

Appendix 1

Business Plan

Langholm's Former Police Station
The Eskdale Foundation

March 2018



About the Project

Langholm's former Police Station closed in the autumn of 2010 and was put on the market by Dumfries and Galloway Council. For five years, the property attracted no interest and deteriorated.

Aware of local people's concerns about the dilapidated state of the building, The Eskdale Foundation has been exploring the viability of acquiring and developing the site for the benefit of local people. Two consultations, held in 2015 and 2016, confirmed community support for the project and led the Foundation to develop a project proposal and conduct a range of building-related surveys. A final consultation and feasibility study, conducted in the autumn of 2017 with support from Community Enterprise, confirmed that the most popular and viable use for the building is affordable housing for local people.

This Business Plan outlines how the asset transfer of Langholm's former Police Station would facilitate a viable and sustainable community-led project that will create high quality affordable homes for local people and generate a modest surplus that will be reinvested locally for the benefit of the community.

Langholm Police Station

Built in 1900, Langholm's former Police Station is located in Buccleuch Square. It served the community as a working Police Station for 110 years, until its closure in 2010. The building is B listed and lies within the Langholm conservation area.

Considering its age, the former Police Station is in reasonably good repair, particularly as it underwent a fairly major remodelling and refurbishment in the 1980s. In 2015, the Eskdale Foundation commissioned a structural inspection of the building (which was updated in December 2017) and notes issues with the building, such as damp, as well as recommending refurbishment.

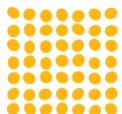
The former Police Station will require significant renovation work to make it fit for the proposed use of high-quality affordable housing. Architectural plans suggest the building could become four flats – one 3 bedroom, one 2 bedroom, and two 1 bedroom (including an accessible ground floor flat).

The Eskdale Foundation

The Eskdale Foundation is a successful, self-sustaining community development trust which has been operated by people from throughout Eskdale for over 20 years.

It is a company limited by guarantee with charitable status and is governed by a Board of Directors, which includes a representative from each of the three Community Councils in its area together with two Ward Councillors. In late 2017, an external skills audit was undertaken with the Board (by Community Enterprise) which showed that the Directors are capable and bring a wealth of diverse experience to the Board. This gives the Eskdale Foundation a firm basis on which it has built good governance, robust financial management and sound operational practice.

Past projects have included the development of the Eskdale Sports and Leisure Centre (£1.8M project in partnership with Dumfries and Galloway Council) and the redevelopment of a former care home into an apartment complex at Greenbank in Langholm. The Eskdale Foundation owns four apartments at the Greenbank Housing Complex which it lets to local people at an affordable rent. The apartments have had consistently high levels of occupancy and have helped people on a modest income to remain in the community and contribute to it. The Eskdale Foundation also owns Langholm's Charity Shop, which provides a much valued supply of low cost clothing, toys and miscellaneous household items. Most of the profits from the shop are donated to Langholm Community Centre to help them subsidise the cost of accommodation for key local services such as childcare,



provided by Langholm Playcare, and day care for the elderly, provided by Langholm Day Centre (both organisations are social enterprises). Income generated from these assets is reinvested in the community via grants to local groups or the financing of small scale community projects, such as the recent refurbishment and decoration of the Council-owned public toilets at the Kiln Green in Langholm.

The Eskdale Foundation has significant experience of acting as an affordable landlord. An independent governance appraisal by Community Enterprise has raised no concerns around the capacity of the organisation to own and manage the former Police Station building and found that it has robust reserves.

If the asset transfer was to proceed, then the redevelopment of the former Police Station would become the latest in a series of successful projects for the Eskdale Foundation which has seen them owning and effectively operating sustainable assets for the community. The Eskdale Foundation intends to invest some of its reserves, as well as secure loan finance, to help finance the redevelopment of the building.

