

Business Plan for Strontian Community School Building

Prepared by Strontian Community School Building Limited

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1. Executive Summary

This business plan presents a proposal for the operation of Strontian Community School Building:-

- This Business Plan covers the period 2016 -2031
- Strontian Community School Building Ltd was established in 2016 with the purpose of carrying out any business for the benefit of the community in Strontian by developing and managing community-owned assets.
- The initial activity of SCSB Ltd is to oversee the primary school construction project.
- The current Primary School was identified as being unsuitable for long-term use by the Highland Council in 2012. The Highland Council has signalled it may consider accommodating the Primary School within Ardnamurchan High School (AHS) some time after 2027. AHS, which already houses the nursery and community facilities, was built under a PPP contract which ends in 2027.
- After looking at all the options, the community developed an innovative solution to address the local challenges by forming Strontian Community School Building Limited (SCSB Ltd), a Community Benefit Company Society (FCA Registration Number: 7334) to develop a community owned building.
- The community-owned building will initially be a community owned school building, built on the footprint of affordable housing units.
- The new primary school building will be leased to the Highland Council (HC) for a minimum of 10 years, and thereafter for a long as is then agreed between the community and HC.
- The building, having been designed and built with a second use in mind, might then be converted into affordable housing units or other community use as suits the identified needs of the community at the time.
- As well as providing a new community building, the project will also create apprenticeship/training opportunities, as far as practicable, and provide a vehicle for significant community empowerment.
- It is estimated that 400 people will directly benefit from the project: the children currently in school and future pupils as well as the overall population of Strontian who will have the benefit of a new community resource.
- The project will deliver a legacy for the community. SCSB Ltd. will manage the development, construction, leasing and potential future conversion of the building.

- The aim is to hand the building over to Highland Council in Dec 2017/Jan 2018.

2.Introduction

Business Plan Purpose

This business plan has been developed to support development of a community owned building for use as a primary school in Strontian and the surrounding area of Sunart. The community building is intended to safeguard the primary school by developing a modern, flexible, sustainable building fit for purpose.

Structure of the document

This business plan sets out the proposals for the realisation of this community facility. The plan is divided into the following sections:

Section 1 – Executive Summary	Provides a one page summary of the business plan
Section 2 – Introduction	Sets out the purpose and structure of the business plan
Section 3 – Project Development	Gives more detail about the context for the project including the history and development of the project to date, background to the local area, community consultations and need for the project.
Section 4 – The Vision, Aims & Objectives For The Project	States the overall vision for a new Community Building and explains the underlying aims and objectives and how these support the local needs identified in section three.
Section 5 – The Project Proposals	Explains the plans for the new Community Building in more detail, including capital costs and implementation plans.
Section 6 – Building and construction	Looks at the main costs for constructing the building.
Section 7 – Leasing Arrangements	Outlines key features of the lease with Highland Council
Section 8 – Management and Operation	Describes the ongoing management and operating plans for the facility following opening.
Section 9 – Financial Forecasts	Summary five year revenue forecasts for the operation of the Community Building.
Section 10 – Risk Analysis	Identifies the key risks associated with the project, with avoidance and mitigation strategies designed to prevent and minimise each risk assessed to be a significant threat

	to the project.
Section 11 – Appendices	Appendices providing more detail in support of the business plan

3 Project Development

3.1 Introduction

This section explores the local history and context for the project. It details the local census area statistics, which give a flavour of the composition of the area. It goes on to outline the current difficulties with the village school building at present and explains the various consultations and community involvement in the development of plans for a new facility.

3.2. The Background to the Project Strontian Community School Building

The current primary school is no longer fit for purpose and the Highland Council has been in consultation with the Strontian community to agree the best solution for the future.

The Ardnamurchan High School is under a public private finance contract, which makes collocating a new primary school on that site difficult. The private finance contract is due to terminate in 2027 or thereabouts and it may be the case that the primary school will be accommodated within its environs at a later date. However, that is over a decade in the future.

The Highland Council had proposed a number of solutions to the current situation in the interim period:-

- Full refurbishment and extension of the existing school – however this was deemed an expensive option and not pursued further.
- Provide a new school on land adjacent to Ardnamurchan High School at Drimnatorran either as a permanent or modular building.
Their preferred option, in their statutory consultation of 2014, was housing the school in a modular demountable building. The local community was not in favour of this option, and the consultation was subsequently suspended in November 2014.

