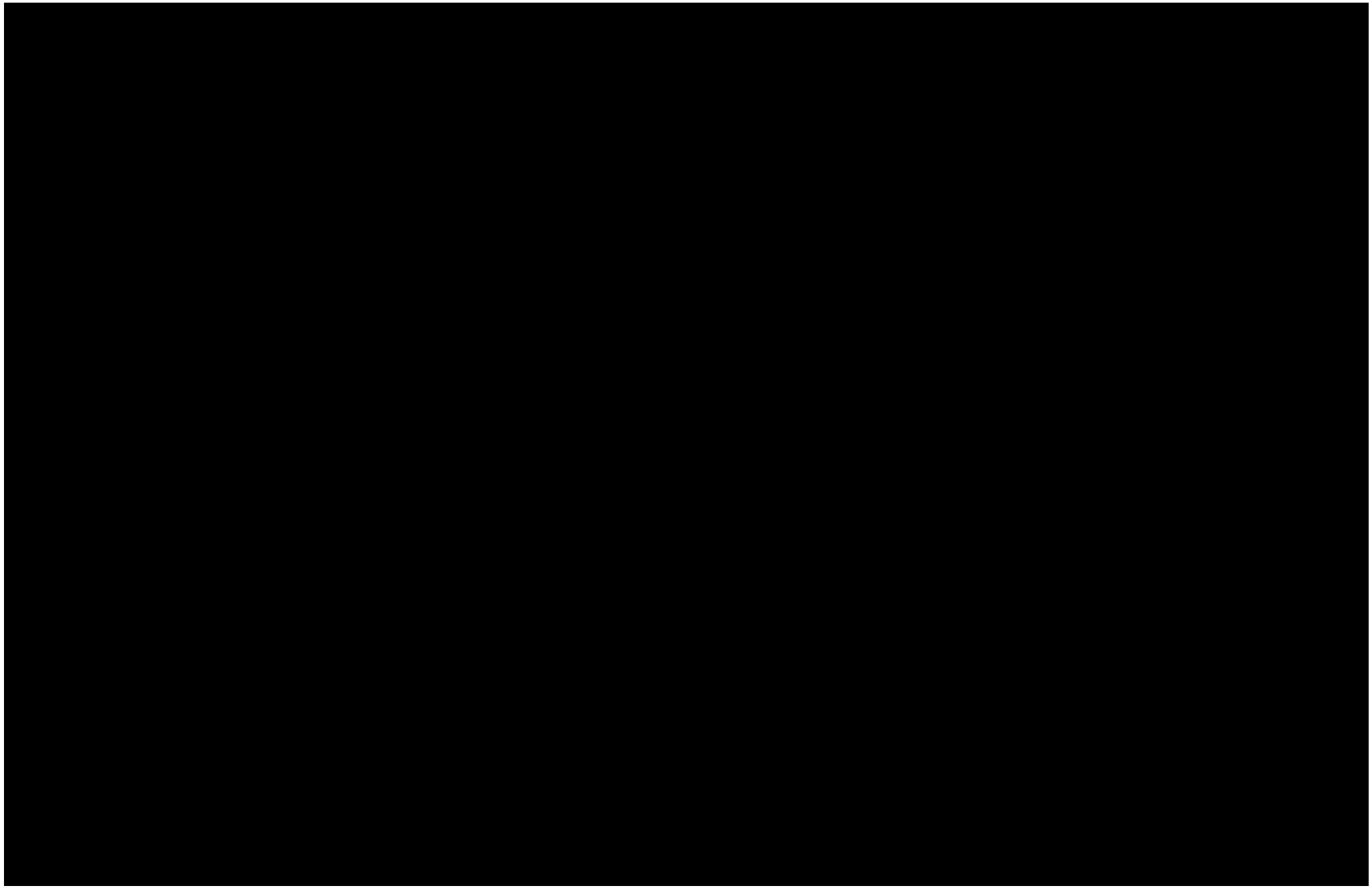


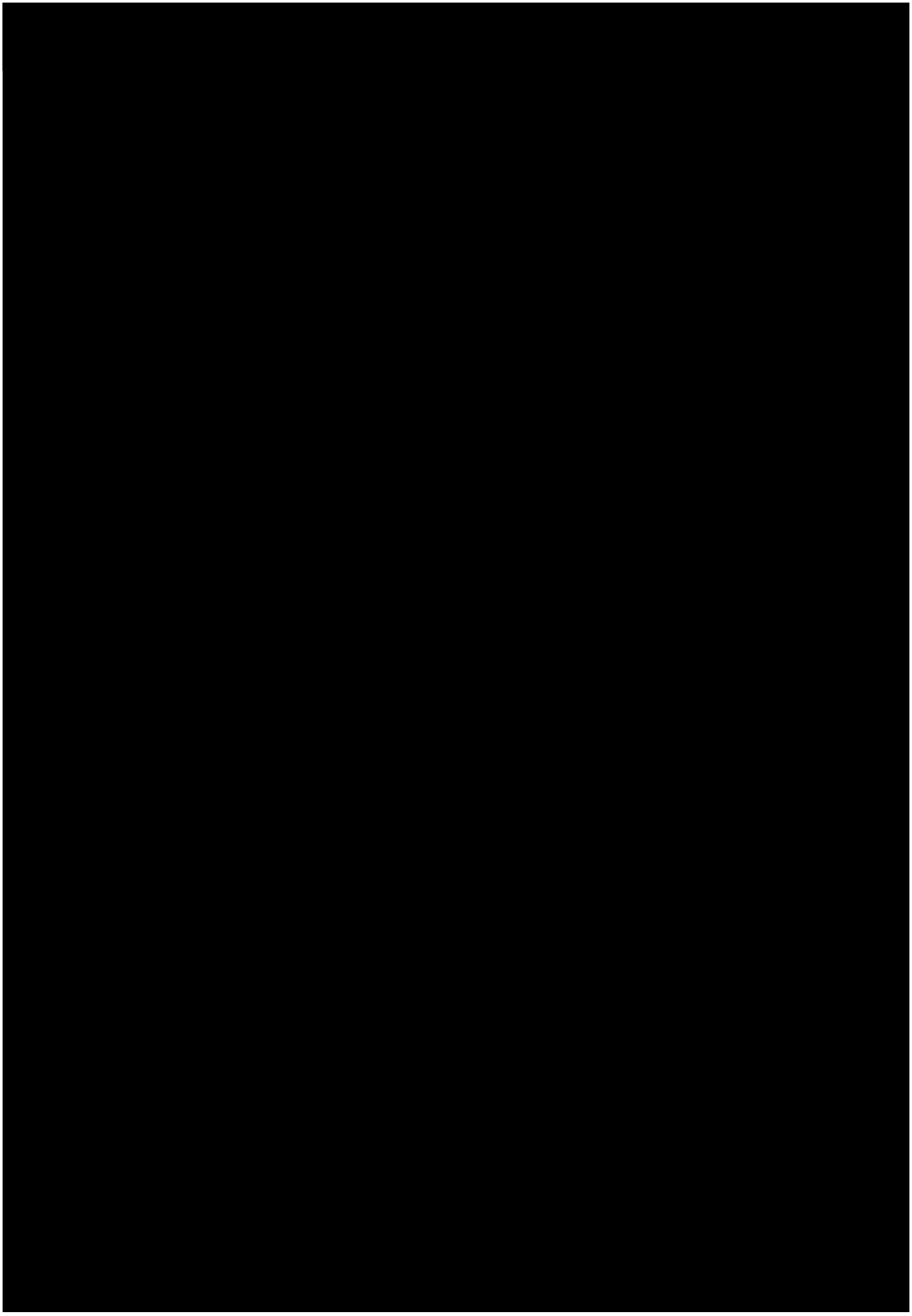












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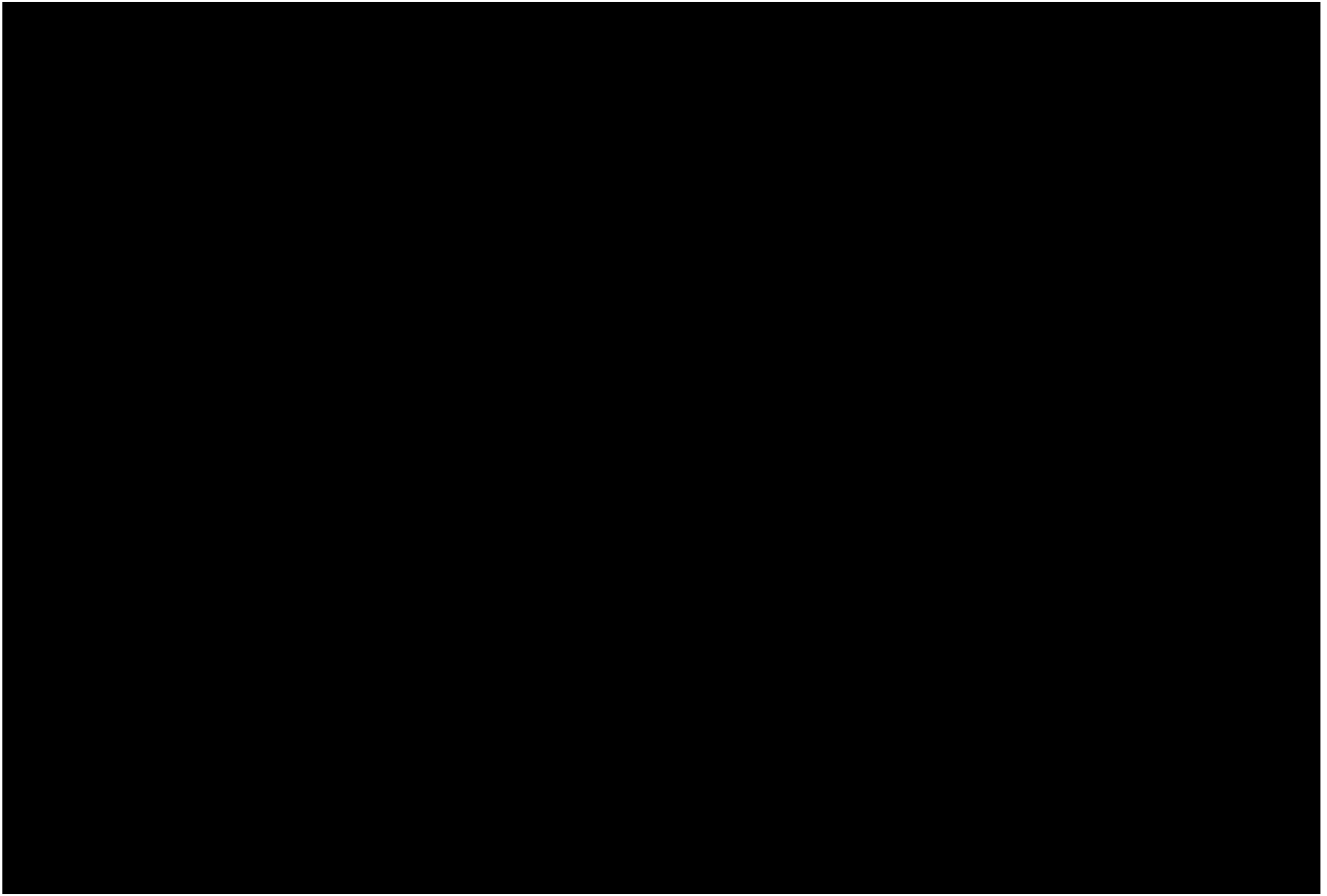