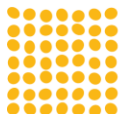
Progress So Far

The Eskdale Foundation has carried out a thorough assessment of the community's needs and their aspirations in relation to the building. In September 2015, an open day was held which attracted over 130 people of all ages. This revealed strong support from the community for such a project. Additional research was conducted, in partnership with Dumfries and Galloway Small Communities Housing Trust, to confirm local need and demand for affordable housing. At a community engagement event in November 2016, conversations with 40 members of the local community revealed widespread support for the Eskdale Foundation seeking to take ownership of the former Police Station as affordable housing for local people.

In August 2016, a feasibility grant of £9,600 from the Scottish Government's Rural Housing Fund covered the cost of various technical appraisals of the building and early business planning.

A housing needs and demand assessment, led by Dumfries and Galloway Small Communities Housing Trust in July 2017, is detailed later in the Business Plan.

Most recently, £11,232 in feasibility funding was obtained from the Scottish Land Fund which enabled the Eskdale Foundation to commission Community Enterprise to help produce an in-depth Feasibility Study, Options Appraisal and Business Plan. This included the cost of early design fees, for work which has been undertaken by John Gilbert Architects. The Eskdale Foundation has secured an additional £4,960 from the Architectural Heritage Fund towards further design team work and have also contributed £800 from their own reserves.



A third, and final, community consultation was conducted in October and November 2017 as part of the Feasibility Study. Applying guidance within the National Standards for Community Engagement, the consultation reached over 400 local people through a range of methods including:

- Community survey online and in a paper format (available at key events and in local facilities). The community survey received 156 responses, representing the views of 223 people
- Information stands at key community events, as well as in frequently used local facilities, and speaking to people in the street. We met over 300 people in total
- Meetings with key individuals and representatives of 13 organisations
- Attending a range of community meetings across Eskdale
- Three public drop-in events at the former Police Station attracting 81 attendees

Information about and feedback from the consultation was shared through the press, online and via posters in the local area.

In parallel with the community consultation, Community Enterprise conducted desk top research about the area and undertook market analysis to explore options in greater detail. A full demographic analysis and review of strategy helped to clarify needs and identify where such a project sits within national and regional strategy. This work built on the housing needs and demand assessment which the Eskdale Foundation conducted in partnership with Dumfries and Galloway Small Communities Housing Trust.

What We've Found Out

Organisational Assets

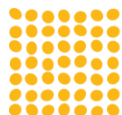
- The Eskdale Foundation has already developed property in Langholm that is meeting local need and generating income that is reinvested in the community
- The Foundation has reserves, is robust and well managed

Assets in the Area include:

- Natural environment (and opportunities for walking, cycling, and outdoor activities locally)
- Good school; good services for older people; good local facilities (e.g. Buccleuch Centre)
- An area of high social capital with a strong community spirit. There are a good range of activities supported by an exceptionally strong and skilled local volunteer base

Challenges in the Area include:

- Although Langholm itself does not suffer from high levels of relative deprivation, the outlying rural area is highly deprived in terms of housing and access to services. Many local people feel that the town is at a tipping point. Changing demographics and a lack of jobs and housing for young people could create rapid decline in the community
- Geographic isolation and poor public transport
- Lack of employment opportunities; fear that key employers (especially Edinburgh Woollen Mill) may relocate
- Young people leaving the area and an ageing population



- A shortage of affordable housing, particularly for local people, which impacts on the viability of Langholm as a place to live and bring up a family. There is a momentum to this becoming a retirement town for middle-class, older people. There was significant demand from local people for more housing and, in particular, a high demand for affordable one bedroom units

The consultation revealed widespread support for the overall project.

Options Appraisal

A significant range of uses for the building were identified through the research and tested through the feasibility study, including:

- Housing
- Business space
- Youth space
- Holiday accommodation
- Learning space with IT capability
- Social/health care project

The Feasibility Study and Options Appraisal explored six options for the building in detail, identifying advantages and disadvantages of each option with the help of early financial models.

These options were:

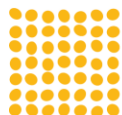
1. Two flats & business space
2. Three flats & business space
3. Four flats & community space
4. All flats
5. Holiday accommodation
6. Do nothing

Option 4 – All flats – was considered the most viable option for the building. This option was agreed by the Board and this Business Plan outlines the way this would be realised.