More recently the Council indicated that the proposed budget for works previously under discussion was unlikely to be available, and thus a new school option might not be achievable.

The modular demountable building proposed by Highland Council had a footprint of 243m² which would meet minimum requirements for the projected school roll.

The Highlands Small Communities Housing Trust (HSCHT) in conjunction with the local community proposed an alternative option. The Community Company or another appropriate properly constituted organisation constructs a replacement primary school of 290-300m², based on the footprint of housing units, which it will lease to the Highland Council for 15 years with a break clause after 10 years. HSCHT would provide on-going support to the organisation taking the project forward.

The building will be designed to meet the primary school needs of the community and, at the end of the lease period, will be capable of conversion into four affordable housing units or other community use as required.

In August 2016 Highland Council reopened the Statutory Consultation with the SCSB led proposal as the preferred option. The full Highland Council approved this proposal to deliver improved primary school facilities in Strontian at their meeting on 8th September 2016.

3.3 Local Consultation

This innovative project has evolved from a number of community consultations over the past 4 years:

- the Strontian Community Consultation & Action Plan by Cadispa;
- the Highland Council Strontian Primary School Consultation Report 2016 (statutory consultation);
- Community Housing needs survey and
- Strontian Masterplanning exercise which has just been completed.

The Strontian parent body voted by a two thirds majority to pursue this option in October 2015.

Community consultation for the project has been carried out using social media, newsletter distribution, local events, and a local development officer.

Social Media

In April 2016 the following Social media platforms were set up for the project:

- The Strontian Community School Building Limited [website](#) was created and has background information about the purpose, aims, time-line, and feedback page.
- The Strontian CSB [twitter](#) page.
- The SCSB [Facebook](#) page.

Newsletter and Feedback form

7th June - Newsletters have been available in key areas within the village; the High School, primary school, library and post office. Within the newsletter there is a feedback form to gather support for the project.

Display boards

7th June - a display board created and still remains in the Ardnamurchan Library with information about the project and feedback forms.

Ardnamurchan High School Open Day

At the High School open day in June 2016, SCSB Ltd had a display table with information, newsletters and feedback forms.

Local Development Officer

July 6-9th 2016 - Sunart Community Company Local Development Officer carried out a four day door to door newsletter distribution, talked to people about the project, and collected feedback.

Support from Local Groups

The project is receiving positive backing from the Sunart Community Company, Sunart Community Council, Sunart Common Good Fund and the Strontian Primary School Parent Council.

Positive Media Coverage

Articles have been published in several newspapers; the Press and Journal had articles in February, June and August, Lochaber News in August and BBC News website (<http://www.bbc.co.uk/news/uk-scotland-highlands-islands-37186562>)

Interest and support from MSPs

Kate Forbes MSP requested a meeting and visited the current Primary school and the proposed site for the new Primary school on 18th August 2016. She met the school children and Strontian Community School Building Ltd board members.

Later that same day, John Finnie MSP also discussed the community proposals for the new school with SCSB board members whilst he was in the area, and confirmed his support for the project. Both MSPs indicated that they had written already or would be writing to HC to express support for the project.

Sunart Agricultural Show

Strontian Community School Building Ltd had a stall at the local Sunart Agricultural Show on 13th August 2016. Board members talked to people about the project, distributed newsletters and feedback forms.

The response from the community has been overwhelmingly positive and supportive.

Social Media

Facebook 161 likes since page was created in April to 02/11/16

Twitter 65 followers and 29 likes since created in April to 02/11/16

Feedback forms have also been received via the SCSB website

Feedback forms

98% positive feedback as shown in table 1 below. Feedback has been gathered from members in the community who currently have children in the primary school and also from those who don't. Comments were also received on feedback forms.

Total Replies 114

In Favour 112

Not in Favour 2

Of whom 28 were a Parent/Guardian with a child at Strontian Primary School and 86 were not a Parent/Guardian.