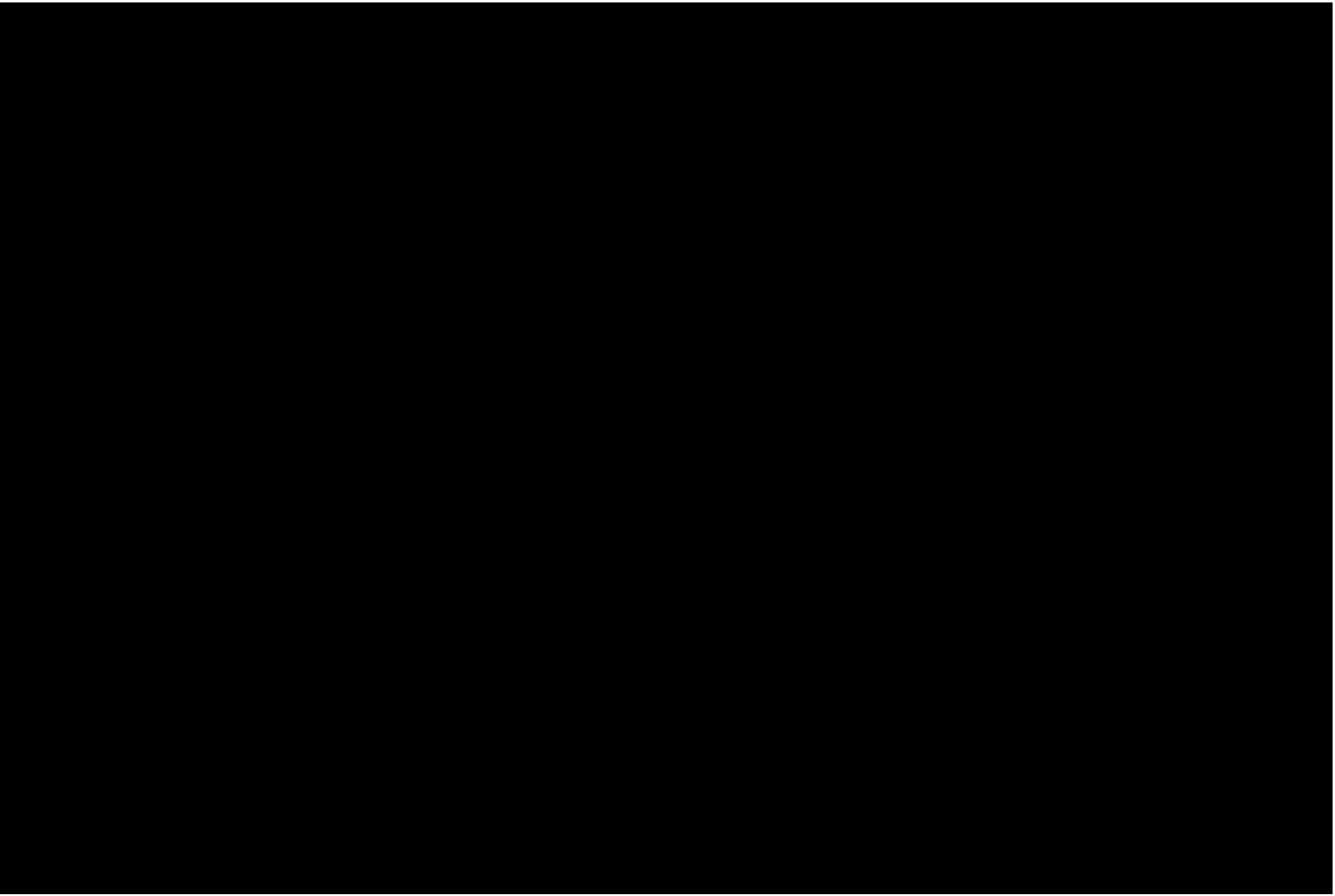

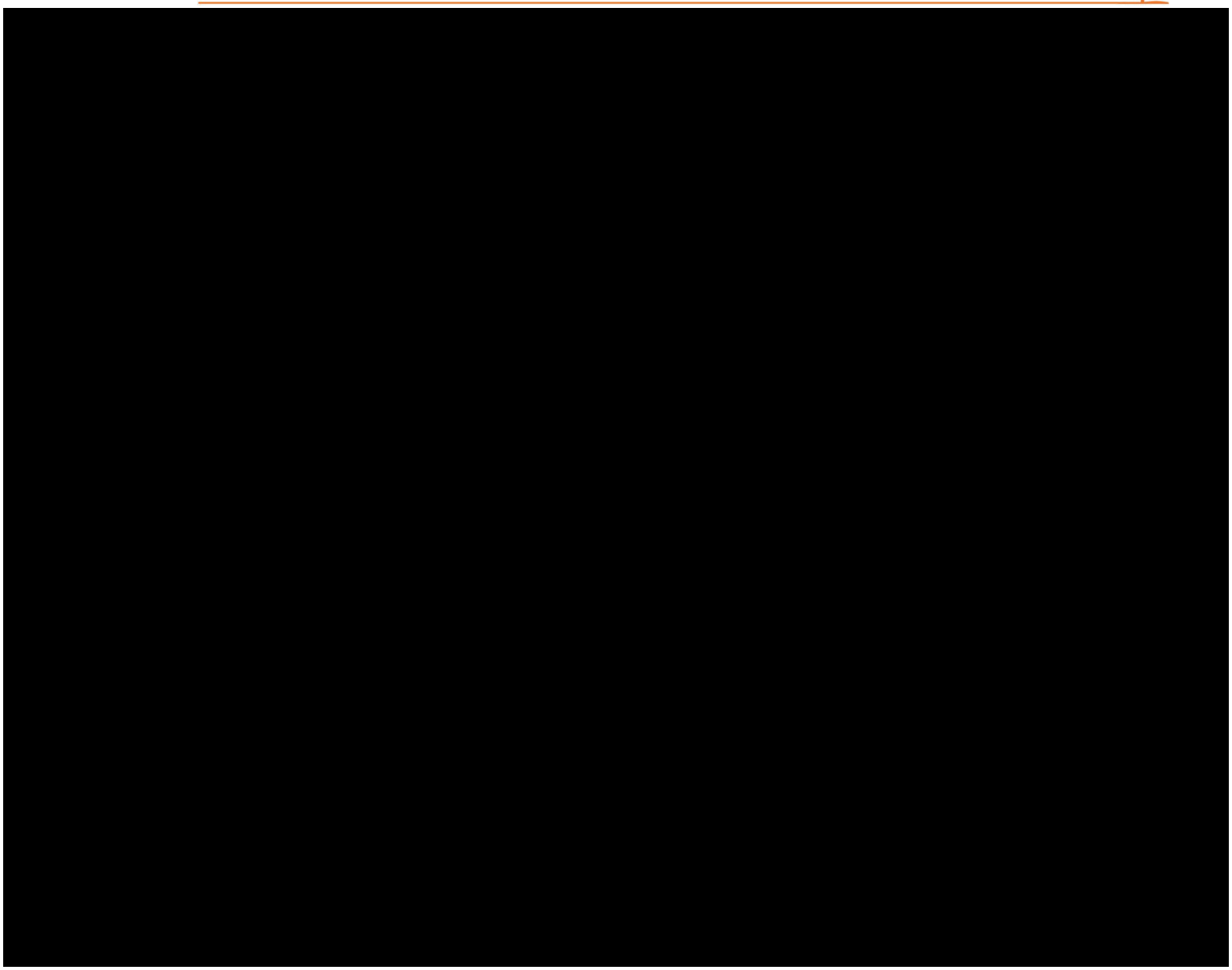

Glossary

Split-block calving	A system of dairy production in which cows are calved during only two period of the year, typically in late winter/spring (February-April) and in late summer/autumn (August-November).
Youngstock	Young cattle. On dairy farms, usually female cattle that are being reared for the purposes of milk production but have not yet started their first lactation.
Drying-off	The process of preparing a cow to stop milk production; typically involving the cleaning, sealing of teats, and ceasing to milk the cow.
Manufacturing contract	A milk supply contract whereby the milk is destined for further processing into products such as yoghurts and butter.
Constituents or Solids (Milk)	The proportion of milk that is not water, mostly comprising butterfat and proteins.
Seasonality	The practice of adjusting milk prices to manipulate production volumes, typically incentivising milk production during the autumn and winter months, when production costs are higher, and disincentivising spring production when production costs are lower.
13th Payment	An additional payment typically received by dairy farmers who are members of a producer's co-operative annually. The value of this payment is calculated to distribute a proportion of the returns generated by the cop-operative over the milk price paid to its members during the preceding year.

Acronyms

UK	United Kingdom
Defra	Department of Environment, Food & Rural Affairs
ppkg	Pence per Kilogram
KPI	Key Performance Indicator
ppl	Pence per Litre
YoY	Year-on-Year
[redacted]	[redacted]
CO2e	Carbon dioxide equivalents
FPC	Fat and protein corrected [milk]

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Authors: Greg Ricketts, Fran Barrigan and Jake Nixon

Submitted: 26th March 2025

Disclaimer:

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Appendix B - Stage 2 Assessment

APPLICANTS RESPONSE TO COMPULSORY ACQUISITION HEARING ACTION POINT 5

Applicants Covering Note: Business Impact Mitigation Options Assessment ("the Stage 2 Report").

1.1 As explained at CAH 3, the Applicants commissioned the Stage 2 Report to assist the Examination on matters relating to agricultural land use, socio-economic effects, and construction management. This Covering Note provides an overview of the conclusions of the Stage 2 Report and the ongoing viability of the agricultural business of the occupiers of landholding 26. It also (along with the Stage 1 and Stage 2 Reports) provides the Applicants' response to Compulsory Acquisition Hearing 3 Action Point 5:

"Engage with the occupier of land holding number 26 regarding the phase 2 assessment. Seek consent to provide evidence to the examination regarding impacts and mitigations on business loss to that occupier".

1.2 The Stage 2 Report provides an independent farm business analysis undertaken by the GSC Grays (Farm Business Consultants) with information provided by the Occupiers of Landholding 26 ("the Occupiers"). Grays' analysis demonstrates that, with the provision of newly designed and/or amended infrastructure (at the Applicants' cost) alongside the application of some minor farm management processes, a viable, grazing-focused dairy enterprise can continue at Landholding 26 both during and post-construction of the Transmission Assets. The Applicants recognise that whilst a viable business operation remains achievable it will be of a reduced scale. Therefore, whether through the voluntary agreement being sought with the Occupiers, or through the compulsory acquisition compensation code (the "Compensation Code"), there will be a loss to the Occupiers for which they will be compensated, in so far as money can do so, to be in no worse of a position than at present.

1.3 The Stage 2 Report only considers the viability of the continuation of the same style of farming business at Landholding 26 (a grazing-focused dairy enterprise). It was made explicit by the Occupiers that any change from this style of farming business would not be acceptable and therefore the Stage 2 Report does not consider other farming options such as a switch from dairy to beef, housed dairy herd or the purchase of additional land. These other options are considered by the Applicants to be credible ways that an agricultural business can continue at Landholding 26. The Applicants remain committed to reaching a private treaty agreement with the Occupiers which will provide for financial compensation and secure the necessary accommodation measures noted in the Stage 2 Report.

2. CONTEXT AND SCOPE

2.1 The Stage 1 and Stage 2 Reports were commissioned by the Applicants and prepared by GSC Grays with business information provided by the Occupiers. The Stage 2 Report is informed by the Morgan and Morecambe Offshore Windfarms: Transmission Assets – Outline Onshore Construction Method Statement (Version F01) (**REP4-115**) and by two expert dairy specialist veterinary opinions (Mr Owen Atkinson FRCVS and Mrs Emmie Bland MRCVS). It evaluates the financial viability of the Occupiers' business, taking account of reasonable engineering and design solutions and the application of some minor farm management

processes. The Stage 2 Report's analysis is presented for the concurrent construction scenario, where all land is taken at the same time. This scenario creates the greatest pressure for herd management, feed provision and slurry spreading. Whilst not assessed, on the basis that it is not the worst case, it should be noted that if the substations were constructed sequentially, the land take requirements would be staged and the impacts on the business which might arise from an immediately larger scale of land take would be reduced as a result.

2.2 The Stage 2 Report was informed by a meeting and tour of the farm on 22 September 2025. Both authors of the Stage 2 Report attended the tour, as did one of the two veterinary consultants.

2.3 The Applicants arranged and attended an in-person meeting to discuss the Stage 2 Report with the Occupiers and their agent on 17 October 2025. The purpose of the meeting was to allow all parties to discuss the content and to determine whether any refinements to the Stage 2 Report should be made ahead of its submission into Examination. One of the authors of the Report was present at the meeting to allow for specific questions to be answered directly. The Occupiers did not wish to discuss the Stage 2 Report at the meeting, and have provided no subsequent feedback on it. The Occupiers did confirm that the Applicants could submit the Stage 2 Report to the Examination, so long as all commercially sensitive information was redacted. The submitted Report redacts all sensitive information.

2.4 The Applicants appreciate the time and input of the Occupiers in the production of the Stage 1 and Stage 2 Reports and recognise that they are under no obligation to cooperate with the Applicants. The Applicants have and will continue to support the Occupiers by making financial contributions towards the cost of their and their advisors' time, as they have for other landholders.

3. WIDER CONTEXT: APPLICANTS' COMMITMENT TO SUPPORTING AGRICULTURAL BUSINESSES AFFECTED BY THE PROJECTS

3.1 The Applicants outlined the wider package of support and accommodation measures for farming businesses in their response to Hearing Action Points: ISH2 38 (**REP4-111**). These measures are designed to avoid, reduce, and mitigate impacts on agricultural holdings across the cable corridor during construction and operation, in order to maintain farming operations and would be available to the Occupiers to manage impacts on their business. The Applicants have also secured through the draft DCO (**REP5a-019**) Requirements a suite of outline plans and commitments which include:

3.1.1 **Construction and environmental management controls.** An overarching construction environmental management framework through the Outline Code of Construction Practice (REP5-044) that provides for communication and engagement through the Agricultural Liaison Officer(s) (see Section 1.5.4.4).

3.1.2 **Soils and land restoration.** An outline soil and aftercare management framework for topsoil/subsoil handling, reinstatement standards and monitoring; pre- and post-condition surveys; and commitments to repair and reconnect existing field drainage systems to maintain agricultural capability – see Section 1.9 (Aftercare and handover) of the Outline Soil Management Plan (**REP5-059**).

3.1.3 **Public rights of way and access management.** The Outline Code of Construction Practice (**REP5-044**) provides that farm access routes between fields within a farm holding will be maintained (where reasonably practicable), or alternative routes agreed with the land holder to enable the continued operation of agricultural land holdings during the construction phase, where this may be possible (See paragraph 1.8.5.13). The Outline Onshore Construction Method Statement (**REP4-115**) also provides that site establishment such as for fencing will be installed around localised work fronts to clearly demarcate construction areas. Crossing points for livestock, agricultural vehicles, and rights of way will be agreed with landowners and provided as required, and, if construction is concurrent, a coordinated approach between Morgan OWL and Morecambe OWL will be taken (see paragraph 1.13.1.11 of the Outline Onshore Construction Method Statement (**REP4-115**)).

3.1.4 **Flood risk, drainage and water management.** Controls on temporary and permanent drainage, run-off and attenuation to prevent waterlogging of adjacent fields and to protect land drainage networks and water supplies relied upon by farms – see Section 1.8 (Surface Water Drainage) of the Outline Onshore Construction Method Statement (**REP4-115**) the protection of water supplies is also provided for – see Section 1.8.3 (Water Supplies) of the Outline Construction Method Statement (**REP4-115**).

3.1.5 **Farm liaison and complaint resolution.** The Outline Communications Plan (REP5-046) establishes principles for the detailed Communications Plan, including a named agricultural/farm liaison function, routine look-ahead meetings, notification protocols for disruptive activities, contacts for incidents, and an escalation route for prompt issue resolution (See paragraph 1.4.1.3). The appointed Agricultural Liaison Officer will also supervise and ensure effective implementation of the Outline Soil Management Plan (See 1.3.4 of the Outline Soil Management Plan (**REP5-059**) including agreements relating to suitable accommodation measures to support landholders.

3.1.6 **Biosecurity and animal health.** As explained in the Applicants' response to Hearing Action Points: ISH2 38 (**REP4-111**) biosecurity plans will be developed that will accord with the Outline Bio Security Protocol (**REP4-050**), see paragraph 1.4.6.1 in particular for measures that will be implemented to protect farming businesses.

3.1.7 **Compensation and support for reasonable mitigation.** A commitment that reasonable, necessary accommodation measures and temporary operational measures (for example, additional slurry storage capacity or slurry export contingencies) are to be funded and delivered by the Applicants with agreement of the relevant landholder, with any residual financial effects addressed under claims for repayment if sourced by a landholder directly (Article 29(7) of the draft Development Consent Order).

4. PRINCIPAL FINDINGS OF THE STAGE 2 REPORT

4.1 The Stage 2 Report concludes that the continuation of the current farm business both during construction and operation is challenging but possible albeit on a reduced but still viable scale. A reduction in herd size is necessary to align with the reduced land available during construction and operation; with the reduction in herd size proportionate to the loss of grazable land. Financial modelling indicates the business remains capable of providing a reasonable income for the Occupiers and allows for reinvestment and tax liabilities, ensuring the business can viably continue. It should also be noted that the Stage 2 Report concludes that even at a reduced scale "a dairy farm with such resources as found at... [Landholding 26] would likely attract significant interest from prospective tenants if offered on the open market" following construction of the Transmission Assets.

4.2 Whilst a modified grazing-focussed dairy system is financially viable, the Stage 2 Report recommends minor changes to the current system, including a transition to a different calving system which simplifies herd management and is better aligned to the reduced herd numbers (this measure is solely within the control of the Occupierss). This different calving system proposes not having a spring-block calving period and only having an autumn-block calving period. The application of this different calving system is better aligned to a reduced herd and will help drive efficiencies and maximise profit by aligning with milk price seasonality, simplifying herd management, and implementing focused periods for workload and planning

4.3 Physical modifications are also needed on the land, which is principally to allow movement of the herd from pasture fields to the milking parlour. Whilst these modifications will require small changes to how animals move around the farm, they are neither uncommon nor unreasonable changes to adopt. On the basis that the Occupiers want to continue with their current operation the Applicants would work collaboratively with them and the landowner to secure any necessary consents for accommodation works in the event that they are required.

4.4 During the construction of the Transmission Assets, measures will need to be adopted to minimise impacts on the dairy herd including the use of acoustic sound barriers, scheduling of noisiest activities when the herd is walking to and from the milking parlour, and the adoption of a robust communication plan with the Occupiers.

4.5 Recognising there is a difference of views, the Stage 2 Report incorporates and takes into account findings from both veterinary experts. The engineering and design solutions and proportionate farm management changes, including stock reduction, address the concerns raised by the veterinary consultant on forage and nutrient management and any potential knock on consequences with non-compliances to current farm standards.

4.6 The Stage 2 Report was prepared on the basis of the Applicants wanting to support the Occupiers' desired wish to continue current operations and not move to beef farming. On that basis, the principal findings are that with the following measures the business can continue:

4.6.1 **The Applicants' proposed engineering and design solutions, to facilitate the continued operation of the current enterprise**, which they would deliver subject to the consent of the Occupiers (and landowner) include re-routed cow tracks, a crossing point over the cable route during construction, and two under/overpasses to maintain access across the green lane and Lower Lane, together with construction liaison protocols that safeguard animal welfare and farm assurance compliance (See

Page 10 of the Stage 2 Report) though the Applicants consider that other solutions, such as use of additional labour, may be available subject to further discussion with the Occupiers.

4.6.2 **Capital costs of any accommodation measures will be borne by the Applicants as part of a commercial arrangement with the Occupiers or via cost recovery pursuant to the DCO**. On that basis, the reduced, grazing-focused enterprise remains financially viable albeit with a decrease in turnover during construction and thereafter a gradual increase to reach a new level appropriate to the scale of the landholding following construction of the Morecambe substation. Whilst figures are redacted to protect the privacy of the Occupiers, it has been agreed that % figures can be provided to the Examination which confirm that Gross Profit as a percentage of turnover is stable as is Management Profit (see Page 12 of the Stage 2 Report) both during and post construction. Crucially, remuneration to the Occupiers as a percentage of turnover increases so that the amount the Occupiers receive in real terms does not change.

5. HOW THE FARM CONTINUES IN OPERATION

5.1.1 The Report sets out, in practical terms, how a viable dairy enterprise can continue during construction and thereafter, subject to the mitigations being secured and delivered by the Applicants:

5.1.2 **Grazing-focused system at reduced scale during construction.** The herd reduces in proportion to available grazeable land so that livestock nitrogen loading does not exceed the current position and purchased forage does not exceed current levels (Page 11 of the Stage 2 Report). The system remains grazing-led with cows typically housed October–March and grazing April–September.

5.1.3 **Autumn-block calving to simplify management.** Transitioning to a consolidated autumn block aligns with the smaller herd during construction, reduces complexity and simplify management requirements of the herd (Page 11 of the Stage 2 Report).

5.1.4 **Maintained access to pasture via engineered routes.** Re-routed cow tracks along the eastern side of Lower Lane, a permanent crossing over the incoming cable route to the Morecambe substation, and two under/overpasses (one at the green lane and one at Lower Lane) maintain safe access to both the northern land and land west of Lower Lane (Page 10 of the Stage 2 Report).

5.1.5 **Construction-interface controls to safeguard cow flow and welfare.** Double-fencing with a minimum 3 m separation from construction areas, acoustic shielding where practicable, scheduled no-noise windows aligned to milking and cow movements, escorted movements at interfaces, and weekly look-ahead coordination mitigate habituation and safety risks identified by the veterinary experts (Page 11 of the Stage 2 Report) and which the Applicants are prepared to implemented with the agreement of the Occupiers.

5.1.6 **Post-recovery operation and herd rebuild.** Following reinstatement and yield recovery on affected land, the herd builds back to around 200 cows through

home-bred replacements, maintaining closed-herd biosecurity (Page 11 of the Stage 2 Report).

6. CONCLUSION

6.1 The Stage 2 Report was prepared for submission into the Transmission Assets examination. It sets out:

6.1.1 a factual evidence-based pathway demonstrating that a grass based dairy farming business can continue with the Transmission Assets, addressing the concerns raised about grazing access, cow flow, animal welfare, slurry logistics, and feed supply and any other practical considerations;

6.1.2 a coherent, deliverable mitigations package that aligns with the Outline Onshore Construction Method Statement and is capable of being secured with the consent of the Owner and Occupiers;

6.1.3 financial modelling showing that a prudent Occupiers, seeking to mitigate losses, could maintain a viable business albeit at reduced scale during construction and post-recovery, and

6.1.4 a balanced review of veterinary evidence with a reasoned basis for accepting that continuation is feasible subject to the identified support measures.