Meeting a Need: Affordable Housing

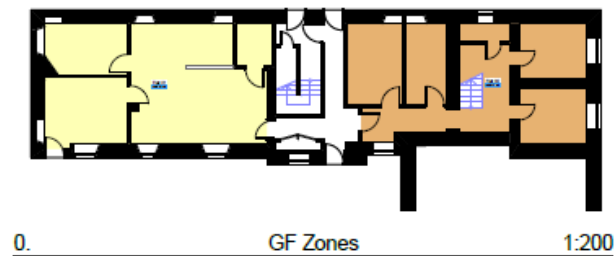
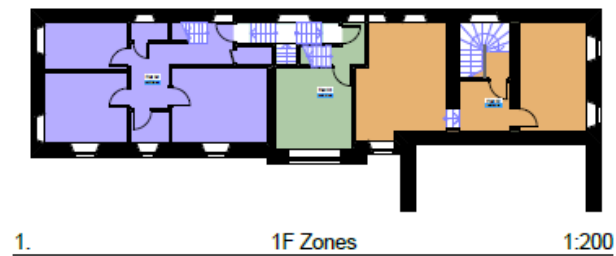
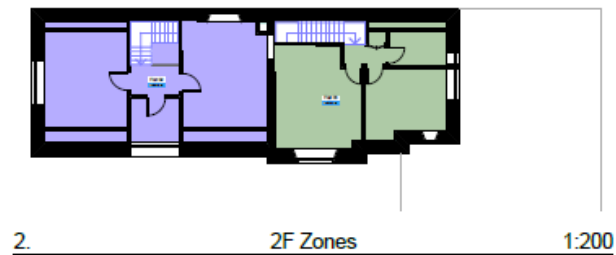
The need for affordable housing, identified in consultation with local people, is further evidenced in the aforementioned housing needs and demand assessment led by Dumfries and Galloway Small Communities Housing Trust. The following points are taken from the report:

- Considering average private sector rental levels in Langholm, an individual at the lower level of income (£12,130 p.a.) would be required, on average, to spend 45% of their overall income on rent for a 3 bedroom house
- There is a limited supply of affordable housing in Langholm, with a fairly low level of overall turnover:
 - Dumfries and Galloway Housing Partnership – 117 properties
 - Loreburn Housing Association – 9 properties
 - Trust Housing Association - 11 cottages (sheltered housing) at Greenbank Court; and 10 apartments (general needs housing for single people/couples) at Albert Place
- Of the 65 applicants on the affordable housing waiting list in Langholm, a large number are looking for a one bedroom home
- The Dumfries and Galloway Council Housing Needs and Demand Assessment (August 2016) anticipates a significant shortfall in affordable housing over the next decade. This shortfall is identifiable within the Eskdale Housing Market Area, with requirements for an extra 35 homes per annum
- The changing demographics of the area and the fact that people are living longer and remaining longer in their own homes will impact on housing and increase demand for affordable, accessible, single person accommodation



The Building: Outline Plans

The following diagrams outline our proposed restructure of the building, which would create four high-quality affordable flats; one 3 bedroom, one 2 bedroom and two 1 bedroom (including one accessible ground floor flat). In total, the four flats cover approximately 355m².

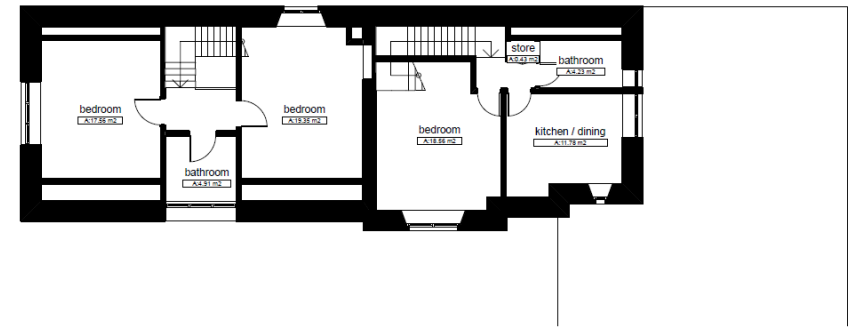


SC01 Flat 1 Overall Areas		
Zone Category	Zone Name	Calculated Area
Flat1 GIA	Flat 01	60.25
		60.25 m ²