Comments on Feedback Forms

- 'A model for the future!'
- 'Great idea – hope you succeed!'
- 'Great work!'
- 'Thank you'
- 'Good luck! I hope you pull it off and happy to help if needed!'
- 'Welcome initiative'
- 'This is brilliant. Let me know if I can help in any way.'
- 'Would prefer H Council made some refurbishment to existing school with a view to incorporating primary school into high school/sunart centre at end of PPI agreement'
- 'Great idea and lovely to see so much initiative in the community to take action and achieve things. Well done!'
- 'Brilliant that a small group of local people are stepping up when the HC failed to support the wishes of the parents after 3 years of negotiating to upgrade the old building or build a new permanent structure. Sounds like an excellent plan and you have our full support. The last of our four children has just finished at the Primary School but we believe that it is vital for the future of the Strontian Community to have a functioning, attractive and warm school to bring families to the area, not a below par 'C'-grade school building. We wish you every good luck with your exciting plans. '
- 'Good luck and well done! Progress at last!'
- 'Carry On! Sounds Constructive'
- 'Really good idea!'
- 'Definitely in favour, so badly needed'
- 'Good Idea!'
- 'I am 100% in favour of having a community owned primary school in Strontian and am very happy to support it in any way possible'

The Local Community

Sunart is comprised of Strontian, the crofting townships of Scotstown, Ardnastaing, and Anaheilt, and the settlements of Polloch and Resipole and is located to the west of Fort William on the Ardnamurchan peninsula in the Highlands of Scotland.

Sunart is a rural district and community on the shores of Loch Sunart. The main village is Strontian, at the head of Loch Sunart.

The district is bounded to the south by the eastern half of Loch Sunart and by part of Morvern, to the west by the Ardnamurchan peninsula, to the north by Loch Shiel, and to the east and north east by the district of Ardgour, from which it is divided by a range of high hills. Main access to the area today is via Glen Tarbert, from the Corran Ferry, although there is also a road coming in from Lochailort to the north. The area is therefore relatively isolated.

Nearly all of the population live in a narrow ribbon of small settlements along the northern shore of Loch Sunart, with a southerly aspect. The main income for the area is tourism, with some salmon fish-farming, forestry and traditional crofting.

Strontian had a population of 429 at the time of the 2011 Census (source: Statistics for the Mission Group of the Church of Scotland). There were 36 children of primary school age in the community, with 14 of pre-school age.

The importance of keeping the primary school to the future of the community is shown by the dip in population in the Student and Young Adult age groups – only 24% of the population falls into those categories, compared to 38% across Scotland as a whole. The area is struggling to retain young adults and this task would be made harder by the removal of the primary school – and the jobs which come with it. The school is an important source of local jobs - Strontian school currently employs 9 full and part time staff, mainly from the local community.

There is a lack of affordable housing in Strontian (source – Sunart Community Affordable Housing Needs Survey 2015). Out of all 22 households that expressed an interest in wanting to move, only two households have said that they have already tried to find alternative housing and fifteen stated they have not. Three respondents said that they were prevented from moving due to “no suitable properties” and one due to “nothing available within our budget”.

Asked what they would do if they could not find suitable alternative housing, 42% said that they would wait until something became available, 21% answered that they would look outwith the local area, 17% would try to improve or modify their current home, 17% were not sure or did not know, and 4% answered “other”. Of the 22 households considering moving home, 19 would like to remain in Sunart if possible. This indicates pent up local demand if the building is converted to affordable housing in the future.

The Highland Housing Register on the 8th November 2016 has 34 households registered in need of housing. In the previous year out of a total affordable housing supply of 28 homes there were just 4 relets.

3.4. The Current Position

Developing a Sustainable Business

Whilst Sunart has a thriving community scene of groups and active volunteers, it is clear that its businesses and services are under threat.

The provision of a single use building, even for a service as vital as a primary school, creates a medium to long term risk. Highland Council has indicated that, in the fullness of time, it would intend to explore the potential to relocate the primary school into the existing High School building. If this were to happen, then the Society would be left with a redundant building – not a sustainable proposition.

This innovative proposal therefore provides one solution to a number of immediate and long term community needs: design and build a primary school fit for the 21st century on the footprint of a terrace of houses which would allow for the efficient and economical conversion to community owned housing or other identified community use if and when the building is no longer required by the Highland Council as a primary school.

The community owned housing could then be provided to suit the needs of the community at this point e.g. as sheltered housing provision for an ageing population, keyworker housing, community resource, or whatever need has arisen at that time.

4. Vision, Aims & Objectives

4.1. Introduction

This section sets out the overall vision for the new Community Building and explains the underlying aims and objectives for the project. These are linked to, and directly support, the local needs and demand identified in section three.

4.2. The vision for the project

Our Mission: The Strontian Community School Building Ltd group was established in 2016 with the main purpose of carrying out any business for the benefit of the community in Strontian by developing and managing community-owned assets.