Business Impact Mitigation Options Assessment
[redacted] Farms Ltd and [redacted]

GSC GRAYS

PROPERTY • ESTATES • LAND

FARM BUSINESS CONSULTANTS

Prepared on Behalf of:

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Contents

List of Tables

Executive Summary

This Executive Summary should not be read in isolation from the contents of our report, but to summarise our conclusions:

Scope of Report

Our instruction, more thoroughly detailed at Section 1.2, is to provide commentary on the financial viability of the continuance of a grazing-focused dairy enterprise at [redacted] Farm during and after the construction of the Transmission Assets for the Morgan Offshore Wind Farm Ltd ("Morgan OWL") and Morecambe Offshore Wind Farm Ltd ("Morecambe OWL"), collectively 'the Projects'.

Our General Approach

Our opinion was informed by the Morgan and Morecambe Offshore Wind Farms: Transmission Assets – Outline Onshore Construction Method Statement Version F01 and two veterinary opinions, being those of Mr Owen Atkinson FRCVS and Mrs Emmie Bland MRCVS. We are instructed to assume that where the provision of new and/or amended infrastructure and/or mitigations is required to deliver the continuance of dairy farming, the Projects will provide such infrastructure at their own expense and to the appropriate standard.

We have carefully considered the opinions expressed in those veterinary reports, including reviewing the statements made within each in light of our own opinions and experiences.

Our Findings

We find that an altered grazed dairy system is financially viable, assuming that the mitigations specified can be provided to a suitable standard by the Projects.

More specifically, our conclusions as to the financial viability arise from the assumption that:

- Appropriate cow tracks, including underpasses and overpasses can be installed by The Projects, including having regard to the safety precautions expressed by Mr Atkinson.
- Mr Atkinson's recommendations as to the management of construction and liaison between the parties are followed.
- Mrs Bland's concern centring on nutrient pollution risks and slurry spreading is addressed through a combination of:
    i. The herd reduction is sufficient and in proportion to the reduction in available land area so that the livestock nitrogen (N) loading does not exceed the current position.
    ii. Any additional slurry storage capacity required as a result of the proposed farming practice mitigation actions is made available, if necessary, by the Projects
    iii. Any additional lack of storage beyond the above caused by adverse weather or construction impact during the construction phase can be addressed by

way of the Project paying for slurry export, either to a suitable recipient such as another farming business or an anaerobic digestion plant.

- Mrs Bland's concerns about additional imported forage requirements are addressed by the herd reduction being in proportion with the reduction in available land area so that no greater amount of purchased forage than is currently purchased is required, nor any higher rates of concentrate feeds are fed.
- Having illustrated that both the reduced herd numbers during construction and the normalised optimal stocking rate Post Recovery are financially viable, the financial returns in the recovery period are a matter for further modelling in the determination of a compensation value but should match or exceed the indicated returns during construction.

Our Conclusion

In reaching our conclusion we have relied upon the assumption that the Projects will provide, at their cost and to an appropriate standard, the infrastructure specified necessary to facilitate the continued grazing. It is beyond our remit to comment on the technical detail of these construction works and the feasibility of delivering the infrastructure to the required standard.

Having considered the findings and recommendations of the veterinary expert opinions sought, we accept Mr Atkinson's conclusion that the continuation of a grazing dairy enterprise both during and after construction works at [redacted] Farm would be challenging (from a farm management perspective) but practically feasible.

It will require a reduction in scale and the implementation of a different management approach by [redacted], but one which would not be unreasonable to expect of a prudent person seeking to mitigate his losses in such a situation as this. A dairy farm with such resources as found at [redacted] Farm would likely attract significant interest from prospective tenants if offered on the open market Post Recovery, even with a reduced land area and subject to the future constraints; although, demand could be reduced during construction, or if milk prices were low.

On the basis that the suggested engineering and farming practice mitigations are implemented in full, and that the information provided to us on the Businesses is a true and accurate representation of its current performance, we find that the Businesses could generate sufficient profits both during and after construction to service a remuneration to [redacted] reinvestment, debt servicing and the likely resulting tax liabilities. On this basis, we conclude that the Businesses could continue to be financially viable.

The financial assessments for the During Construction and Post Development scenarios indicate potential profitability of c.£[redacted],[redacted] (a reduction in the region of 70 percent) and c.£[redacted],[redacted] (a reduction in the region of 54 percent), respectively, on the basis of the assumptions made. The difference in gross operating profitability between the Businesses' demonstrated performance and the illustrated performance under the mitigation scenario will be the subject of [redacted] compensation calculations and is a separate consideration to the determination of the Business' viability during and after construction.

1. Introduction

1.1. Introduction to GSC Grays

GSC Grays is a multi-disciplinary, rural professional services firm, working with farmers and landowners across all sectors of agriculture within the North of England. We have a team of 135 employees operating from 8 regional offices.

GSC Grays has a dedicated farm business consultancy team within each office. Currently there are 24 consultants, who combine in-depth local knowledge with nationally renowned technical and business management expertise. We provide advice and guidance on business planning, financial projections, business solutions and other technical services. We have specialists in agronomy, regenerative agriculture, machinery costings, environmental schemes, carbon auditing, joint-ventures, beef, sheep, dairy and intensive livestock enterprises.

1.1.1. Greg Ricketts

Greg is a director of GSC Grays and an experienced farm business consultant with 32 years' experience in the provision of farm business consultancy advice. Greg started his early career in practical farming and farm management roles in the South of England, before moving to David Anderson & Co where he became a farm business consultant, initially based in the Midlands, moving to North Yorkshire in 1993.

Greg became a director of Andersons Northern (England) in 2001, moving to GSC Grays in 2019 to help lead the farm business services team. Greg advises farming clients across the North of England with an emphasis on the provision of specialist financial and farm business advice. Greg gets involved in livestock businesses with an extensive client base including dairy, pig and poultry farmers across the North of England providing both day-to-day and strategic management advice to farmers.

1.1.2. Fran Barrigan

Fran is a director of GSC Grays with over 20 years of experience in rural property management and valuation. Her primary focus is providing strategic advice on landlord-tenant matters, succession planning, and complex rural property valuations. She has particular expertise in tax-related valuation and advisory work.

1.1.3. Jake Nixon

Jake joined GSC Grays in 2021 and manages clients across Northern England and Northern Ireland. His role focuses on business and financial planning for intensive livestock enterprises, predominantly dairy businesses but also servicing pig and poultry sector clients. He was a broad experience of a range of dairy production systems: including organic and conventional; block-calving and year-round calving; and small (from 45 cows) to large (up to 800 cows). These businesses range in scale from £100,000 to over £10 million in turnover.

1.2. Terms of Reference

GSC Grays were first instructed in late November 2024 by [redacted] of Dalcour Maclaren, agents acting on behalf of Morgan Offshore Wind Farm Ltd ("Morgan OWL") and Morecambe Offshore Wind Farm Ltd ("Morecambe OWL") (collectively, the "Projects"), to provide an initial independent evaluation of the extent to which the farming businesses of [redacted] Farms Ltd and [redacted] [sole trader]) (the "Businesses") may be affected by the development of the proposed onshore transmission assets for the Morgan and Morecambe offshore wind farms (the Development"). This initial evaluation was completed on the basis of the early-stage, worst-case development process and period expected at the time. Following the completion of the Outline Onshore Construction Method Statement on 8th August 2025, the initial evaluation is superseded by this report.

GSC Grays were further instructed on 30th August 2025 by Rory O'Brien, Land Manager acting for Morgan OWL and Morecambe OWL, to assess whether farming practices might feasibly be altered to mitigate the impact of the development and to provide an assessment of the financial impact of making those alterations.

The scope of our assessment was to include:

1. Provide outline commentary on historic milk prices and current demand for let dairy holdings.
2. Analysis of how a farm business could continue to operate considering the anticipated impacts on the farm holding from the Development.
3. Identification of any necessary changes to business practices or land use that may be required to maintain a viable farming operation on the holding.
4. Identification and recommendation of reasonable mitigation measures that could be implemented by the Projects to reduce adverse impacts on the Businesses, including:
    a. engineering solutions
    b. farming practice solutions
    c. any other support - financial, technical or otherwise

In addressing the above, the Projects requested that we consider the options by reference to a hypothetical prudent occupant of the holding, recognising that the personal preferences of those involved may not align with the practical options which may be adopted by such a hypothetical occupier.

A key element of the brief set by the Projects was the determination of the viability of the farming operation both during and after construction. We deem this question of viability to have two components:

1) practical viability – the ability of the holding's manager to undertake the required actions to operate the dairy herd within the bounds of relevant statutory regulations and market demands; and,

2) economic viability – the ability of a farming business operated from the holding to generate sufficient profits to cover the key requirements of any business from its operating profits, including:
   a) an appropriate return to the manager for his/her labour and management expertise;
   b) tax liabilities arising from the business' trading activities;
   c) capital reinvestment to maintain the business' working assets; and,
   d) debt repayment commitments, possibly associated with reinvestment requirements.

Private living expenses will be covered as a component of the return to the manager by private drawings under sole trader and partnership business structures or a combination of director(s) salary(ies) and dividends under a limited company structure. Living expenses, along with tax liabilities, debt repayment commitments and reinvestment requirements all vary from business to business and from year to year.

In order to determine the true economic viability of a business, it is necessary to know what the requirements are in relation to the aspects outlined above.

Our assessment of economic viability for the Businesses is therefore based on certain assumptions for [redacted] remuneration, tax liabilities and reinvestment requirements. If these assumptions are found to be incorrect, this assessment will need to be updated to account for the true costs for the Businesses.

To fulfil the practical aspect of this viability assessment, the Projects instructed expert veterinary opinion on the practicalities of managing the farming system during construction, with consideration of the proposed mitigation options and on any potential risks to animal health and welfare. The Projects instructed two veterinary experts: Mr Owen Atkinson FRCVS of Dairy Veterinary Consultancy Ltd, who was proposed by the Projects, and Mrs Emmie Bland MRCVS of Yan Farm Health Ltd, who was proposed by [redacted].

1.3. Milk Prices Overview

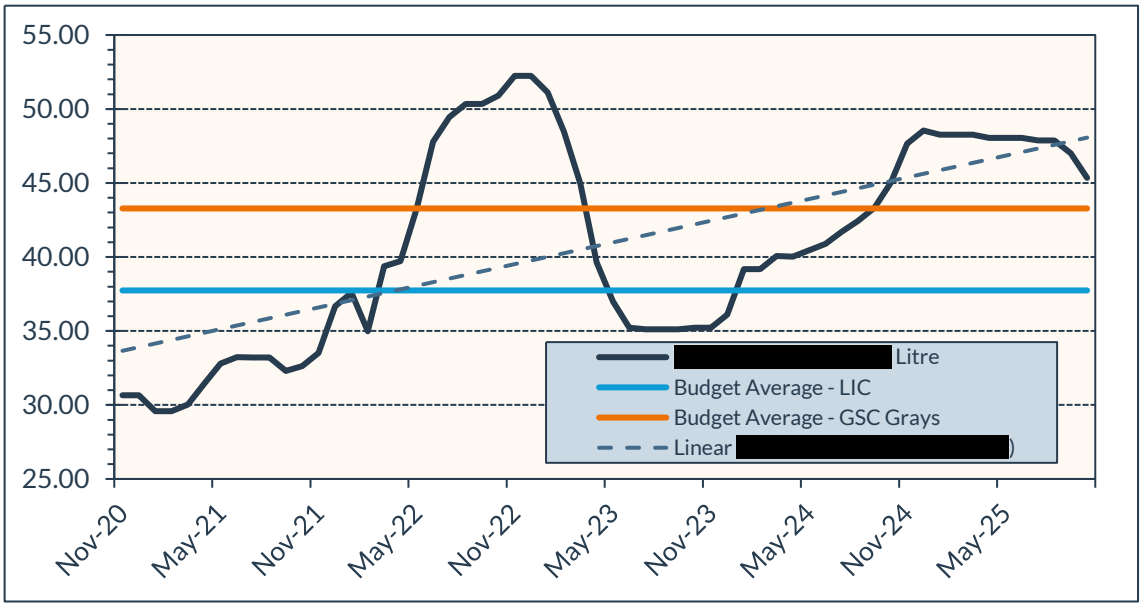
Farmgate milk prices are highly variable in the UK. The price received by a dairy producer can be influenced by a multitude of factors both within and outwith their control. Prices offered can vary significantly from processor to processor depending largely on their scale, balance of supply and demand and their own destination markets. In recent years, the differential between processors' headline price — the price offered based on the milk quality being at the specified standards required excluding any adjustments due to seasonality, bonuses, or penalties — has reached 10 pence per litre (ppl).

Farmgate prices in the UK are linked to global milk commodity prices, broadly accepted as being represented by the New Zealand Global Dairy Trade auction prices, and European milk commodity prices. However, UK farmgate prices are buffered from the shocks of the commodity markets due to a number of factors including but not limited to: the UK's island status, almost eliminating its attractiveness as an export market for

liquid milk; consumer preferences driving increasing demand for processed and branded dairy products; and export markets for UK-made dairy products.

Figure 1 illustrates the fluctuation in the headline price for the [redacted] contract (based on a standard litre before adjustments), and compares this with the assumed milk price in projections prepared by [redacted] consultant, [redacted] (understood to be based on the 3-year rolling average at the time of preparation) and the assumed milk price in the projections prepared by GSC Grays in the course of this assessment (also prepared on the 3-year rolling average at the time of preparation).

Figure 1: [redacted] headline milk price (2020-25) compared with budgeted milk prices assumed



1.4. Current Demand for Tenanted Farms

We have been asked to provide brief commentary on the demand for let farms when offered on the open market generally, and specifically the potential demand for [redacted] Farm, both during and post construction. Tenanted farms when offered for rent generally generate command significant demand from progressive businesses and individuals looking to establish or expand their farming operations. A dairy farm with the resources as at [redacted] Farm, including the buildings and grassland, even with a reduced land area and subject to the future constraints, would likely generate significant demand from prospective tenants intending to continue as milk production on the holding post-construction, provided that:

- measures to mitigate the impacts of the Development can be implemented effectively;
- the Landlord gives consent to those mitigation measures; and,
- a suitable milk contract (such as the current contract) is in place, or one can be secured.

It is possible demand from potential tenants would be reduced during the Construction period, or if milk prices fell, perhaps to less than 38ppl in the current economic environment.

1.5. Background

The Development requires the construction of two substations on land at [redacted], in order to connect the Projects' offshore generation assets to the National Grid at Penwortham. The farm is owned by [redacted] and let to [redacted] under an Agricultural Holdings Act 1986 tenancy.

The Businesses together interact to create a highly efficient, profitable dairy enterprise. [redacted] undertakes production of forage as the tenant of the holding, which is sold to [redacted]. [redacted] Ltd operates a c.300-cow split-block calving dairy herd, with milk sold to [redacted] as a member of [redacted]. Youngstock are reared by a neighbouring business from 10 weeks of age through to three weeks before calving. [redacted] is dedicated to the Businesses in a full-time capacity, and the remaining labour requirement is serviced by part-time employees and self-employed contractors.

A summary of the projected financial performance of the Businesses (provided by [redacted], together with the average of five years' combined tax accounts for the period to 31st March 2024, is shown in Table 1. The 2019-24 average figure is adjusted to discount the director's salary and the director's pension contributions paid by the Limited Company to remove the influence of business structure on the reported returns. As such, this figure represents the return to [redacted] for his labour and management expertise.

Table 1: Average Annual Proprietor's/Director's Return 2019-26

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]				[redacted]
[redacted]				[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]				[redacted]
[redacted]				[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

1.6. Assumptions

The following assumptions have been made during the instruction:

1. [redacted] wants to continue operating a dairy farming business at [redacted].
2. Construction will follow the parameters as set out in the Morgan and Morecambe Offshore Wind Farms: Transmission Assets – Outline Onshore Construction Method Statement Version F01.
3. The permanent loss of land for each substation is on "day one" of the corresponding construction phase.
4. The temporary land take for each substation is simultaneous across the required areas.
5. Three construction scenarios should be considered:
    a. Concurrent;
    b. Sequential (with the construction of either Morgan or Morecambe commencing first); and
    c. Sequential with a gap of four years.
6. It has been agreed between the Projects and [redacted] that, for the purposes of this assessment, the Businesses are to be treated as one, and our assessment is to be made without distinction between them. The question of how any compensation should be split between the two businesses is outside of the scope of this instruction.

1.7. Sources of Information

Documents provided to GSC Grays are listed in Appendix 7.

1.7.1. All Parties Meeting

A meeting of all stakeholders, excluding Mr Atkinson, was held at [redacted] Farm on Monday, 22nd September 2025 at 1:30 pm.

Those present:

- [redacted] – Tenant, proprietor of [redacted]
- [redacted] – Wife of [redacted]
- Daniel Perch – Chartered Surveyor acting on behalf of [redacted] Farms Ltd
- Rory O'Brien – Land Manager for Flotation Energy
- Emmie Bland – Veterinary Surgeon for Yan Farm Health
- Greg Ricketts – Farm business consultant for GSC Grays
- Jake Nixon - Farm business consultant for GSC Grays

The meeting involved:

- A tour of the farm conducted by [redacted], aided by [redacted], explaining the key principles of the farming system and envisaged conflict points with the Development.

- A discussion on potential mitigation options to reduce the impact of the Development on the Businesses.

We would note that in the preparation of the original assessment, referenced under Section 1.1, an on-farm meeting was held on 18th December 2024. Information provided at the time of this meeting has been referenced in the preparation of this assessment.