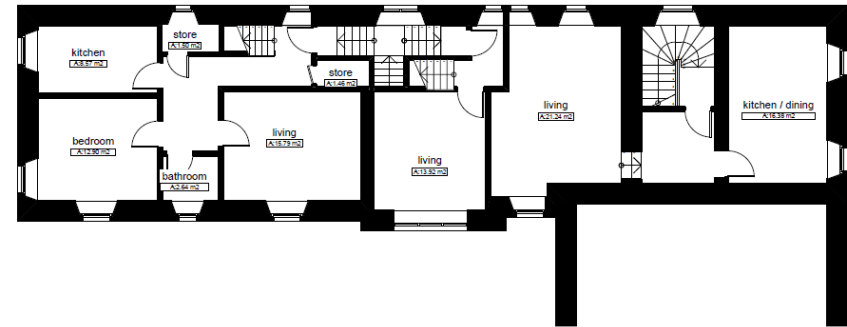
SC02 Flat 2 Overall Areas		
Zone Category	Zone Name	Calculated Area
Flat2 GIA	Flat 02	55.32
Flat2 GIA	Flat 02	59.47
		114.79 m ²

SC03 Flat 3 Overall Areas		
Zone Category	Zone Name	Calculated Area
Flat3 GIA	Flat 03	18.15
Flat3 GIA	Flat 03	45.00
		63.15 m ²

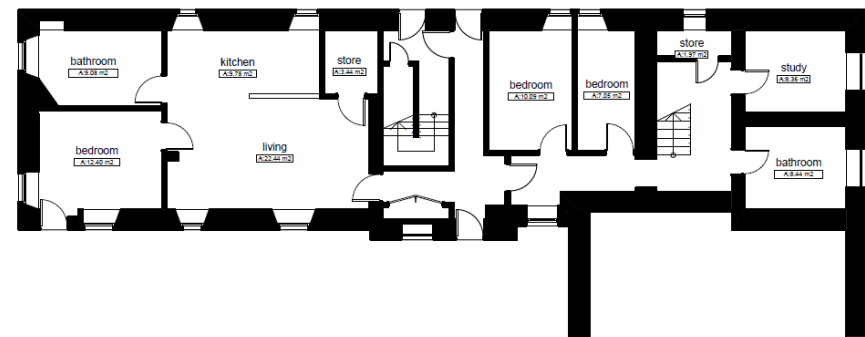
SC04 Flat 4 Overall Areas		
Zone Category	Zone Name	Calculated Area
Flat4 GIA	Flat 04	57.83
Flat4 GIA	Flat 04	59.42
		117.25 m ²



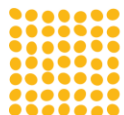
Proposed Second Floor



Proposed First Floor



Proposed Ground Floor



Delivering the Project

The Eskdale Foundation has strong experience of managing affordable rented accommodation for local people and will bring this knowledge to this new project.

Governance

The Board will take ownership of the former Police Station for the benefit of the community. They will oversee the project throughout (including financial management) and, in the longer term, will oversee the distribution of resulting community benefit funds.

Operational Management

The Eskdale Foundation currently manages four apartments at the Greenbank Housing Complex and members of the Board share responsibility for different parts of the process. It has been agreed that these roles will be extended to cover this project. Current roles include:

- Main point of contact for tenants
- Managing repairs
- Finance and Insurance
- Fire, Health and Safety, Policies and Procedures

Staffing

The Eskdale Foundation can manage the redevelopment and subsequent operation of this project within its existing resources. However, it is felt that a staff resource would help free-up Board members' time and energy in order to help develop further projects. As a result, The Eskdale Foundation has applied for grant-funding towards a full-time Community Capacity Building Worker for three years.

