

IS BNG RIGHT FOR YOUR LAND?

Unlocking Biodiversity
Net Gain potential
from Tees to Tyne

Route to market

How to operate a Biodiversity Net Gain (BNG) habitat bank: the commitment you will make, the requirements you need to satisfy and how it could help your business.

WHAT'S IN THIS GUIDE?

- What is BNG?
- Critical constraints you need to know
- Opportunities for farmers
- Practicalities for farmers
- Step-by-step guide

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Durham
Wildlife Trust
From Tees to Tyne

Why BNG?

Biodiversity Net Gain (BNG) was introduced in 2024 to help halt the decline in UK biodiversity and encourage wildlife recovery.

As the name suggests, BNG requires there to be a net gain of biodiversity on sites where a development results in the loss of habitat. The gain might be through measures a developer takes on that site, or by paying farmers and land managers to deliver environmental improvement on their land, known as habitat banks.

How does a BNG habitat bank differ from other environmental schemes?

Unlike schemes such as Countryside Stewardship, BNG involves farmers designing, creating and managing an improved habitat for a period of 30 years. Biodiversity Units measure the 'uplift' in improvement and are sold directly to the developer at a price agreed between the parties to reflect the work involved in that 30-year commitment.

How does it work?

A landowner works alongside an ecologist to design a habitat creation or enhancement scheme which is recorded in a Habitat Management and Monitoring Plan (HMMP). The ecologist evaluates and quantifies the uplift in biodiversity from the scheme and calculates how many biodiversity units the scheme would generate.

The landowner enters a binding 30-year legal agreement, and the site is then added to the national gain sites register. The landowner can then sell their units to developers who need them for their development sites.

Creating a habitat bank gives farmers and landowners a diversified income stream for helping support species diversity, water quality and soil health.

Habitat banks can be large or small and can work alongside normal farming operations—BNG schemes can be designed to fit within farming businesses, not replace them.

Demand for BNG

BNG applies to full planning applications that affect habitats – from housing developments and business parks to farm infrastructure such as new grain stores or sheds.

Some development sites cannot deliver their 10% uplift on-site, especially large or dense schemes. As a result, there is a demand for offsite BNG units to be purchased from farmers.

The type of habitats that are impacted by developments range from grassland to woodland to watercourses and even habitats that have developed on brownfield land.

Local housing targets can impact the demand for BNG units. For example, if all new homes planned in County Durham and Darlington were built on arable land, there could be a need for roughly 150–200 Biodiversity Units each year for housing alone.





Critical considerations

BNG can be a great opportunity for many farmers but it isn't suitable for every farm. These are the key deal breakers that would rule out a habitat bank for BNG:

Do you have secure land ownership or control for 35 years plus?

BNG is a 30-year scheme, but the 30 years only begin after the habitat has been created. Because of this lead in period, you need long term control of the land for **35 years or more**, with no risk of losing it.

Are there any existing planning permissions or future development plans?

The land cannot be used for other purposes within the 30 years and you should consider that it is unlikely that it can be used for other purposes after. If the land is already earmarked for development or if you may want to develop it later, serious conflicts may arise.

No boundary or title disputes.

Any uncertainty over who owns the land can stop registration.

You can't 'double-claim' with other schemes.

If you're already in Stewardship, SFI or another agreement, you must avoid overlap or choose land not already committed.

Are there any restrictive site designations?

Restrictive environmental designations, such as SSSIs, can limit where and what habitats can be created or you may risk breaching existing conservation requirements.

Secured borrowing

Land secured for borrowing cannot be used for BNG.

The practicalities

Habitat banks should be created on areas where biodiversity can be improved. Land that is in poor condition will be able to generate the most units.

The habitat bank will be managed for at least 30 years, so you should ensure that there are no constraints that would limit its creation or impact on future management options.

When selecting a habitat bank site, there are some practical considerations to have.

Pick land that can genuinely be improved

BNG works best on areas where biodiversity can be increased. Land that is already high quality for biodiversity won't generate the uplift needed and is usually better suited to schemes that reward maintaining existing habitats.

Think carefully about the parcels you choose

Consider land type, productivity, natural constraints, and any areas that don't currently earn much return.

Would committing to BNG mean removing land from another scheme or block any higher value use in future?