2. Development Scenarios

As set out in the Morgan and Morecambe Offshore Wind Farms: Transmission Assets – Outline Onshore Construction Method Statement (Section 1.11), there are three potential construction scenarios with five potential iterations. Section 1.12 of this statement explains that the maximum assessed construction periods for the onshore works are 36 months for Morgan OWL and 30 months for Morecambe OWL, each with a period of up to 12 months following the completion of construction for reinstatement works.

As such, this report is prepared on the basis of the construction scenarios as follows:

Concurrent – construction of both substations is commenced at the same time, with a timeframe of 48 months, inclusive of a period of up to 12 months for land reinstatement works.

Sequential – the substations are constructed one immediately after the other, with either Morecambe (30-month construction period) or Morgan (36-month construction period) commencing first. In this scenario, the total construction timeframe would be 78 months, inclusive of land reinstatement works.

Sequential with a gap of up to four years – the substations are constructed one after the other, with either Morecambe or Morgan commencing first, but with a maximum gap of four years between the completion of construction of the first and commencement of the second. In this scenario, the total duration of the direct impact of the Development would be 126 months, inclusive of land reinstatement works.

Following reinstatement, the affected land would undergo a period of recovery before it is capable of producing comparable yields of grass to those of its current capacity. Our investigations indicate that this could range from 6 to 12 years, but this requires corroboration from a suitably qualified expert in this field.

The physical impact of land take on [redacted] Farm is illustrated by the plan included in Appendix 4. We have prepared these plans on the basis of information supplied by the Projects for the purposes of our review, and we do not guarantee that they are accurate nor that they represent a final assessment of the land take for the Development.

Based on the most recent assessment provided to us by the Projects' engineering teams, the land take areas are as shown in Table 2.

Table 2: Summary of Land Take Areas for [redacted] Farm

Ha	Morgan OWL Only	Morecambe OWL Only	Concurrent
Permanent Land Take	4.31 (4.70%)	6.61 (7.21%)	10.92 (11.91%)
Temporary Land Take	10.50 (11.45%)	9.60 (10.47%)	20.05 (21.87%)
Total During Construction	**14.80 (16.15%)**	**16.21 (17.68%)**	**30.98 (33.80%)**
Total Post-Construction	**4.31 (4.70%)**	**6.61 (7.21%)**	**10.92 (11.91%)**

We have been asked to prepare this report for submission into the Examination into the Development and so have prepared our assessment only under the concurrent construction scenario. This is because this scenario would result in the greatest loss of land to [redacted] in one instance, thus presenting a situation which we believe creates the greatest pressures for herd management, feed provision and slurry spreading.

3. Review of Mitigation Options

3.1. Farming Practice Mitigation Options

The following farming practice mitigation options have been considered as potential mitigation solutions for the circumstances of this case:

1. the continuation of a grazing-focused system with a **reduced herd size**;
2. the continuation of daytime grazing with a **reduced herd housed overnight and fed zero-grazed grass**;
3. changing the production system to one that **houses the herd all year round**;
4. a **temporary cessation of milk production** during construction; and,
5. a permanent cessation of milk production and a **change to beef production**.

Given [redacted] advocacy for his current farming practices, we have focused on examining the feasibility of a grazing system being maintained throughout construction. It was also the opinion of both veterinary experts that it would not be reasonable to expect [redacted] to adopt a fully housed production system due to the considerable differences in the management skills required and the clear conflict such a system would pose to [redacted] farming ethos and we accept/share this opinion.

We also discount the option of temporarily ceasing milk production during construction with a dispersal of the herd followed by re-stocking post-construction. Whilst theoretically possible, we do not believe that this option is reasonable given the length of likely timescales, which would likely result in the termination of the current milk contract due to the length of supply interruption; the uncertainty over which construction scenario may eventually play out; and [redacted] current stage of life. Under the shortest duration construction scenario, [redacted] would be at least [redacted] years old at its completion and under the longest, he would be at least [redacted] years old. Mr Atkinson

expressly supported this view, and we believe is also shared by Mrs Bland based on her stated concerns, but this is not explicitly stated in her report.

A beef production system in some form could be operated under any of the construction scenarios, with a combination of grazing and housing of cattle. This is the mitigation option suggested by [redacted] and his advisors. An assessment of the beef production option is beyond the scope of this report but could be undertaken if required.

The continuation of daytime grazing with a reduced herd housed overnight and fed zero-grazed grass is disregarded by Mr Atkinson on the grounds that this would alter the system beyond what he considers to be reasonable, given [redacted] preferred system of maximising grazing opportunities with a short housing period.

By deduction, this leaves us one farming mitigation option to consider in this assessment: the continuation of a grazing-focused system with a reduced herd size.

3.2. Veterinary Opinions

Both veterinary experts considered several key aspects of the continuation of a grazing dairy system, including:

- Animal health and welfare impact during and after the construction period
- Health & safety risks during the construction period
- Herd management practicality during and after the construction period

Their comments are summarised and compared in the table in Appendix 1.

Having reviewed the final reports supplied by both experts, which can be found in Appendix 5 and 6, we understand their conclusions to be:

a. Mr Atkinson concludes that it would be challenging but feasible to continue a grazing system both during and after the construction period with the appropriate mitigation measures in place.

b. Mrs Bland's view is that it is not feasible to maintain a dairy enterprise, principally on the grounds that the required reduction in herd size both during and after construction would render the Businesses financially unviable and that required mitigation actions could give rise to non-compliance with farm assurance standards and current commercial contracts.

We have considered the strength and detail provided in the justifications of opinions and supporting calculations.

We have prepared our financial assessment on the basis that a grazing dairy enterprise is practically viable to maintain throughout and after construction, with the necessary farm practice mitigation measures implemented and the necessary engineering mitigation measures in place.

3.3. Engineering Mitigation Options Necessary to Faciliate Farming Practice Changes

We recognise that to allow the grazing of the herd to continue during and after construction at [redacted] Farm, a change in farm infrastructure is required.

Without Engineering Mitigation measures, the cows cannot move around the farm, preventing grazing. The Projects' team drew up a plan of proposed engineering solutions, on which we commented.

Following further refinement, these proposals were provided to the veterinary experts (see Appendix 4). Mr Atkinson proposed changes, whilst Mrs Bland did not comment on any engineering mitigation measures in her report.

The proposed engineering mitigations comprise the following key infrastructure changes:

- re-routing of cow tracks along the eastern side of Lower Lane, alongside the temporary working area for the Morecambe substation site and the incoming cable route;
- a permanent crossing point for the cow track over the incoming cable route for the Morecambe substation; and,
- the construction of two underpasses or overpasses, one providing access across the [redacted] bridleway to the land in the north of the holding and the other across [redacted] to the land parcels to the west, adjacent to the junction with the [redacted].

Mr Atkinson has suggested the following additions to the proposals:

- double fencing with a minimum 3m separation between cattle and construction boundaries.
- use of acoustic barriers where practical.

He also notes that in addition to the above, non-infrastructure measures should be taken:

- scheduling the noisiest activities outside of times when the cows will be walking to and from the parlour.
- good communication between the construction contractors and [redacted], including advance warning of the loudest construction activities.

We have been instructed to prepare our assessment on the basis that the proposed engineering mitigation options will be implemented to the required standards and that any other infrastructure, such as additional slurry or feed storage, or plant necessitated by a change in the farming system, will be provided to [redacted] by the Projects at the Projects' expense.

3.4. The Proposed Mitigation Solution

Having considered the options set out in Section 3.1, we find that only the continuation of a grazing-focused system with a reduced herd size, and a permanent cessation of milk production and change to beef production are reasonable mitigation options which could be expected of a hypothetical occupier. An assessment of the beef production option is beyond the scope of this report.

To summarise the conclusions of Section 3, the proposed mitigation solution for which we have completed our financial assessment is described as follows:

- The continuation of a grazing-focused system both during and after the construction period. Land that we deem to be impractical to access with the herd but still accessible to farm machinery is mechanically harvested for forage.

- A significant herd reduction to align the size of the herd with the available land during construction to avoid exceeding the current purchased forage requirements of 258 tonnes of dry matter (DM) equivalent.

- A transition from the current split-block calving system to an autumn-block calving system. This is suggested by Mr Atkinson, given the close alignment between the current proportion of spring and autumn calving cows (1:2), the necessary level of herd reduction (33% to 50%), and that it would simplify the management requirements of the herd.

- A gradual expansion of the herd to circa 200 cows following completion of construction works from home-bred replacements and as affected land recovers in yield potential.

4. Financial Viability of the Proposed Mitigation Solution

To model the economic impact of the proposed mitigation solution, we have prepared two financial projections. The first represents the Businesses during construction, and the second represents the Businesses in a normalised position post-construction once the affected land has recovered and the herd size has reached its optimum ("Post Recovery").

In this scenario, we define optimum as the number of cows which the holding could feed assuming that the affected land returns to its current levels of grass production and that no more purchased forage is required over that which is currently bought by [redacted]. We are also mindful of Mrs Bland's concern around pollution risks and have included an estimation of the N loading for each scenario to ensure that this does not exceed the Businesses' current position.

The critical assumptions of the models are as shown in Table 3, along with those of the financial projections supplied by [redacted] for the 2025/26 financial year ("Current System").

Table 3: Summary of Critical Assumptions for Proposed Mitigation Solution Financial Assessments.

	Current System	During Construction	Post Recovery
Available Land Area (ha)	95.00	55.60	80.55
Ave. Herd Size (cows)	304	146	201
Stocking Rate (LU/ha)	3.35	2.68	2.51
Livestock N Loading (kg N/ha)	334	271	254
Milk Output (litres)	2,011,770	978,219	1,330,019
Milk Price (ppl)	37.74	43.28	43.28
Purchased Feed Req. ① (t DM)	② 258.00	254.41	258.18

① Forages, by-products and straights, excludes concentrates fed in the parlour and youngstock concentrates.
② Not specified in projections supplied. Value noted during on-farm meeting on 18/12/2024.

The key figures of the detailed projections are included in Appendix 2 and 3, along with a detailed account of the budgetary assumptions and information referenced in each of the detailed financial projections. The key figures are summarised in Table 4.

Table 4: Summary of Key Figures from Financial Modelling of Proposed Mitigation Solution

	[redacted] Projection 2025/26		During Construction		Post Recovery	
	£,000	% TO	£,000	% TO	£,000	% TO
Total Output (TO)	[redacted]	100	[redacted]	100	[redacted]	100
Direct Costs	[redacted]	39	[redacted]	37	[redacted]	35
Gross Profit	[redacted]	**61**	[redacted]	**63**	[redacted]	**65**
Labour, Power & Machinery	[redacted]	19	[redacted]	24	[redacted]	25
General Overheads	[redacted]	5	[redacted]	6	[redacted]	4
Pre-Rent & Finance Profit	[redacted]	**37**	[redacted]	**33**	[redacted]	**36**
Rent & Finance	[redacted]	2	[redacted]	4	[redacted]	3
Management Profit	[redacted]	35	[redacted]	30	[redacted]	33
Remuneration to [redacted] ①	[redacted]		[redacted]		[redacted]	
Profits Available to Service Reinvestment & Tax	[redacted]		[redacted]		[redacted]	

① Average annual remuneration to [redacted] from the Businesses from 2019-24. Includes Director's salary, Director's pension contributions, private drawings and Proprietor's pension contributions (see Table 5)

It is our understanding that the Businesses are not burdened by significant debt servicing requirements. Assuming that [redacted] budgeted depreciation costs are proportionate to the level of reinvestment required to maintain the Businesses' asset base, the residual management profits would only be required to service the return to [redacted] for his labour and management expertise, and the resulting tax liabilities.

Calculation of the average returns to [redacted] from the Businesses for the five years of financial accounts supplied (2019-24) are set out in Table 5.

Table 5: Summary of returns to [redacted] from the Businesses 2019-24

[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]					
[redacted]	[redacted]					
[redacted]	[redacted]					
[redacted]						
[redacted]	[redacted]					

The financial projections, on the basis of the stated assumptions, indicate that the Businesses would still be profitable, albeit at a reduced level of scale and turnover.

A proportional comparison of the projected profits generated under both scenarios assessed and our estimation of the likely trading profits for the 2025/26 financial year, based on the projections prepared by [redacted], is shown in Table 6.

Table 6: Proportional Comparison of Projected Profitability During Construction and Post Development with estimated likely profitability in FY2025/26

	% of FY25/26	Reduction %
FY 2025/26 (Estimate)	100.00	-
During Construction	29.57	70.43
Post Development	45.62	54.38

A variation in any of the critical assumptions, such as a significant reduction in milk prices, could affect the projected profitability in each scenario. Depending on the level of reductions, this could eliminate the Business' ability to be economically viable. We estimate that a reduction in the region of 5.00 to 6.00 pence per litre could render the business economically unviable during construction.

Given the level of profits forecast, in our opinion, these are sufficient to provide an equivalent remuneration to [redacted], along with funding the businesses' reinvestment requirements and its tax liabilities. We consider that the business would remain viable both during construction and post-recovery.

5. Conclusions

On the basis of the findings and recommendations of the veterinary expert opinions sought, we accept Mr Atkinson's conclusion that the continuation of a grazing dairy enterprise both during and after construction works at [redacted] Farm would be challenging but practically feasible.

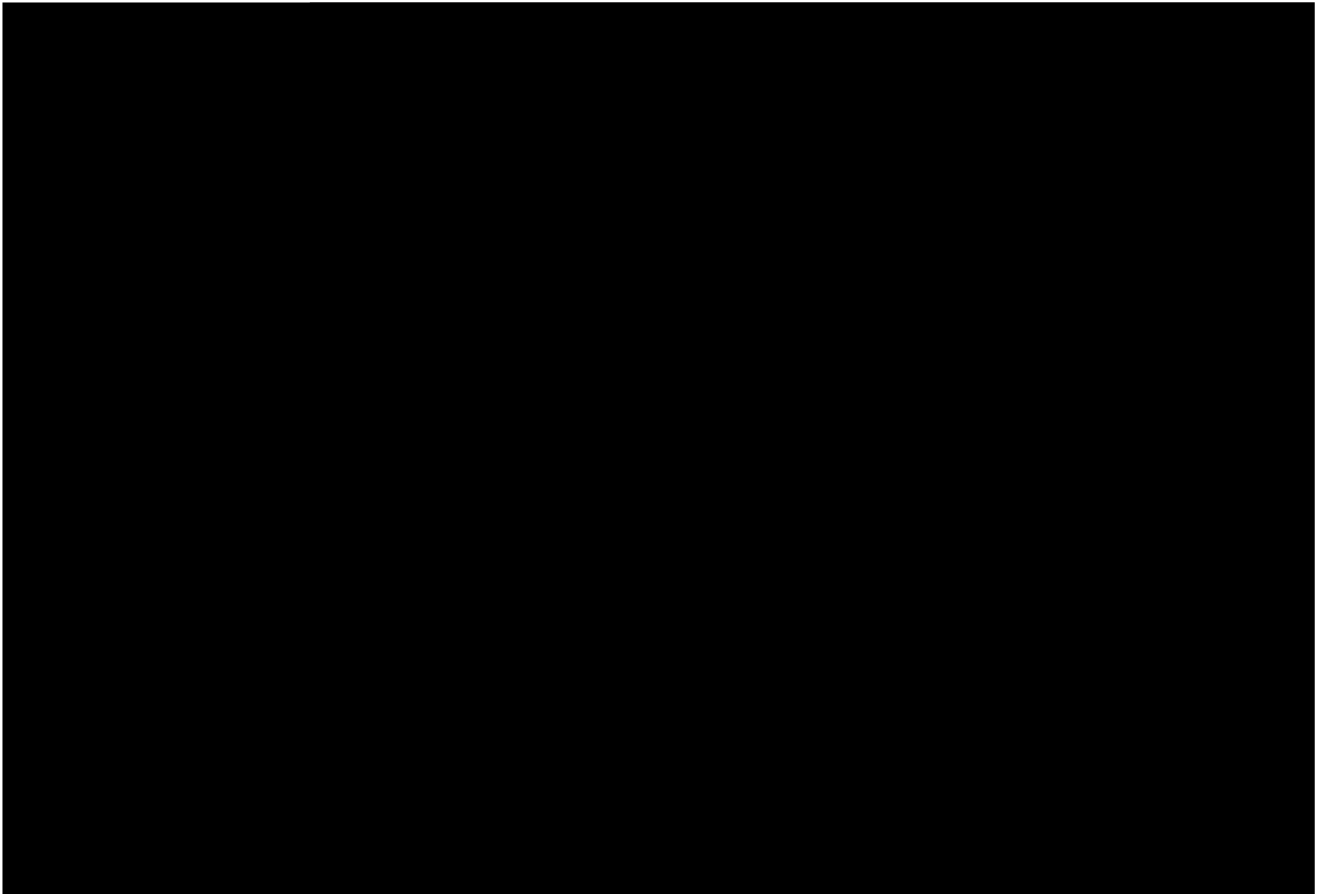
It will require a reduction in scale and the implementation of a different management approach by [redacted], but one which would not be unreasonable to expect of a prudent person seeking to mitigate his losses in such a situation as this.