Policies and Procedures

The Eskdale Foundation has a complete set of policies and procedures relating to managing accommodation. Where necessary, these will be adapted to meet the needs of this project. This includes ensuring the building meets fire and other health and safety regulations.

Allocation Policy

The Eskdale Foundation are developing a housing allocation policy with support from Dumfries and Galloway Small Communities Housing Trust. This policy will dovetail with Dumfries and Galloway Council's guidelines, as well as ensure that the building meets local need.

Disbursing Community Benefit Funds

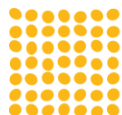
A key element of this project will be investing the profits generated from the former Police Station in the wider community, allowing the Eskdale Foundation to expand its community benefit fund programme and create wider impact. The Eskdale Foundation already has longstanding experience of managing community benefit funds. This is currently done in two ways. Firstly, through grants to local groups; subsidising activity and core running costs for projects working with children, young people, adults and older people across the community. To improve our processes, we recently introduced a grant application form for the disbursement of grants. Secondly, through the financing of small scale community projects.

Legal Considerations

The Eskdale Foundation has been a registered charity (SC024602) and a company limited by guarantee (SC164538) since 29th March 1996.

This structure provides the protection of limited liability and the benefits of charitable status – charitable rates exemption (80% mandatory and 20% discretionary provided the building is wholly used for charitable purposes); ability to reclaim Gift Aid on donations from eligible individual donors; and access to funding from some charitable trusts that will only fund registered charities.

The objectives and charitable purposes of the Eskdale Foundation are clear and wide enough to cover the activities envisaged for the former Police Station. This includes generating income from renting properties, which it already does within the charity. This helps to fulfil the core charitable aims and, as such, is considered to be primary purpose trading.



Creating Positive Outcomes

This project aims to benefit the local community. We anticipate creating the following outcomes:

For Direct Beneficiaries

- Future residents of the former Police Station have access to locally managed, high-quality affordable homes, allowing them to live within Eskdale
- There will be an increase in community benefit funds that local groups will receive, generated by revenue from the former Police Station. These grants will further help support and sustain new and existing local projects and allow the wider community to be self-reliant

Benefits to the Wider Community

- Affordable housing helps to keep local people within Langholm, contributing to the wider economy and having a positive influence on the demography of the area
- By owning a sustainable, well-managed building the local community has greater control over its own future, generating profits for reinvestment
- There is investment in the former Police Station in Langholm, preserving a significant local heritage asset and improving the built landscape
- A local anchor organisation, the Eskdale Foundation, is strengthened, making it better able to respond to future community needs

Financial Projections

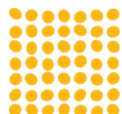
The following table outlines an early financial model for the former Police Station, projecting a small profit.

Financial Model		
Income	Monthly*	Annually
Number of One Bed Flats	2	2
Number of Two Bed Flats	1	1
Number of Three Bed Flats	1	1
Price Per One Bed	£ 302	£3,625
Price Per Two Bed	£ 341	£4,092
Price Per Three Bed	£ 398	£4,781
Income	£1,344	£16,125
Total Income	£1,344	£16,125
Expenditure		
Insurance	£250	£3,000
Servicing a Loan £70k @ 4.25% over 25 years	£383	£4,596
Professional and accountancy fees		£600
Repairs & Maintenance	£250	£3,000
Security alarm and other contracts	£30	£360
Contingency	£125	£1,500
Total Overheads	£1,038	£13,056
TOTAL PROFIT/LOSS	£306	£3,069

*Rounded to the nearest whole number

The Eskdale Foundation are keen to make these flats genuinely affordable. Rent levels are based at social housing level for Dumfries and Galloway. This reduces the ability to generate profit, but ensures maximum benefit to local people and unlocks Rural Housing funding.