The initial activity is to oversee the primary school construction project, based on a community owned school building being built on the footprint of affordable housing units. This will deliver a legacy for the community. The community organisation will manage the development, construction, leasing and possible future conversion of the building.

Throughout the development of the project two elements of community provision essential to the community's sustainability and growth have been highlighted as areas of major concern.

- A primary school fit for the 21st century, and

- Affordable housing both for key workers, and to attract new and retain existing families, who struggle to find affordable secure tenancies.

4.3. Project aims and objectives

The project aims and underlying objectives which underpin this vision have been developed based on the local needs identified in section 3. They are as follows:

Aim One: To provide a flexible, multi-purpose community building which enables a primary school to remain in Strontian but is able to be used for other purposes in the future

Objectives:

- To provide a flexible and sustainable community facility in the community
- To maintain the primary school as an essential local service

Aim Two: To protect the primary school as an essential service for the area

Objectives:

To protect the future of the primary school in Sunart

To support local jobs and to help to keep young adults, especially those with young children, in the community

5 Business Model

5.1. Introduction

This section explores the plans for the new community building in more detail. It also provides a breakdown of the capital costs of the project.

5.2. Business Model

We believe that the best way of achieving our aims for Strontian Community School Building is to build a community owned building to house the school, with the potential to convert to affordable housing (or some other community use) if and when Highland Council vacate the building as a school.

We have formed a co-operative which is able, through a share issue, to purchase the land and construct the building for the area and members of the co-operative. A co-operative – Strontian Community School Building Limited - has already been established as a legal entity to enable this to happen with the support of the community.

The benefits of this are:

- The local community would own the building in perpetuity
- People will feel more committed to the facilities offered by the building
- Setting up a co-operative may allow us to attract grant aid
- Purchasing shares may provide a modest annual return by way of interest payable to members
- This approach is based on replicable model which has been implemented many times around the country

In the short term:

A Community Benefit Society formed and will increase the level of community engagement and capacity through driving this project forward.

Lease to The Highland Council of primary school accommodation fit to provide an excellent educational environment to the current school roll of 34 with sufficient room for an expanded school roll and outside space to engage children in numerous additional activities.

Creation of apprenticeship/training opportunities in the development of the building through negotiated social benefit with the appointed contractor.

A regular income which will reduce the loan outstanding on the property considerably when the lease is terminated thereby allowing for an economically feasible route to provide affordable housing for the community.

In the long term:

The ongoing development of the area will see an increase in the school roll and local primary school children will continue to benefit from the provision of an improved educational environment. Should Highland Council continue to lease the building for the purposes of the school, then that will be a sustainable option.

In the event that at the end of the lease, Highland Council progresses alternative proposals to house the primary school, the building can then be converted to housing or other options:

Provision of affordable housing which will result in:

- Reduction in the outward migration of young people due to lack of affordable housing (vital in this community). Creating this type of opportunity means young people interested in traditionally lower paid sectors such as farming, forestry and manual labour see a viable future in the area.
- Provision of dedicated housing for older people if required.
- Provision of key worker housing to attract essential workers to the community.

- Attract new families to the community.
- Allow control over the allocation of the houses to cater for the actual sustainability needs of the community.
- Increase options for the company to explore to achieve the most beneficial outcome for the community.

5.3 Shares issued by Strontian Community School Building Ltd

As a means of raising the required capital, shares in the project will be issued by Strontian Community School Building Ltd and will be made available once an agreement is in place to purchase the land. Unlike shares on the stock market these shares cannot increase in value so trading in the shares is solely between the Strontian Community School Building and the individual investor. It should be noted that shares can decrease in value if the Strontian Community School Building were to dissolve but this is mitigated by the majority of the investment being locked into the capital of the building itself.

The cost of each share is £50 but, for practical purposes, the minimum amount which can be invested has been set at £150 for local members and £300 for other members. There will be a maximum investment of £25,000 per member. Owning a share automatically entitles the member to having a say in how the community society is managed. Being a co-operative, each member would retain one vote no matter how many shares they own.

Launch is planned for early December with the share offer closing on Saturday 25 February. The board may extend this deadline if the share offer is close to meeting its minimum target

The membership will elect a Board of Directors that will, amongst other things, advise the members on what they think the annual level of interest should be.

There is a tie-in period associated with the shares (except at the board's absolute discretion if a member faces a crisis) of at least 3 years in order to maintain the level of capital. After that there will be a period of notice required prior to any withdrawal. The Directors will have discretion in exceptional circumstances to allow shares to be withdrawn sooner than the requisite time.