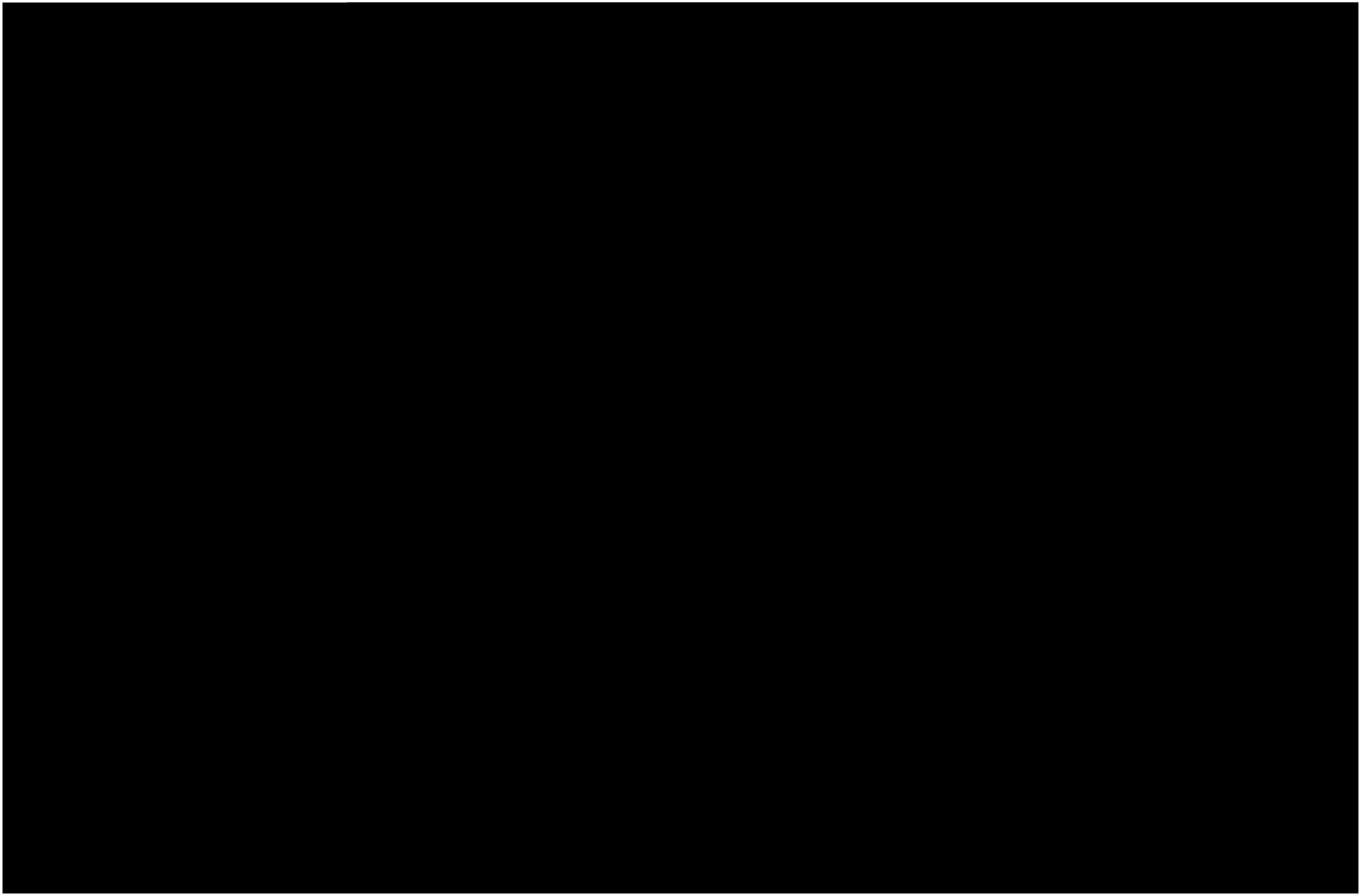
This conclusion is reached based on the assumption that the infrastructure required as part of the engineering mitigations can be provided to an appropriate standard and at the Project's cost. This requires corroboration from a suitably qualified and experienced engineering specialist, as it is beyond our expertise to comment on construction matters.

On the basis that the suggested engineering and farming practice mitigations are implemented in full, and that the information provided to us on the Businesses is a true and accurate representation of its current performance, we find that the Businesses could generate sufficient profits both during and after construction to service an historically comparable level of remuneration to [redacted], reinvestment, debt servicing and the likely resulting tax liabilities. On this basis, we conclude that the Businesses could continue to be financially viable.

The financial assessments for the During Construction and Post Development scenarios indicate potential profits of c.£[redacted] (a reduction in the region of 70 percent) and c.£[redacted] (a reduction in the region of 54 percent), respectively, on the basis of the assumptions made.

The difference in gross operating profitability between the Businesses' demonstrated performance and the illustrated performance under the mitigation scenarios will be the subject of [redacted] compensation calculations and is a separate consideration to the determination of the Businesses' viability during and after construction.





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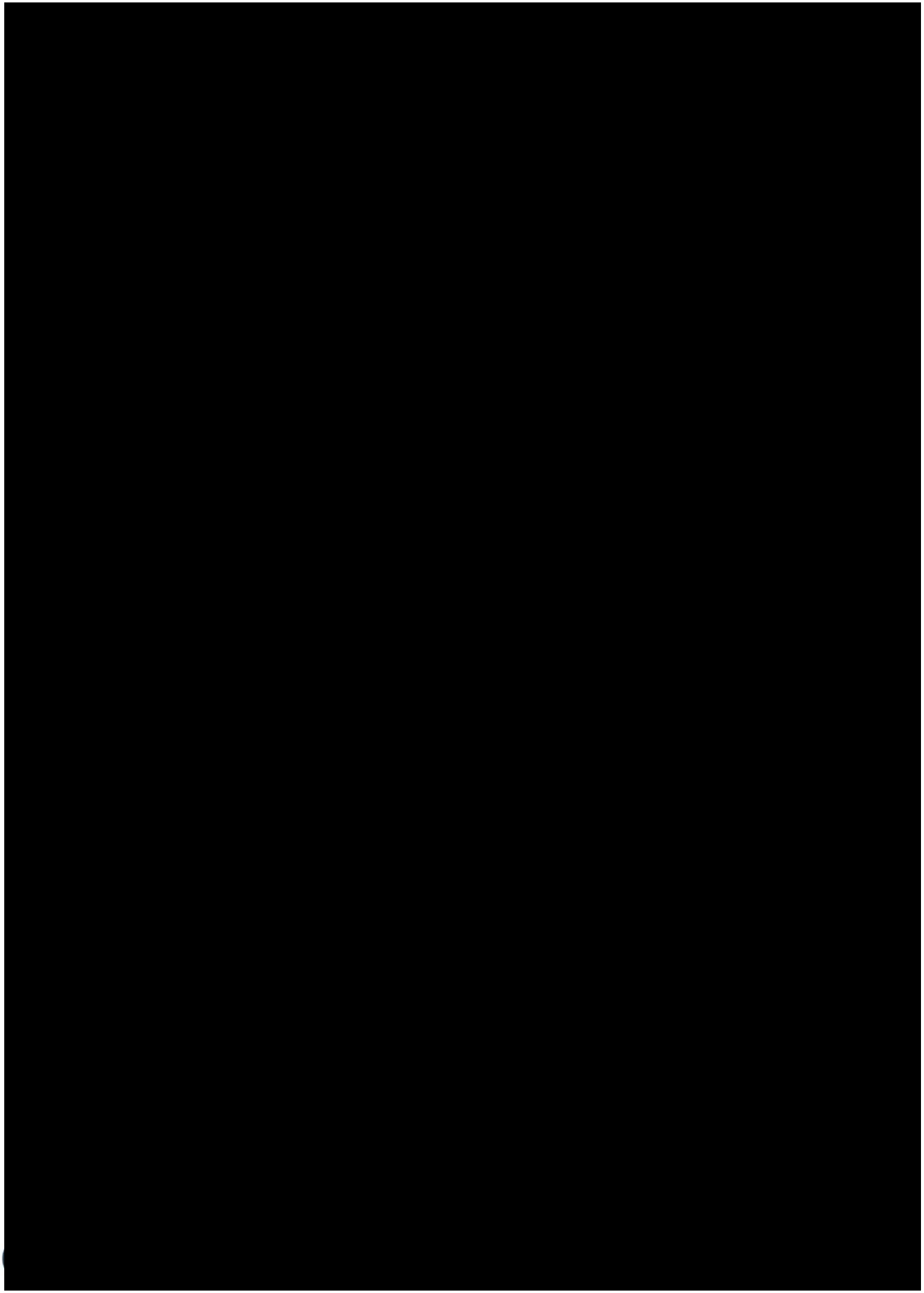