As the Eskdale Foundation would manage the rental of the flats themselves, there is no need for a commission to estate agents. Overhead costs (e.g. insurance) are an estimate only. It is anticipated that some costs may be able to be incorporated into the Eskdale Foundation's existing overheads – e.g. Public Liability Insurance and accountancy fees. Loan rates are based on a quotation from 2014, and adjusted for inflation. It is not anticipated that the Eskdale Foundation will need to become VAT registered.



Funding Strategy

As this project is entirely housing focused, the number of Third Sector grants available to the Eskdale Foundation are limited. The following table outlines the funding strategy for this project.

Item	Cost	Funder	Amount Requested
<i>Feasibility Phase (to March 2018)</i>			
Feasibility Study and Business Plan	£8,532	Scottish Land Fund	£11,232 – secured
Stage 1 Design Team: Architectural Fees	£2,700	Architectural Heritage Fund	£4,960 – secured
Stage 2 Design Team: Architect, QS, Structural Engineer	£5,760	Eskdale Foundation Reserves	£800 – confirmed with Board
<i>Development Phase (following successful Asset Transfer)</i>			
Cost of Acquisition	£1	Scottish Land Fund	No cap
Legal Fees	TBC		
Any further site investigations	TBC		
Planning Permission	TBC	Architectural Heritage Fund	Up to £25,000
Further technical fees*	£21,605		

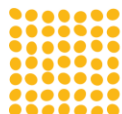
Community Capacity Building Worker	£106,890.41 (over 3 years)	DTAS, Ewe Hill 16 Fund & the Eskdale Foundation	£106,890.41 (over 3 years)
------------------------------------	----------------------------	---	----------------------------

Item	Cost	Funder	Amount Available
<i>Capital Build Phase</i>			
Capital Cost (QS estimate)	£482,500	Rural Housing Fund*	£284,112
Final Technical Fees*	£20,087	Town Centre Living Fund	£80,000
		Eskdale Foundation Reserves	£40,000
		Mortgage	£75,000
		Other Grants	£30,000
TOTAL Capital	£502,587	TOTAL Capital	£509,112

*The Rural Housing Fund benchmark for new build accommodation is £72,000 for 3 person equivalent, if charged at social rent. Current plans show the former Police Station providing one 3 bedroom flat (5 person equivalent), one 2 bedroom flat (3 person equivalent), and two 1 bedroom flats (each 2 person equivalent)

*Technical fees are based on total 8.65% of works so may fluctuate. Development costs cover taking the project through planning and building warrant, with the remainder taking the project to completion

The funding requirements for this project are not small but they are achievable. The Eskdale Foundation is in contact with all key funders and has received positive responses (some have already contributed to the development of this project). We are confident that this funding strategy can be realised.



Action Plan

The following table outlines an Action Plan for the Eskdale Foundation, from the completion of this Business Plan through to the opening of the high-quality affordable flats for local people. Timescales are approximate.

When	Theme	Action
February 2018	Business Planning	Update draft Business Plan
	Design	Further detailed drawing, engage Structural Engineer (John Gilbert Architects)
	Asset Transfer	Submit draft Business Plan to D&G Council for review
	Funding	Renew conversations about Town Centre Living Fund (which should be reopening) The Eskdale Foundation underwrite further technical work
March 2018	Business Planning	Submit final Business Plan to D&G Council
	Design	Detailed costings by QS Invite three quotations for works (with support of Dumfries and Galloway Small Communities Housing Trust)
	Asset Transfer	Submit Stage 2 Asset Transfer Form

		Council processes Asset Transfer – A&E Area Committee meeting 28 th March
	Funding	Architectural Heritage Fund bid decision Submit Rural Housing Fund bid
April - May 2018		Council processes Asset Transfer
June 2018		Council confirms Asset Transfer – P&R Committee meeting 14 th June
Summer 2018		Secure development funding D&G Council’s legal team process the Asset Transfer
Autumn 2018		RIBA Stage 3 architectural drawings Apply for planning permission Secure capital funding Begin capital works
2019		Renovation complete; Four high-quality affordable flats available to local people