A marketing plan for the community share issue is appended to this business plan (Appendix 1).

6. Building & Construction

6.1. Introduction

This section sets out some of the key issues for the building construction – costs, project management and timetable.

The land will be purchased from Trustees who have instructed their own valuation from their appointed contractors, and freed of restrictive covenants.

The Deed of Conditions and Section 75 agreement which apply to the whole of the Drimnatorran site are currently being worked through by other adjacent landowners and are expected to be resolved within the required timeframe.

SCSB's land valuation has been carried out by the District Valuer who assessed the value of the site as £25k. Some additional access rights will be required which will add some cost for legal fees (though the Society does not expect any other costs for these). The Trustees have a track record in Sunart of accepting the valuation from the District Valuer.

The commercial lender, Triodos, will not lend until there is security over the land i.e. the purchase has gone through.

No planning approval is yet in place, as the Society cannot apply until we have a confirmed design - the chosen construction procurement route is design and build. However the planners are supportive of the project, have provided a positive response to a pre-application enquiry, and we would expect that other council officials e.g. in the education department - and local councillors - will encourage the planning department to be as efficient as they can be. See Appendix 2.

It is not anticipated that the planning will need to go to Planning Committee, as the planning officer has said (in writing) we "would likely receive support at application stage". However even if it did, it is expected that the full planning application will go to Planning Committee in March 2017.

A masterplanning exercise for Strontian has developed plans for the village of Strontian as part of the ongoing review of the HC Local Development Plan. This masterplan has approved a primary school on the site. Currently the site is zoned for housing in the existing Local Plan but this is due to be renewed with the results of the masterplan incorporated.

Details of the design brief for the building can be found in Appendix 3

6.2. Construction Costs

School Development Costs (including Fit out)

Land and associated costs	35,000
Pre-construction Costs	16,000
Design & Build and Fit out Contract	731,391
Legal & Professional Fees	22,286
Development Finance Costs	18,022
Contingency	<u>31,659</u>
Total Costs	<u>854,358</u>

Preliminary costs have been derived from a project that HSCHT is developing and managing on an adjacent site. This involves construction of a number of housing units, one of which is a 3 house terrace which is broadly comparable with what we are proposing (the contractor on this project has also expressed interest in tendering for our project). The tender is in preparation, but has not yet been issued.

6.3. Project Management

Highlands Small Communities Housing Trust will be acting as Development Agent - they have extensive experience of developing affordable housing in the Highlands, and are currently developing the adjacent site.

6.4. Construction Timetable

See Appendix 4 for the full project timeline.

Best estimate at this point: tenders to go out in November with contract awarded in January. Planning approval achieved by end February. Based on agreed stage payments it is envisaged that the first payment will be made to the contractor in March 2017 by which time the share issue will have been closed and development finance in place. Land purchase is hoped to be completed in December. The aim is for land purchase to follow a Scottish Land Fund Stage 2 application (which includes funding for this) with a decision set for the end of November. So no problems with cashflow are anticipated.

7. Leasing Arrangements

The Society will construct a replacement primary school, based on the footprint of housing units, which it will lease to Highland Council for 15 years with a break clause after 10 years.

Highland Council (HC) will not be able to sign a formal lease with the Society until the building is constructed but have approved the project. Brian Porter, Head of Resources in the HC Care and Learning Service, has provided a 'letter of comfort' agreeing the Heads of Terms on which the lease will be based (having received committee approval for the necessary financial commitment which will result). See Appendix 5.

This letter confirms the principles that the Council has agreed to on the essential terms of lease (Heads of Terms), covering:-

- a) Length of the lease and any break points
- b) Rent for the lease and uplifts in rent for inflation
- c) Payment schedule
- d) Responsibilities of both parties for maintenance, repairs and insurance
- e) Out of hours use of the building by the community

8. Management & Operation

8.1. Introduction

This section describes the ongoing management and operating plans for the Community School following completion.

8.2. Strontian Community School Building

The community asset will be owned by Strontian Community School Building Limited. This legal model was chosen because it emphasises the social benefit of the project, whilst giving directors the protection of limited liability. It guarantees an “asset lock” that ensures the assets of the society will be used for the benefit of the community and cannot be disposed of for the private profit. The co-operative’s rules have been approved by the Financial Conduct Authority and are available separately.