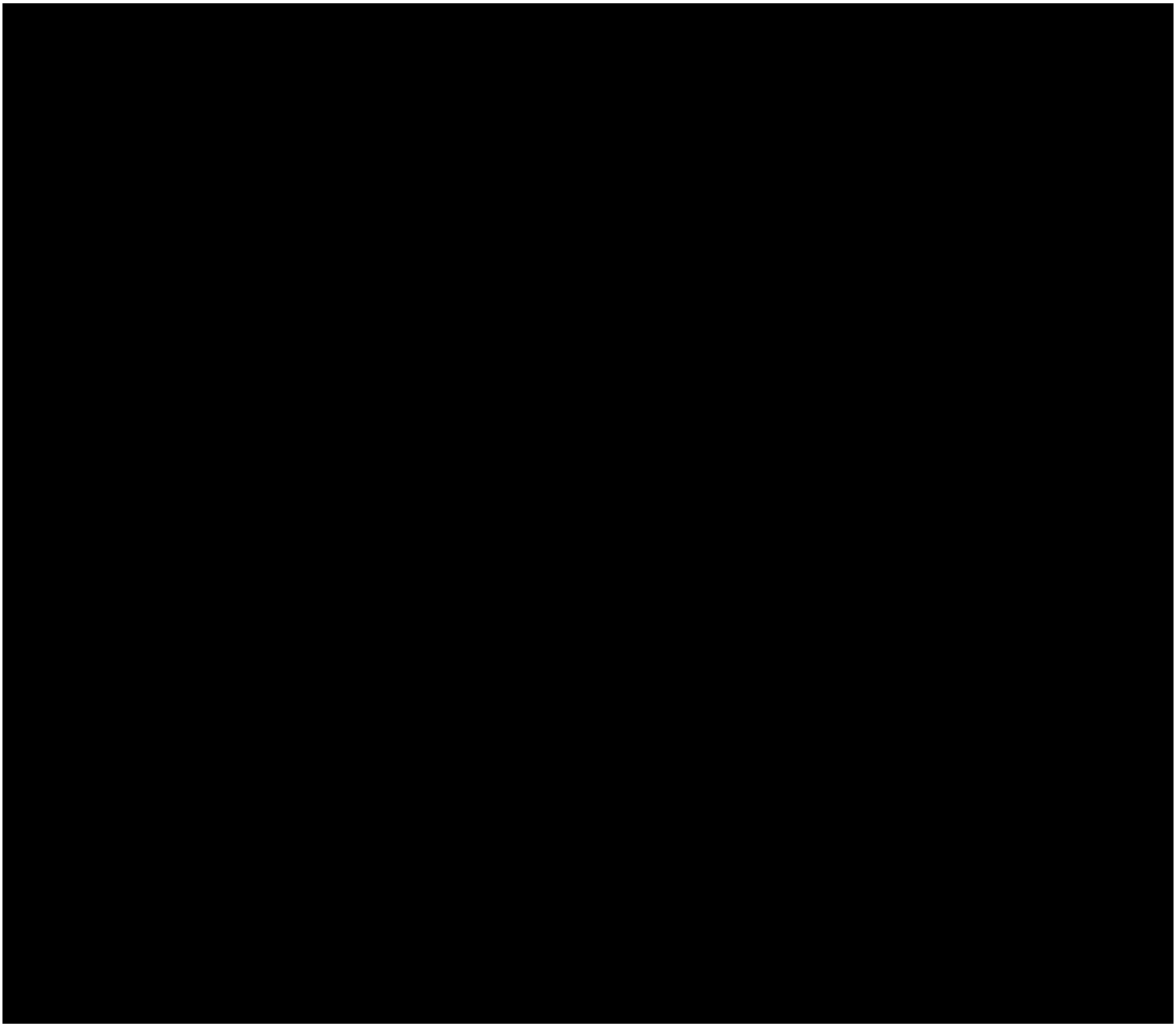

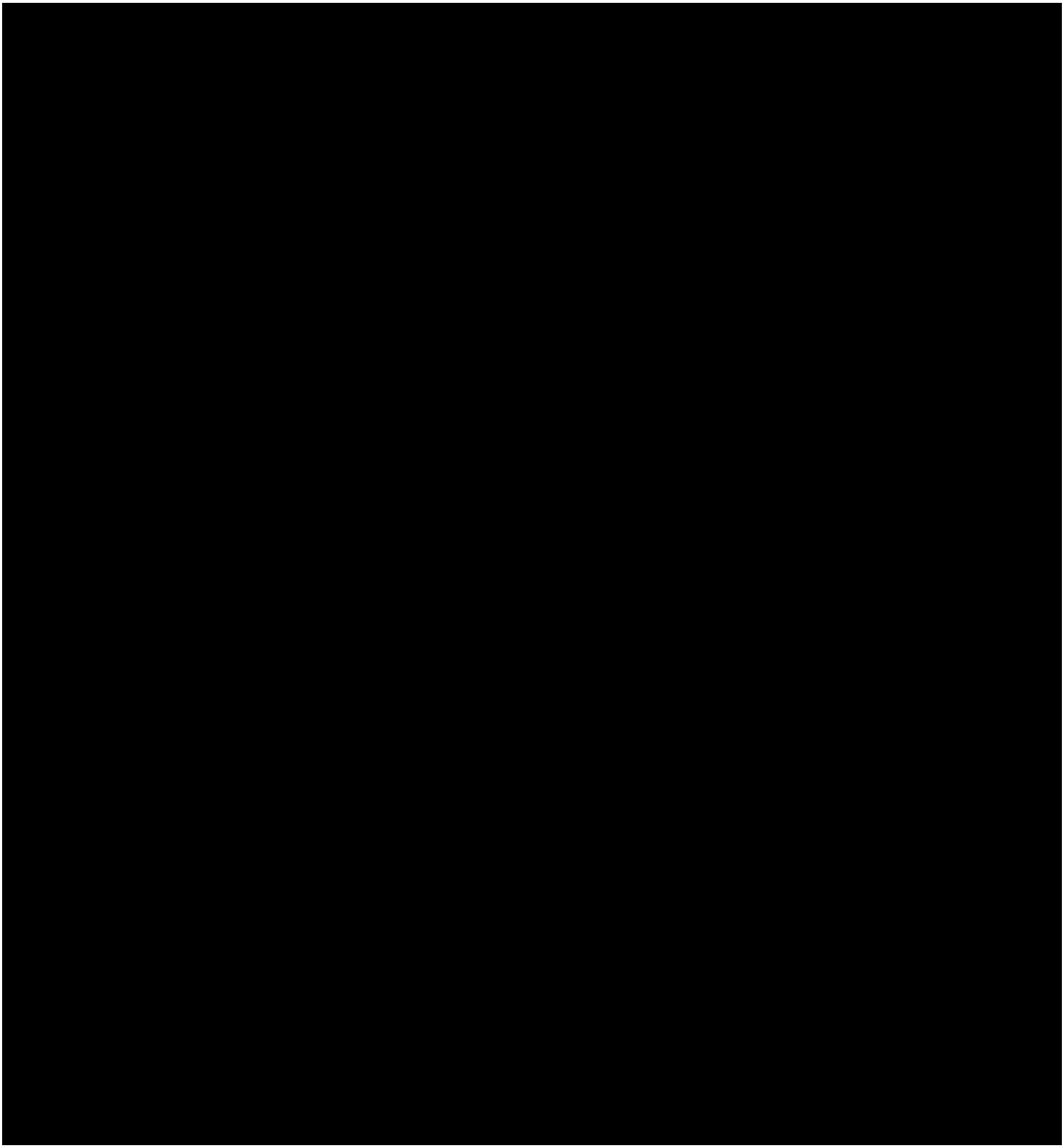

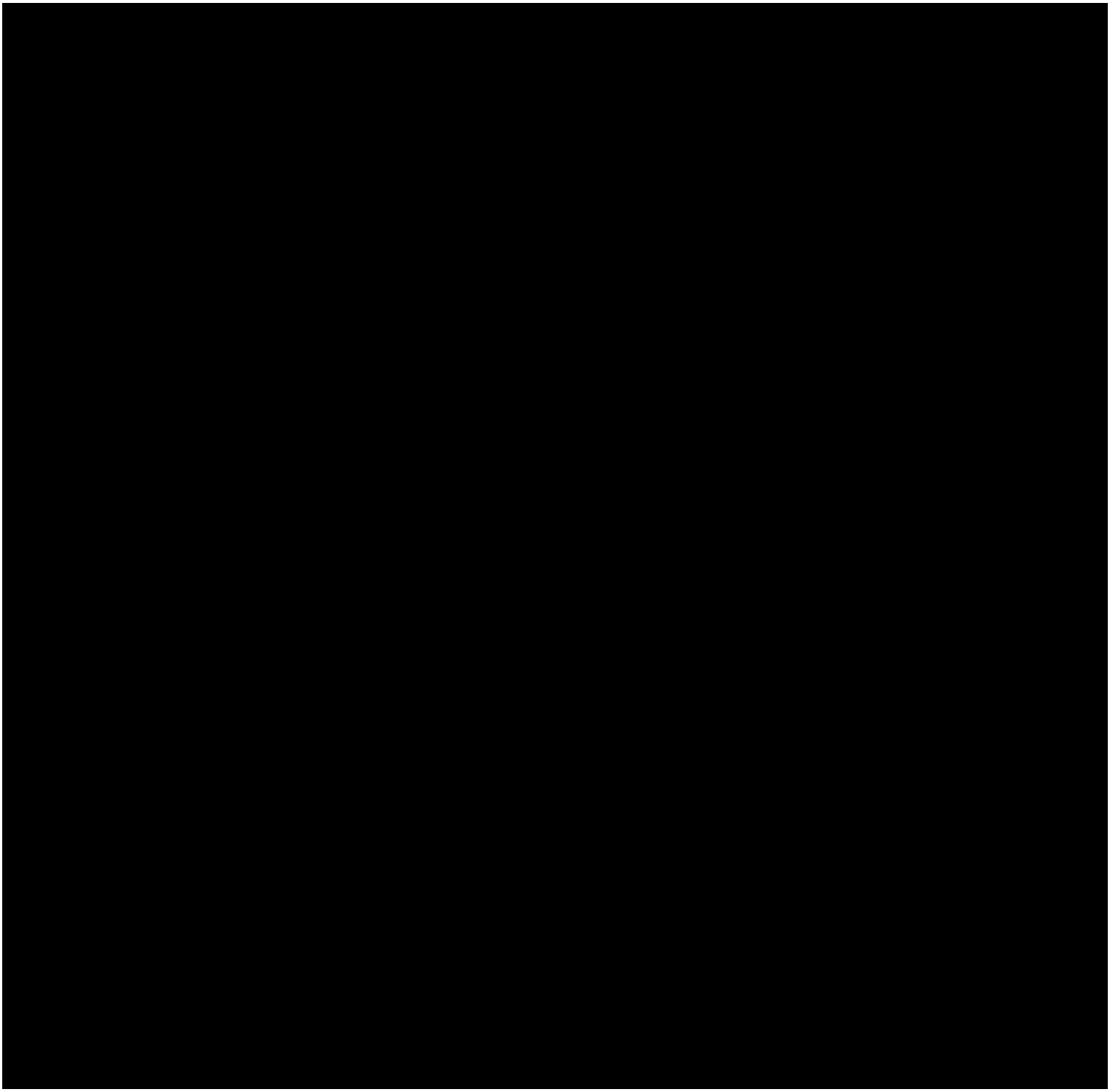

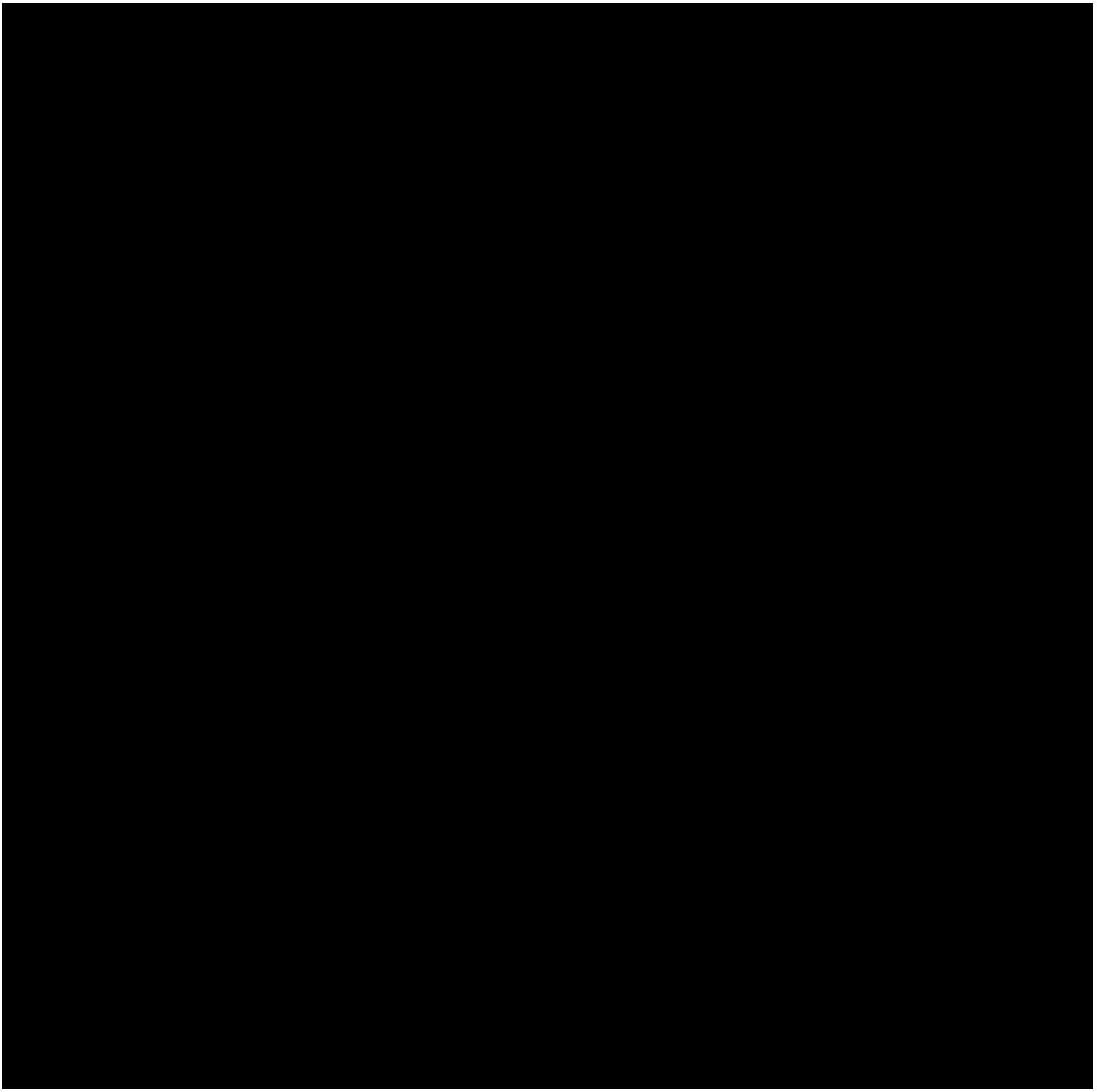

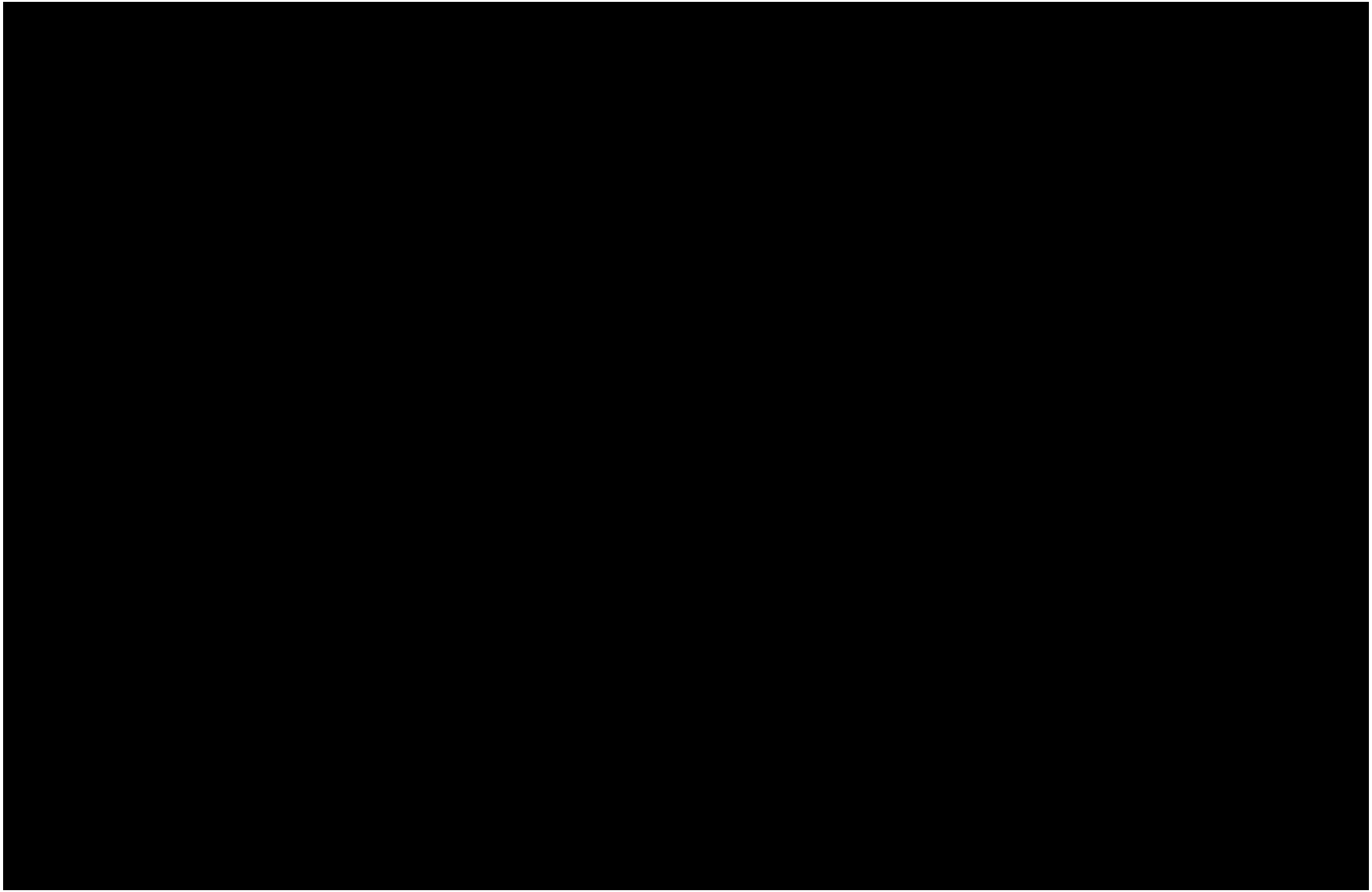

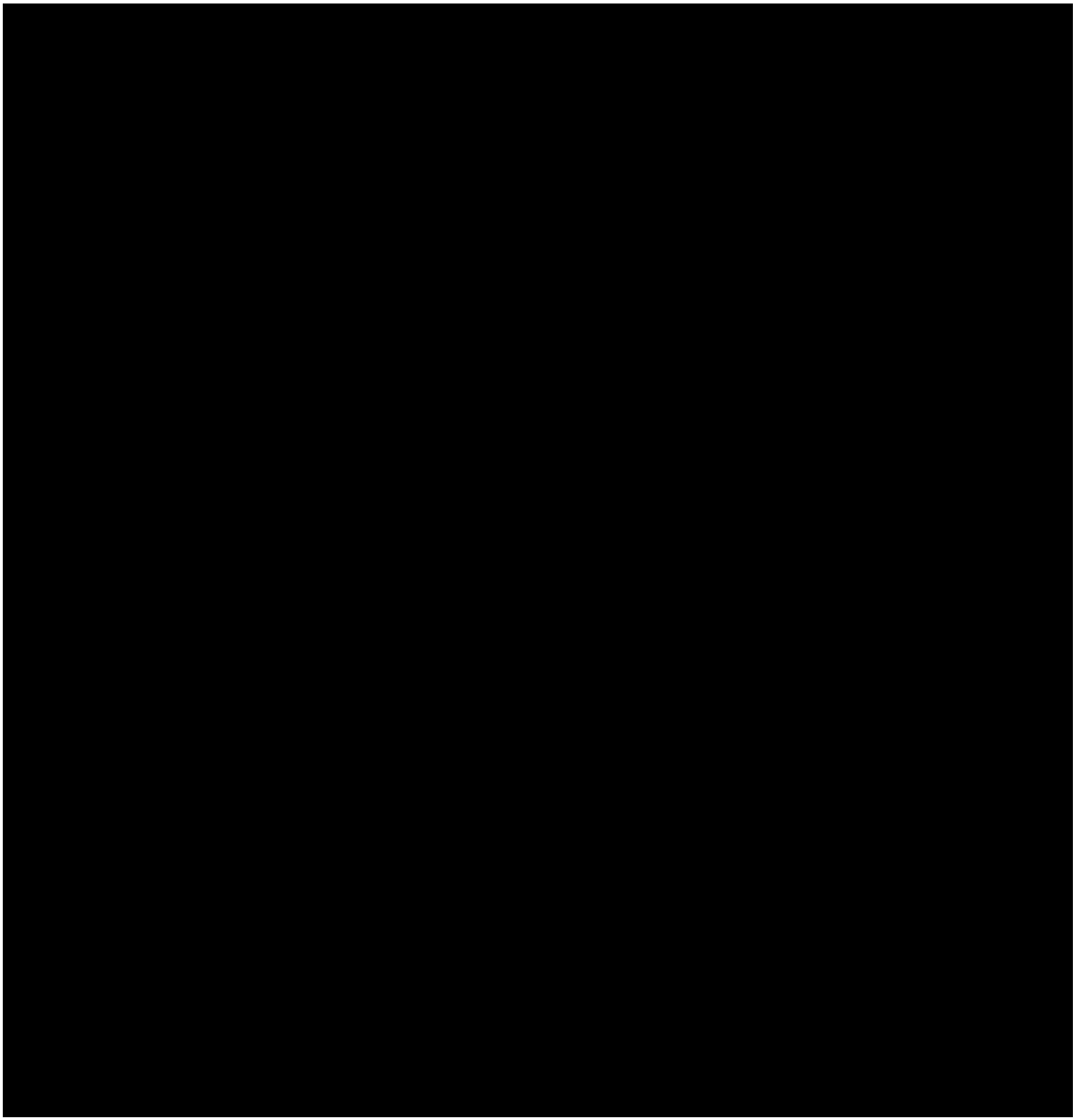

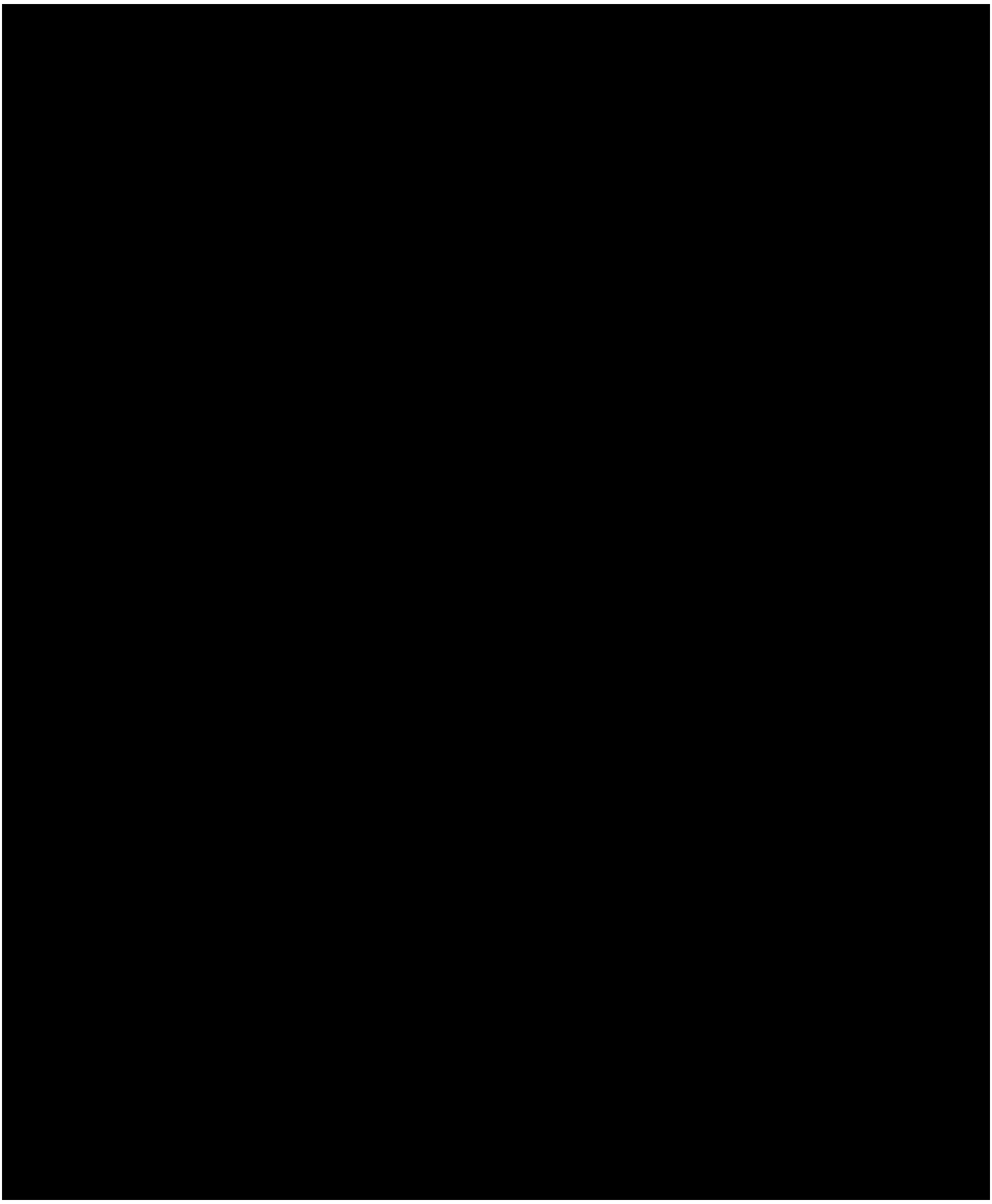