Understand the management commitment

A habitat bank needs regular management, monitoring and admin for 30 years. You must follow the Habitat Management and Monitoring Plan (HMMP) exactly, you are responsible for fixing any remedial actions and paying for the associated costs.

Check for rights or restrictions

Existing access rights, utilities, easements or rights of way can limit which habitats you can create and how you can manage them.

Expect inspections

BNG sites are checked regularly, and authorities can access the land with notice.

Future considerations

BNG has long-lasting implications for land use, succession and strategic planning. Land tied into ecological management for 30 years can reduce the land value, limit borrowing potential and place obligations on the next generation. Future planning constraints, potential environmental designations and local development demand should also be assessed before committing land to a BNG scheme.

Habitats by design

In choosing habitat to create or enhance, it is vital to pick a habitat that has a strong chance of success in the chosen location and has a management regime that works for the farm and for the business. Personal enjoyment and personal preference is important too – what species would you like to see thrive? The skills of the land manager will be key to the success of the habitat bank.

Are you confident you can meet the target habitat condition?

It is vital to be realistic about your ability to achieve and maintain specific habitat conditions over the long term. If you aren't confident, you risk failing your legal obligations—a serious liability that can eat into your profit margin through repeated remedial works.

Take the following example, if you would prefer a low input habitat with less intensive management, then you might consider a lowland meadow or neutral grassland. Each habitat is assessed for success in the same way but provide a different number of units based on condition and distinctiveness.



Wetland scrape creation

3 ways to approach habitat selection...

Low-intensity

Choose an establishment/management habitat that may generate fewer units and slightly less income but is far easier to manage over the long term.

High distinctiveness

These 'scarcer' habitat types can produce more valuable units but they require more intensive management and may appeal to a smaller pool of buyers.

Demand-led

Seek to supply specific local demand for known projects. This requires you to be well-connected to local buyers and may already be a crowded market sector in your area.

PRACTICALITIES

Habitat condition is assessed against a series of benchmarks. The list for Other Neutral Grassland and Lowland Meadow is below:

A

Indicator species characteristic of the habitat must be consistently present.

If not met, remedial action may be required such as seeding.

This is required for both GOOD and MODERATE!

B

Sward height must be varied, supporting microhabitats.

Achieving varied sward height may require changes to livestock management or specialist kit.

C

Bare ground must represent 1-5% of the parcel.

Stocking rates must be carefully managed to avoid poaching and surface-runoff issues.

D

Bracken <20%: Scrub <5%

Can be difficult over time, HMMP must set practical non-chemical controls.

E

<5% is affected by suboptimal species or physical damage.

Minor damage and invasive species must be monitored closely.

F

>10 vascular plant species per m²

Required for good condition, but not moderate.

For **GOOD** condition: A and F, plus any other three
For **MODERATE** condition: A, plus at least two others

The 30 year financial reality

Establishing a BNG scheme involves significant upfront costs before any income is received, so you must ensure you have access to cash or bridging finance, necessary machinery and labour, and contractors who are available and committed for the long term.

CONSIDERATIONS

UPFRONT COSTS

- 1 Ecological setup**

Covers the baseline assessment, completion of the Statutory Metric, and the drafting of the Habitat Management and Monitoring Plan (HMMP).
- 2 Legal fees**

Includes the instruction, review, and amendment of a Section 106 agreement or Conservation Covenant, as well as drafting the credit purchase agreement.
- 3 Specialist advice**

Includes costs for 'land agents, ecologists, and other professionals managing the scheme setup.
- 4 National registration**

Mandatory fees required to list the scheme on the official BNG register and meet registration fees on each sale of units.
- 5 Habitat creation**

Covers all creation costs (contractors, materials and seed for example) with some scope for phasing, though certain expenses must still be paid up-front.

Since you will receive payment up front in return for the 30-year commitment, good financial discipline is vital. The legal agreements may require you to demonstrate that you have funds available to meet your commitments, and all BNG agreements contain step-in rights for others to do work at your cost if you fail to deliver.

There must either be away to ring-fence the funds, or your wider business plan must recognise the cost-burden that the scheme places on your successors if you extract lump sums at the outset.

Funds are usually received in two tranches: a deposit when a purchase contract is first agreed, followed by the balance being paid on completion of the sale. It is not a given that each sale will yield sufficient proceeds for the work involved: the scheme has to be considered in the round.