8.3 Management & Operation of the Community Building

The strategic management of the venue will be overseen by the elected board which has been set up specifically for this purpose. Our intention is to establish a broad membership drawn from across the local community through the purchase of community shares. The Members (shareholders) will elect a Board of Directors at its Annual General Meeting.

The Founder Members and the initial appointed Directors will decide on the share allocation and run the Society until the first General Meeting which will take place as soon as is practically possible after the Society has been formed and the finance raised. Once the

shares have been allocated and the full membership of SCSBS is known, the members can put themselves up for election onto the main Board of Directors who will be elected at the first General Meeting. Founder Members can also put themselves up for election. There will be a total of up to eleven Directors. In order to maintain ownership by the local community, six directors must be elected by members within the Strontian area, three by members who live outside the area plus up to two co-opted directors.

8.4 The Current Board of SCSB Ltd

The Founder Members and other Members of the current Board have a range of skills and experience relevant to the setting up of the new society, raising the finance and constructing the building.

Donald McCorkindale (Chair)

Donald is the Church of Scotland minister for three parishes including Strontian and is clerk to the Presbytery of Lochaber. He is involved in several community initiatives and has experience and interest in the leadership and management of change. Donald is also chair of the Ardgour Area Fund board of Trustees. He has three children at Strontian Primary School.

Jamie Tait (Secretary)

Jamie is a local builder. Educated and trained as a civil engineer, he has been involved in the design, management and construction of many infrastructure projects in the UK. He is Cub Scout leader for 10th Lochaber - Strontian Scout Group. He has lived in Strontian for 10 years and has three children, one now at Ardnamurchan High School and two at Strontian Primary School.

Jamie McIntyre (Treasurer)

Jamie is a freelance forester and community development worker. He has worked in community and rural development forestry for over 15 years, as community forester/project manager for the Sunart Oakwoods Initiative, from 2000-2008, and following this as woodland crofts officer for HIE/FCS, supporting the development of community-based woodland crofts. When that role ended, he returned to self-employment. He is a former Director of the Community Woodlands Association, currently a Director of Sunart Community Renewables and a board member of the Highlands Small Communities Housing Trust.

Claire Campbell

Claire is a mother of three, with one child at Ardnmuchan High School and two at Strontian Primary School, and has lived in the area since 2011. Currently managing holiday properties on a nearby estate and very passionate about what she does in life. Assists with the children's parties and fundraising within the school. She is Co-chair of parent council at Strontian Primary School, an experienced people person of all ages with a health & social care background.

Gail Muir

Gail has lived in Strontian for 12 years and has two children; one attends Strontian Primary School and the other Ardnamurchan High School. Gail works locally as a paramedic, but has a background in architecture and higher education, and has been actively involved in project management and successful fundraising for a rural community hall build.

Stuart Carmichael

Stuart is a joinery contractor with over 20 years experience in the construction industry. He has, in the past, coached Ardnamurchan Camanachd under 17's, senior and ladies teams. Stuart has 2 children attending Strontian primary and a new born who will benefit from the new school.

Rachael Gordon

Rachael works at the care home in the village. She was formerly chair of the Strontian Primary School parent council, and currently has 2 children attending the primary school.

Denise Anderson

Denise knows the area well, having lived in Strontian for 16 years and spent holidays in the area over the previous 30 years. Her career background is in Leisure management including organising swimming lessons, customer service, project management, Health and Safety, COSHH control, Staff Rotas, and banking. Early retired, Denise moved to a place where she had spent a lot of time and now works part time at the Strontian Hotel. She is Chair of the local Sunart Community Council, a Committee member for the Sunart Centre Management, and for many years had been Secretary of the Local Agricultural Society.

8.5 Day to day operation

Management of the building will be by HC during the lease period, with out of hours use by the community administered in a similar way to other HC property. The Society will be managed by its elected board in terms of governance, annual reporting etc. It is possible/likely that a service level agreement might be signed with the community company in order to support the more onerous Society responsibilities (e.g. share interest administration), as they have employed staff. In future the Society (which may involve different individuals than at present) may decide to be more pro-active than simply administering the current project, but at present no further projects/activities are planned.

The following responsibilities will remain with SCBS:-

- administration of the lease with HC.
- administering SCBS finances: commercial loan; community share interest; monitoring & reporting as required by grant givers.

In reality, this leaves the Society little to do in managing the building. In order to keep local people and members of the Society involved and to create a pool of people from whom to draw future boards, the Society will undertake the following activities:-

- produce regular newsletters for members.
- attend Strontian Primary School Parent Council meetings to maintain engagement.
- maintain web and social media presence.