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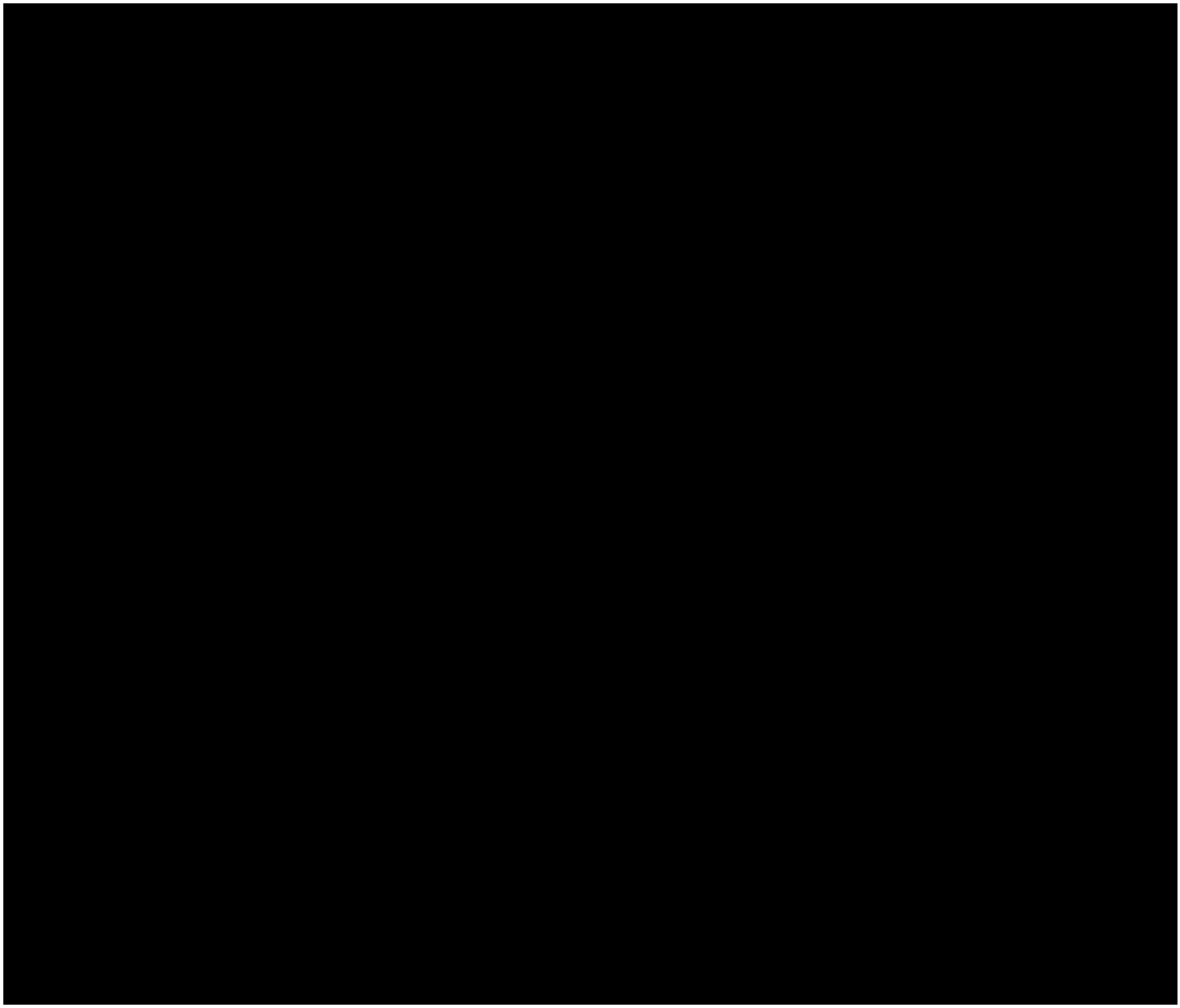

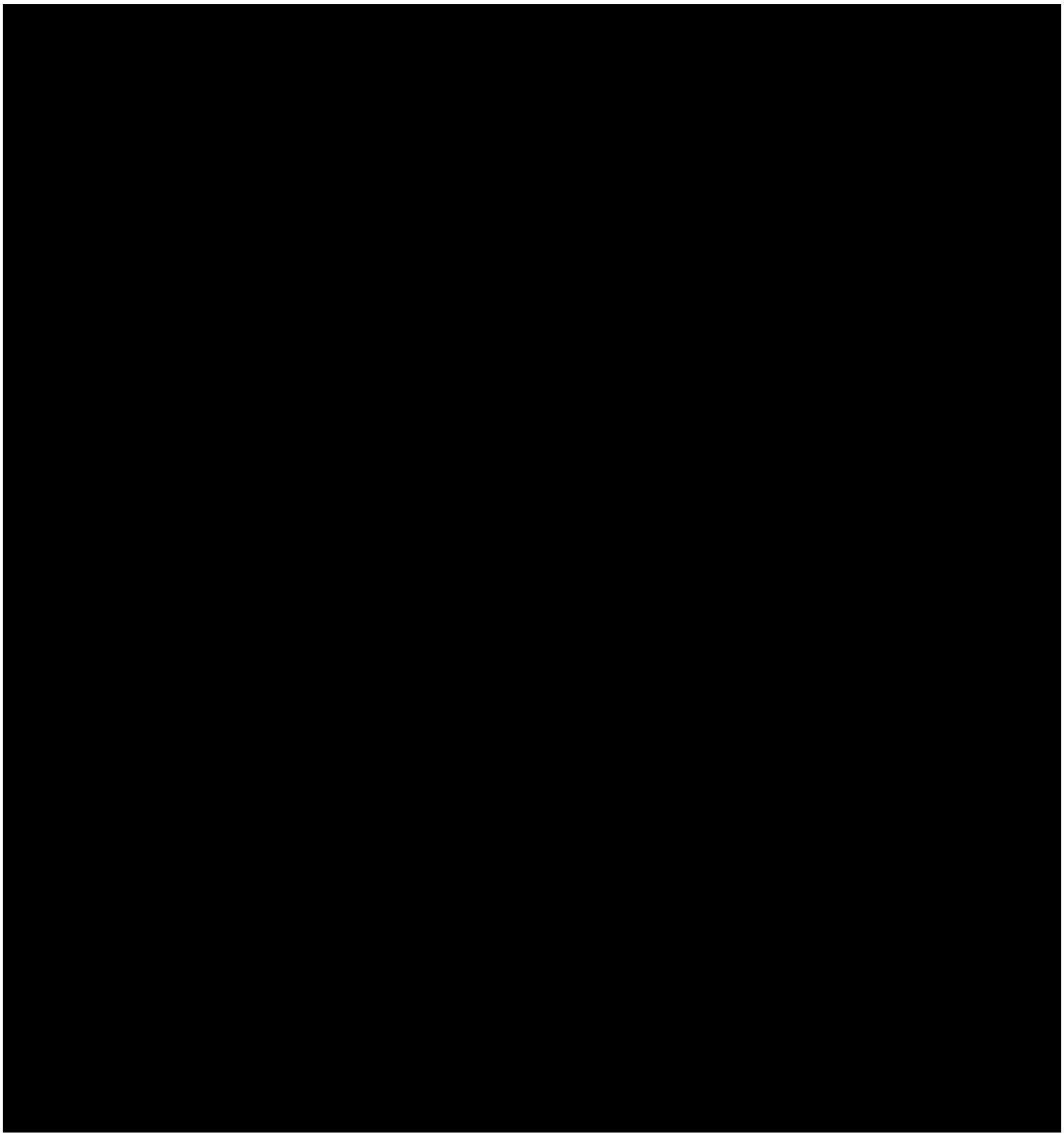

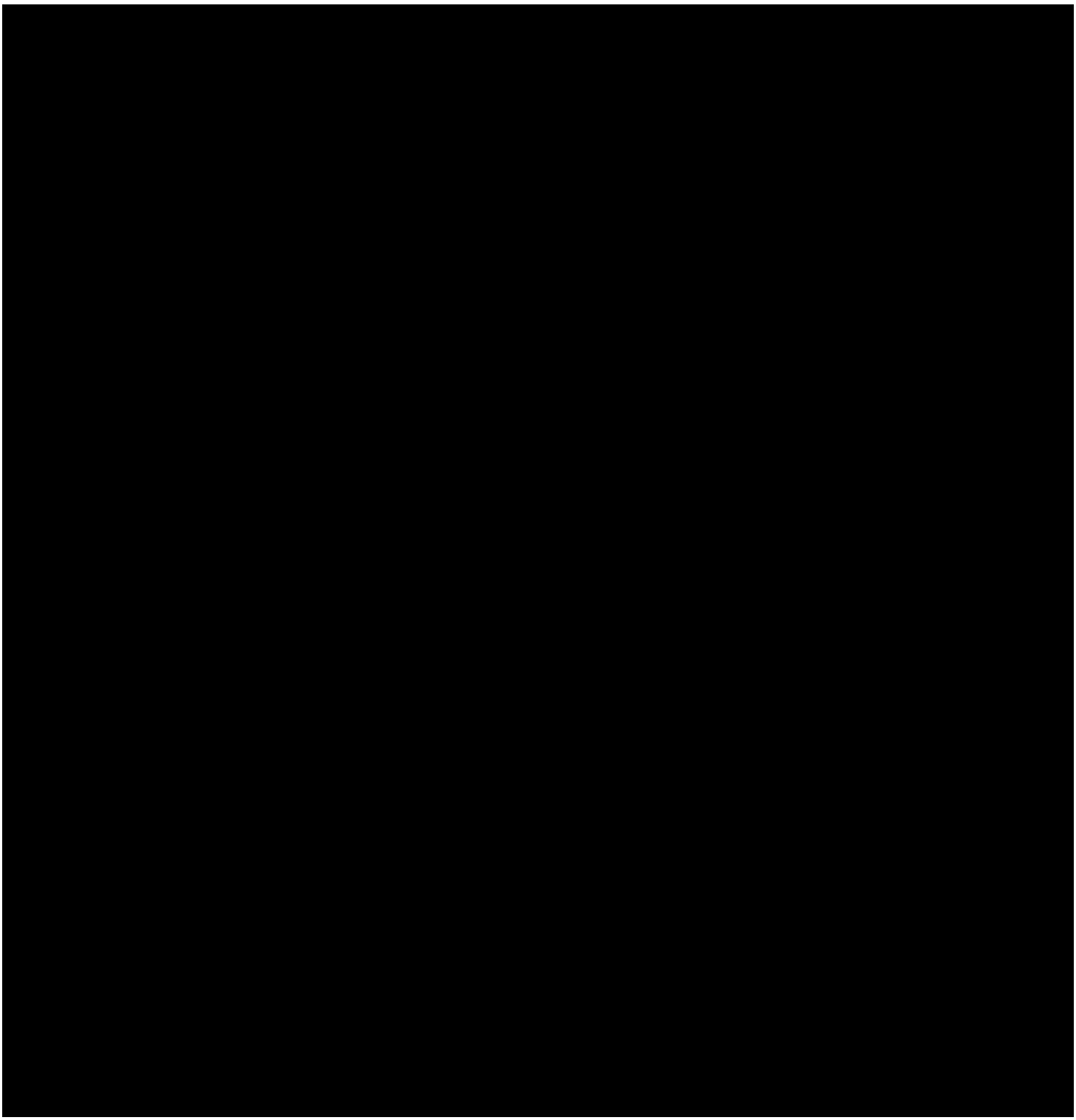

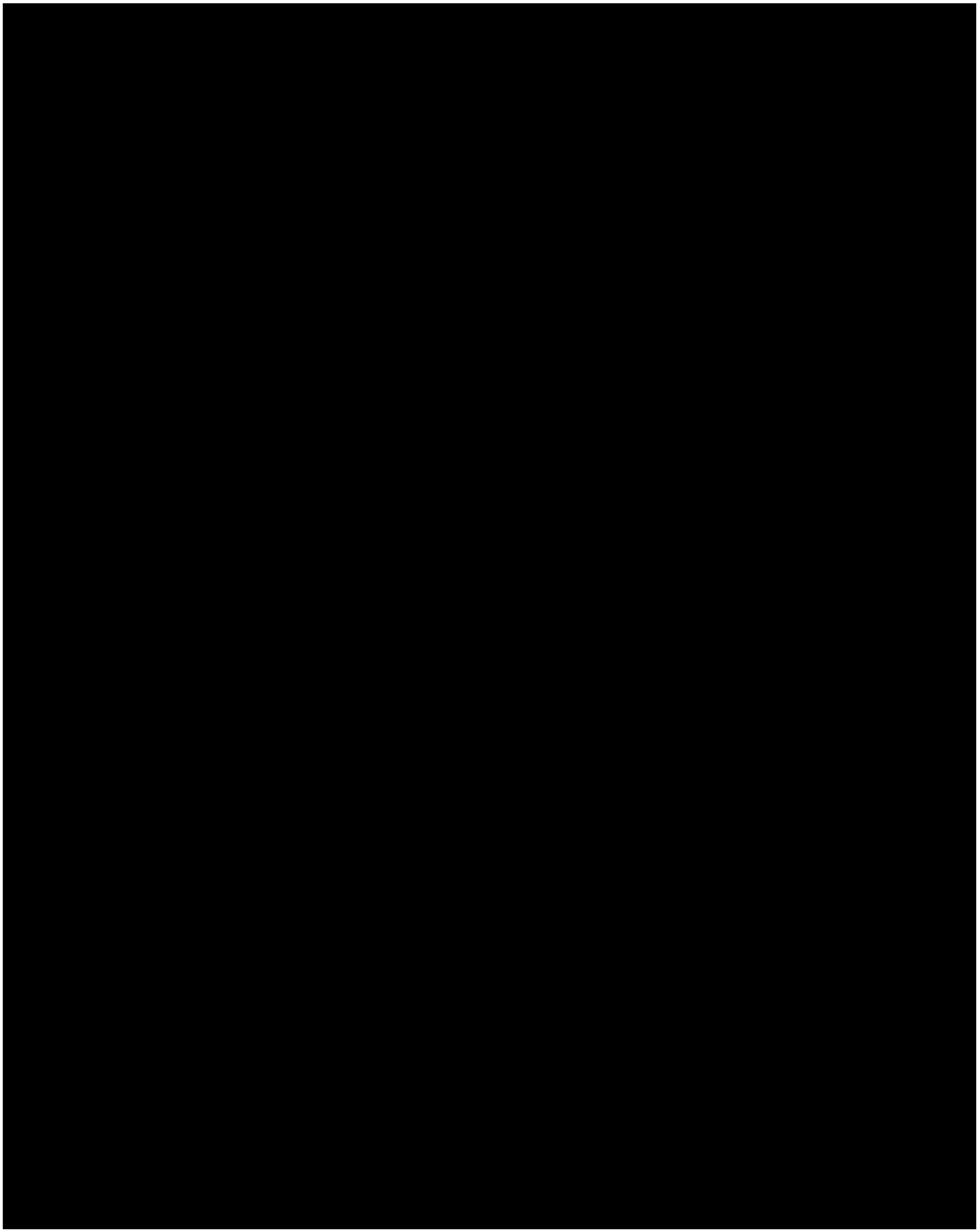

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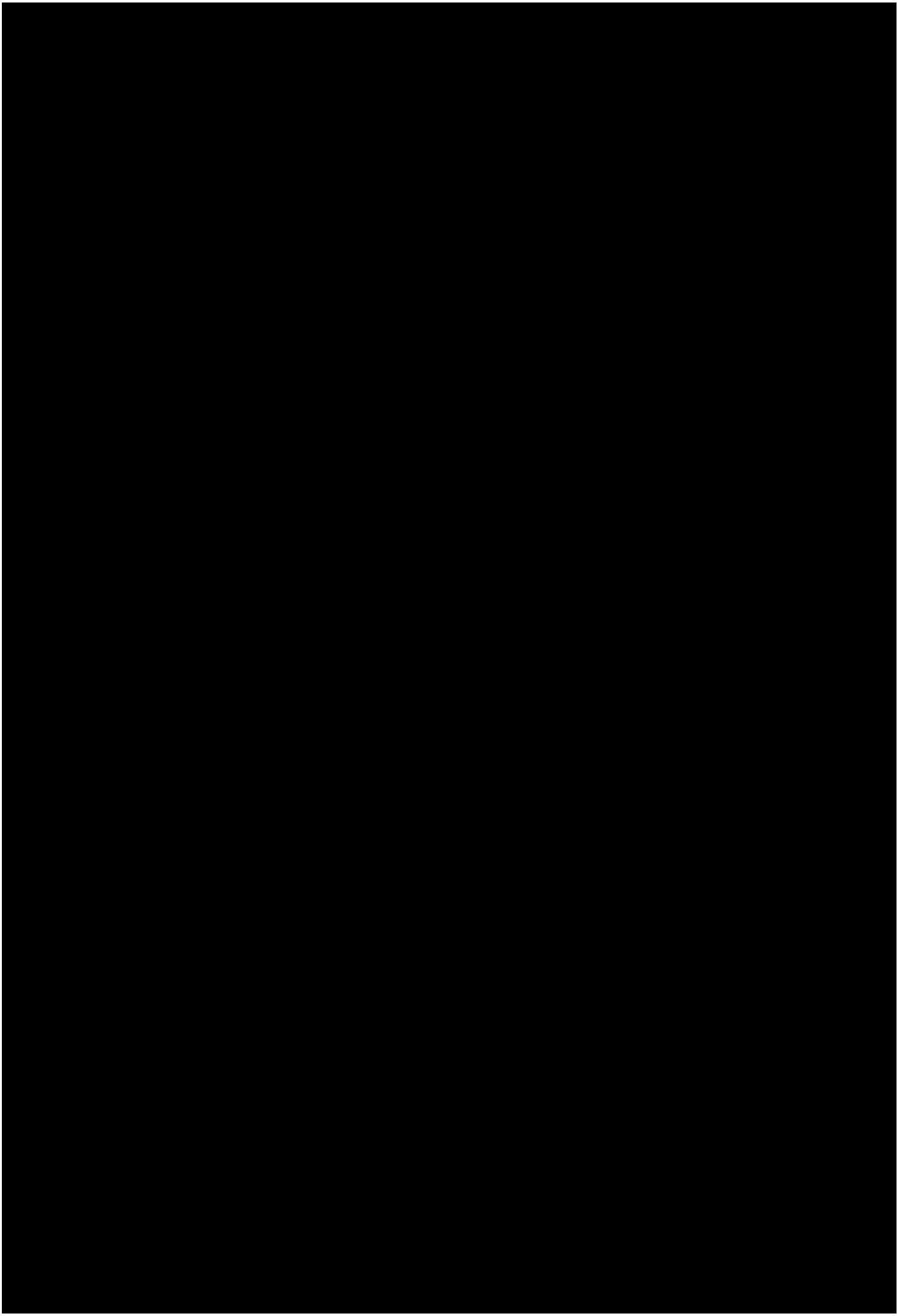