This revenue must first be used to fund physical works, which includes both the initial habitat establishment and the ongoing management tasks required by your specific agreement. Additionally, you must account for compliance and reporting costs, ensuring there is budget to pay for the professional monitoring and audits specified in your Habitat Management and Monitoring Plan (HMMP).

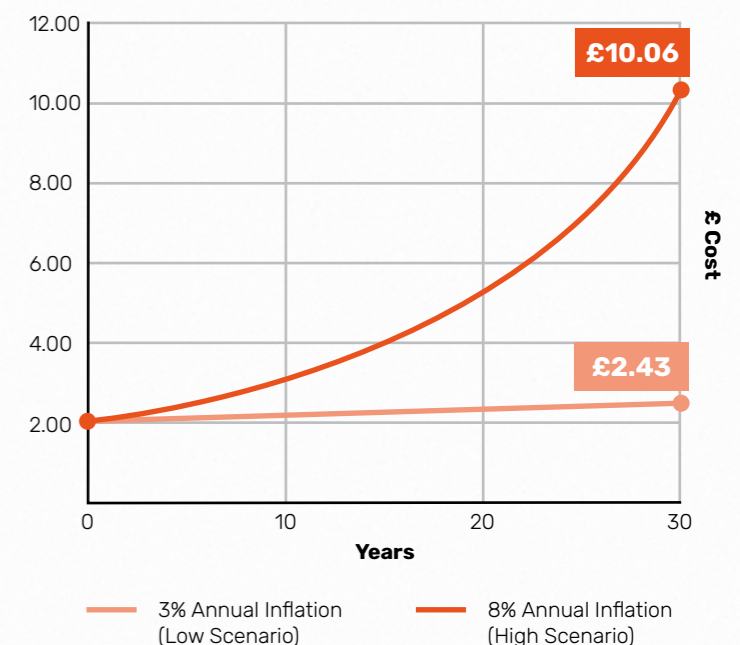
Beyond routine maintenance, you remain financially responsible for risk and rectification, meaning you must cover the costs of fixing any habitat failures or unforeseen problems that arise on the site.

There are also significant legal liabilities to consider: if you fail to perform the required works, you must reimburse the Local Planning Authority or Responsible Body for any remedial actions they are forced to take on your behalf.

It is essential that you take detailed advice from your accountant so that you understand, and plan for, the Income Tax, VAT and Inheritance Tax that may be due. The tax treatment of BNG units is not straightforward.

Understanding inflation

The cost of goods and services increases over time due to inflation. For example, something that costs £1 today would cost £2.43 in 30 years if inflation averages 3% per year. If inflation averages 8% per year, the same item would cost £10.06 in 30 years. This highlights the importance of planning for rising costs when considering long-term financial commitments like a Biodiversity Net Gain scheme.



Legal considerations

A legal agreement is required to buy/sell off-site units. The agreement must be in place to secure the land and last 30+ years from completion of enhancement works.

Who can enter the agreement

- Landowners
- Leaseholders with a lease length matching the agreement
- Shorter leases require freeholder involvement

Your commitments

- Create/enhance habitats
- Manage them for at least 30 years
- Follow the agreed Habitat Management and Monitoring Plan (HMMP)
- Comply with ongoing monitoring

Why a Habitat and Monitoring Plan Matters

A Habitat Management and Monitoring Plan (HMMP) is a document that sets out how the habitats created for Biodiversity Net Gain (BNG) will be managed, monitored and reported on over the full 30-year delivery period. Getting the HMMP right is essential because it becomes part of the legal agreement tied to the land. If it is unclear, incomplete or unrealistic, it can lead to

failure to meet BNG requirements, legal non-compliance and potential enforcement action. It should include the agreed habitat management actions, monitoring methods and timings, reporting arrangements, review process and adaptive management actions.