Financial Forecasts

9.1. Introduction

This section outlines the capital costs, anticipated income and expenditure, cash flow and balance sheet forecasts for a five-year period following opening. Full financial forecasts are appended to the business plan (Appendix 6).

9.2. Capital Costs

Design and Build contract		
	Servicing and landscaping Costs	92,417
	D & Build Cost	378,358
	Additional Allowance for groundworks and material upgrade	70,616
	HC Fit out	190,000
		731,391
Other costs		
	Land Acquisition	35,000
	Site Investigations	3,500
	Flood risk Assessment	3,000
	Clients Agent	4,500
	Development Fees	18,285
	Finance costs (Arrangement fee and interest)	5,018
	Legal Fees (lease Misc,)	2,000
	Clerk of Works	2,000
	Miscellaneous	5,000
	Accrued Interest	13,004
	Contingency	31,659
		122,966
	Total:	854,358

The financial forecasts have been prepared on the basis of the following financial package:-

Bank Loan	@ 4.50% interest	500,000
Community Shares	@ 3% interest	100,000

Loan finance of up to 60% of total development costs (ie £501,801.25) has been offered by Triodos Bank subject to formal application, at 2.5% over base. However we have used 4.5% as a conservative figure in the business plan.

Sources of grant income are being explored. There is currently a bid for £50,825 to the Scottish Land Fund approved to proceed to stage 2, a decision on this will come at the end of November. It is intended to apply to the local ward discretionary fund and the local Common Good Fund. The Society is relatively confident about the latter but this may only be £10-20k

Highland Council has committed £190k plus VAT to the costs of fitting out the school.

9.3 Income and expenditure forecasts

PROJECTIONS							
SUMMARY PROFIT AND LOSS	2017	2018	2019	2020	2021	2022	2018-2032
	£	£	£	£	£	£	£
Gross revenue	-	55,000	56,100	57,222	58,366	59,534	951,138
Operating expenses	-	(3,000)	(3,060)	(3,121)	(3,184)	(3,247)	(51,880)
Loan interest	-	(22,359)	(21,214)	(20,017)	(18,765)	(17,457)	(187,926)
Shareholder interest	-	-	(2,690)	(2,492)	(2,292)	(2,000)	(18,474)
Depreciation	-	(30,826)	(30,826)	(30,826)	(30,826)	(30,826)	(462,394)
Grant release	2,000	-	-	-	-	-	2,000
Bank interest	-	-	-	-	-	-	-
Net profit	2,000	(1,185)	(1,690)	766	3,299	6,003	232,464
Cumulative profit/(loss)	2,000	815	(875)	(109)	3,190	9,193	232,464
Share repayment fund	-	(6,667)	(6,667)	(6,667)	(6,667)	(6,667)	(100,000)
Loan repayment	-	(25,162)	(26,307)	(27,504)	(28,755)	(30,064)	(513,004)
Annual Cash surplus	63,434	43,611	39,776	37,202	35,910	34,885	126,268

Income from the Lease

£55k a year to be paid biannually in advance.

A 2% uplift for inflation is assumed for the financial projections, but the actual lease agreement will be based on annual increase of RPI

Running Costs

Repairs and maintenance: will be the responsibility of the Highland Council.

Insurance: to be covered by Highland Council

Administration and accountancy fees: £3,000 per year

Share Interest: in the region of 3% annually

Loan repayments: as per financial model

Full financial projections can be found in the financial model, *appendix 6*

Funds Flow forecasts

SUMMARY FUNDS FLOW STATEMENT						
	2017	2018	2019	2020	2021	2022
	£	£	£	£	£	£
Earnings before Interest, tax and depreciation	-	52,000	53,040	54,101	55,183	56,286
Deferred Income	-	-	-	-	-	-
(Increase)/decrease in VAT debtor/creditor	(10,141)	10,041	(2)	(2)	(2)	1,965
Increase/(decrease) in trade creditors	34,644	(34,344)	6	6	6	3,578
Investment in working capital	24,502	(24,302)	4	4	4	5,543
Net cash inflow/(outflow) from operating activities	24,502	27,698	53,044	54,105	55,187	61,830
Loan Financing	500,000	(25,162)	(26,307)	(27,504)	(28,755)	(30,064)
Capital grants (fit out)	228,000	-	-	-	-	-
Capital grant (SLF)	50,285	-	-	-	-	-
Revenue grant	2,000	-	-	-	-	-
Capital expenditure (net of VAT)	(841,353)	-	-	-	-	-
Community benefit payment	-	-	-	-	-	-
Bank Interest	-	-	-	-	-	-
Loan interest	-	(22,359)	(21,214)	(20,017)	(18,765)	(17,457)
Share interest	-	-	(2,692)	(2,492)	(2,292)	(2,000)
Equity fundraising	100,000	-	-	-	-	-
Equity buy back	-	-	-	-	-	(6,667)
Cash inflow/(outflow)	63,434	(19,823)	2,832	4,093	5,375	5,642
Opening cash	-	63,434	36,944	33,109	30,535	29,243
Closing cash	63,434	43,611	39,776	37,202	35,910	34,885