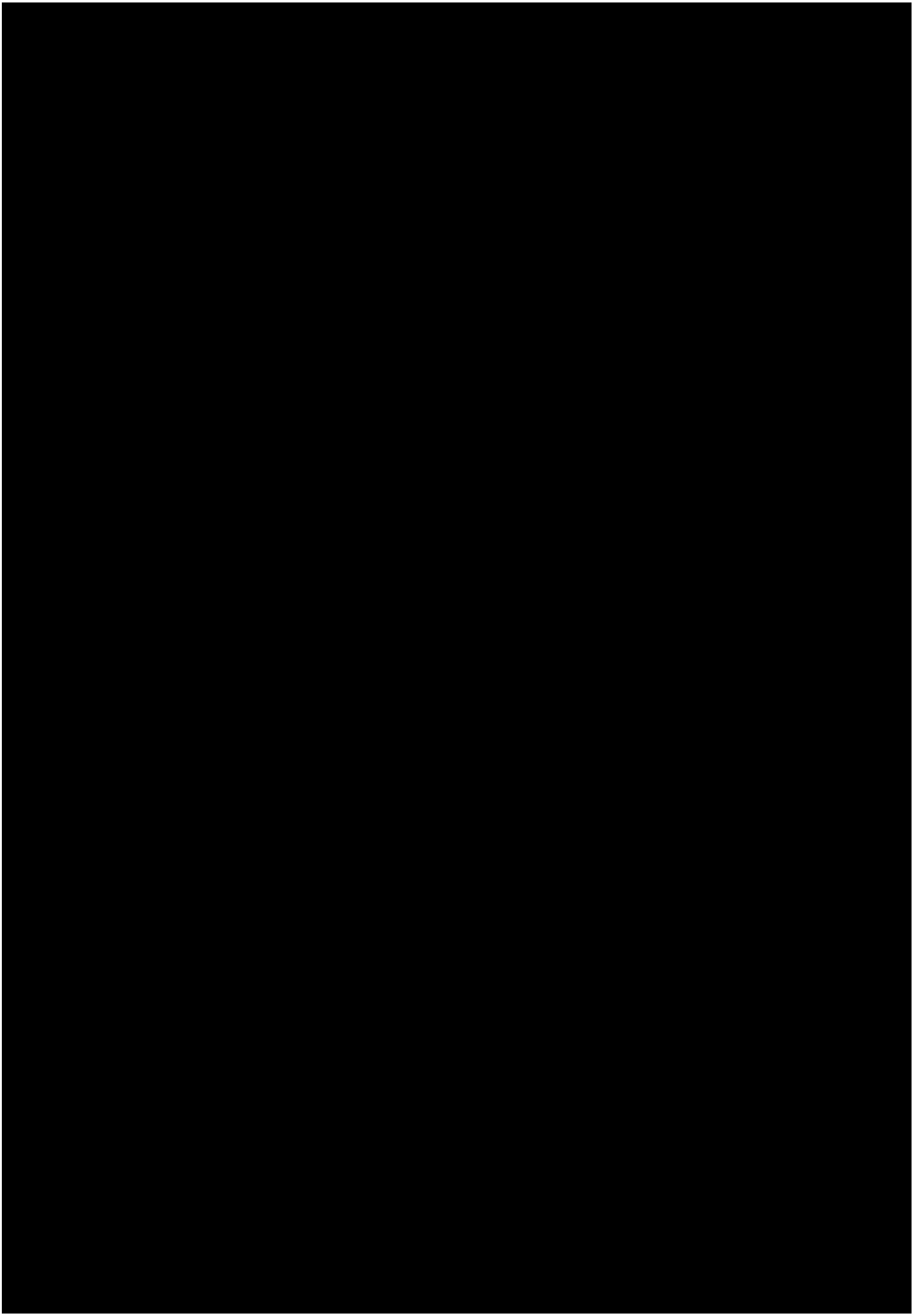

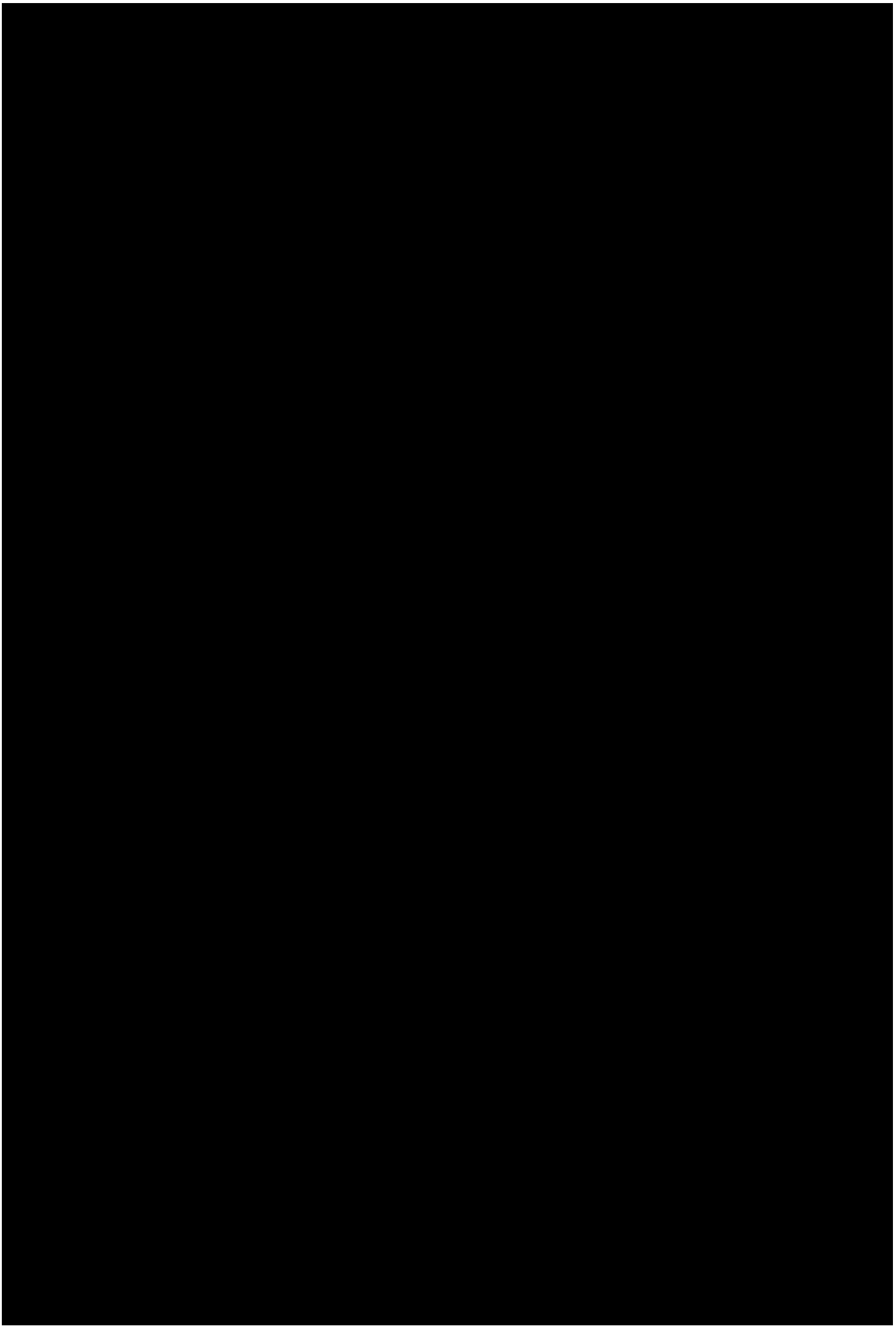

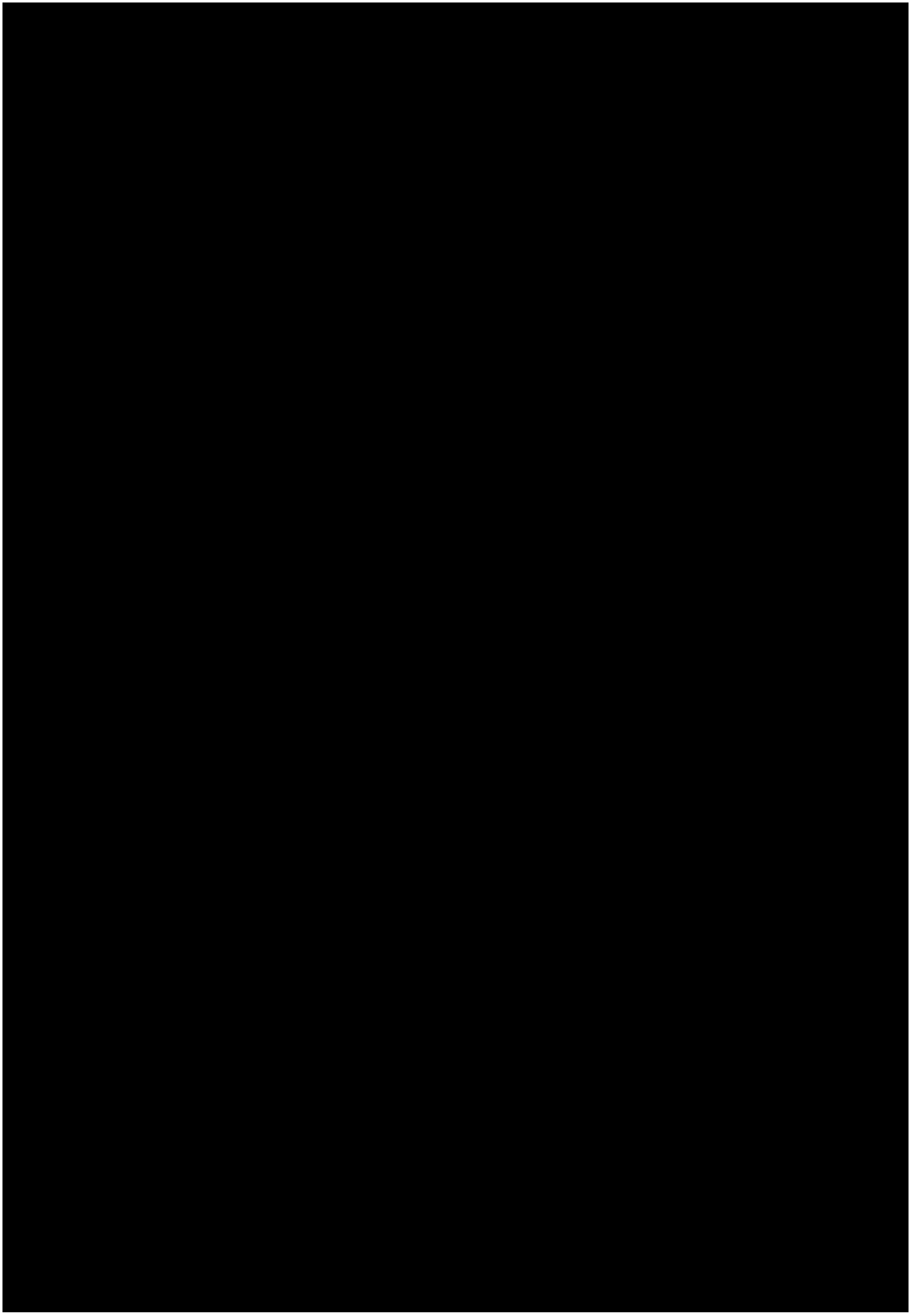

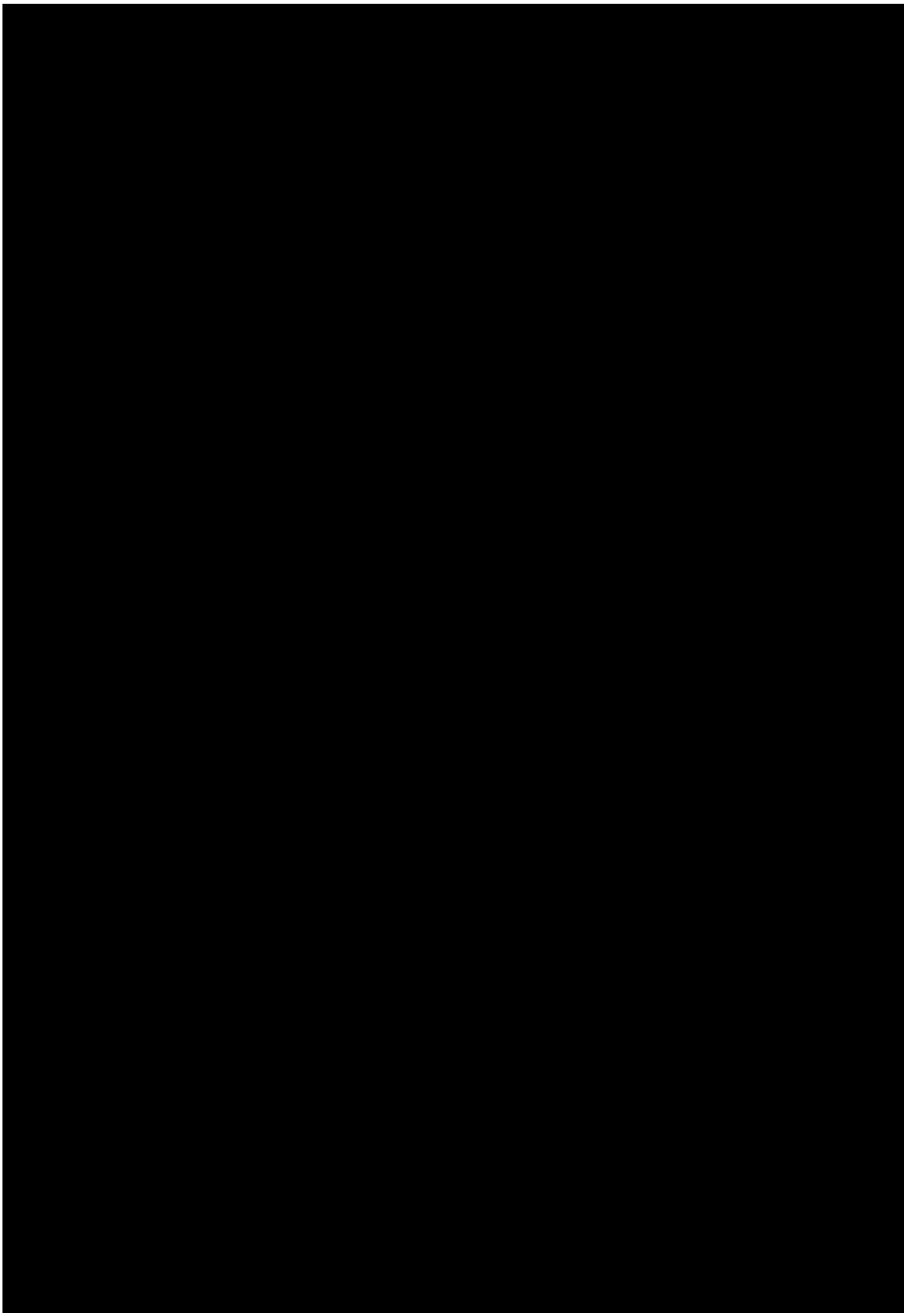

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