Types of legal agreement

a) Section 106 Agreement (s.106) with the Local Planning Authority

Securing a habitat bank through a s.106 agreement means the LPA becomes the enforcing authority, all management and monitoring obligations are legally fixed and bind future owners as a local land charge, and any failure to meet requirements can result in enforcement action.

b) Conservation Covenant (CC) with a Responsible Body

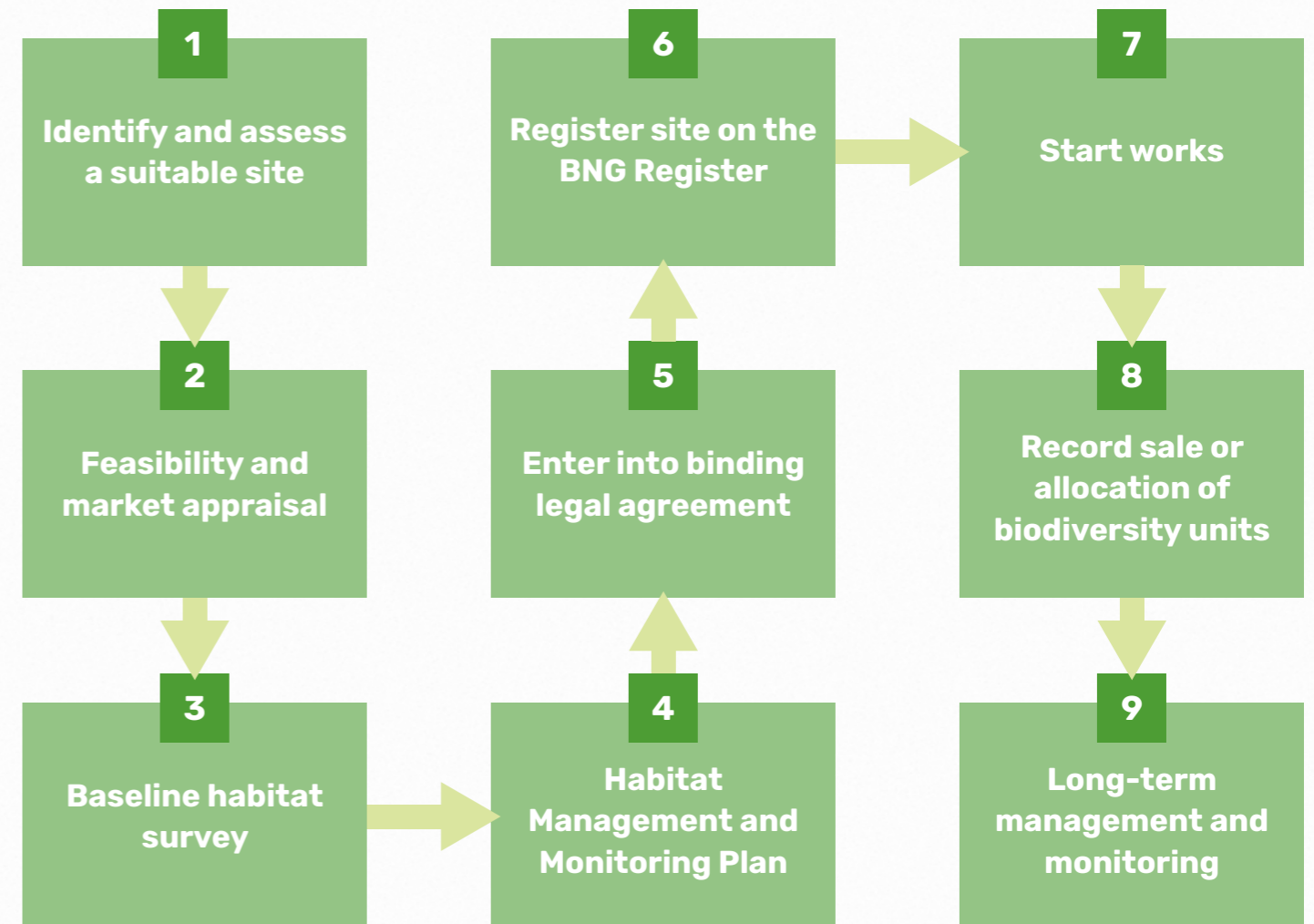
Securing a habitat bank through a CC means the Responsible Body becomes the enforcing authority, all management and monitoring obligations are legally fixed and bind future owners as a local land charge, and any failure to meet requirements can result in enforcement action.

LPA/responsible body duties include registering the s.106 or CC on the local land charges register and carry out ongoing monitor compliance.



Step-by-step guide

Having decided to pursue a habitat bank project, here are the next steps you'll need to follow to ensure it is successful and sustainable.



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