Balance Sheet Projections							
	Opening	2017	2018	2019	2020	2021	2022
		£	£	£	£	£	£
Fixed assets							
Design and Build costs	-	541,391	530,563	519,736	508,908	498,080	487,252
Other Costs	-	299,962	292,968	272,970	252,972	232,974	212,976
Fixed assets	-	841,353	823,532	792,706	761,880	731,054	700,228
Current assets							
Trade debtors	-	-	-	-	-	-	-
VAT recoverable	-	10,141	100	102	104	106	-
Cash at bank	-	63,434	36,944	33,109	30,535	29,243	34,885
Current assets	-	73,575	37,044	33,211	30,639	29,349	34,885
Current liabilities							
Overdraft	-	-	-	-	-	-	-
Trade creditors	-	34,644	300	306	312	318	3,897
Other creditors	-	-	-	-	-	-	-
Grant Creditor	-	-	-	-	-	-	-
VAT payable	-	-	-	-	-	-	1,859
Gift aid	-	-	-	-	-	-	-
Loans	-	-	25,678	26,847	28,068	29,345	30,064
Current liabilities	-	34,644	25,978	27,153	28,380	29,664	35,819
Net current assets/(liabilities)	-	38,932	11,066	6,059	2,259	(314)	(934)
Creditors due after one year							
Capital grants	-	278,285	278,285	278,285	278,285	278,285	278,285
Loans	-	500,000	462,164	434,689	405,963	375,931	345,149
Net assets	-	102,000	94,149	85,791	79,891	76,524	75,860
Capital & reserves							
Share capital	-	100,000	93,333	86,667	80,000	73,333	66,667
Share premium	-	-	-	-	-	-	-
Retained earnings	-	-	2,000	815	(875)	(109)	3,190
Current year profit & loss	-	2,000	(1,185)	(1,690)	766	3,299	6,003
Shareholders' equity	-	102,000	94,149	85,791	79,891	76,524	75,860

Risk Analysis

The Society has considered the key risks for the proposed community construction of Strontian Community School Building:-

- The capital is not raised. The community purchase does not go ahead and all monies are returned in full to people who have bought shares.
- Inability to purchase the required land -- discussions ongoing with the landowner and an agreement in principle to sell is under negotiation subject to acceptable conditions.
- Unfamiliarity with building and construction projects – the employment of suitably qualified professionals will be used to support the extensive skills of the management team as required.
- Building Design does not meet the statutory and other requirements of the education authority, leading to increased costs – engagement with Highland Council Education Department has been entered into early in the process to ensure compliance.
- The Project Costs exceed Forecasts – robust assessment at the design stage and use of a fixed price contract. HSCHT will be acting as developers agent - they have extensive experience of developing affordable housing in the Highlands, and are currently developing the adjacent site.
- HC requires break clause in the lease at end of year 10 – secure appropriate agreement with HC to compensate for reduction in term. Convert the building for housing or other uses.
- A catastrophic failure of the business. Strontian Community School Building would be sold and the money from the sale used to refund shareholders as far as possible. This eventuality is unlikely unless HC break the terms of the lease, which would have consequences for them. However, the fact cannot be hidden, that this is an 'at risk' investment and people might lose some or all of their money
- A major repair not picked up in the construction becomes apparent in a few years time. By then a trading track record will have been established on which to raise finance. If the repair was unaffordable, then the sale of the building would be pursued.

11. Appendices

Appendix 1 – SCSB Marketing & Promotion Plan

Appendix 2 – HC Planning Department response to pre-application enquiry

Appendix 3 – Design Brief for new school building

Appendix 4 – Project Timeline

Appendix 5 – HC Letter of Comfort re lease arrangements

Appendix 6 – Financial Model