Cruachan Wood Business Plan for Dunvegan Community Trust



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DRAFT

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1. Introduction

This business plan to purchase Cruachan Wood, Orbost, Isle of Skye arises from a feasibility study completed in 2021 for Dunvegan Community Trust (DCT). This plan should therefore be read in the light of the feasibility study. The study explored the potential for community ownership of part of the assets of the Orbost Estate belonging to Highlands & Islands Enterprise, following the agency's decision to divest itself, where possible, of those assets. The principal focus of the study was on the much larger 612ha Orbost forest, but Cruachan Wood was included within it.

DCT was formed in 2009 with the primary purpose to distribute the community fund generated by the Ben Aketil Wind Farm (https://www.falckrenewables.com/). The majority of funding is available as a grant to locally constituted, not-for-profit groups that operate in the Dunvegan area. Project and skills development grants must benefit the residents of the Dunvegan area (which includes the surrounding townships of Harlosh, Feorlig, Vatten, Roag, Herebost, Orbost, Horneval, Greep, Claigan and Uiginish. DCT has distributed over a quarter million pounds since the fund was established in 2009 following the opening of Ben Aketil windfarm.

2. Methodology

The research underpinning the analysis contained in the feasibility study and which provides the context for this business plan was conducted using a combination of methods including:

Desk-based analysis of relevant information including:

- Orbost Estate Title Deeds
- Orbost Long term Forest Plan 2019-2038
- Woodland Grant Scheme Contracts

Primary data Analysis of findings from:

- Site visits to Orbost
- Zoom and site meetings with directors of DCT
- Online community meetings held on 3rd February and 10th May 2021
- An online community survey held from 14th Match 28th March 2021
- 17 individual telephone and zoom consultations
- A follow-up community consultation event in Dunvegan community hall on 23rd November 2021

3. Feasibility Study Findings & DCT Choice

The following is an edited version of the executive summary of the feasibility study from which this plan has been developed.

Background

Highlands & Islands Enterprise acquired Orbost Forest in 1997 as part of a land swap deal
with Forestry Commission Scotland, creating a contiguous landholding with the Orbost
estate on which HIE settled a number of smallholders and a tenant farmer as part of a land
settlement project. HIE is now looking to exit from ownership in the area and intends to sell
the forest. Dunvegan Community Trust (DCT) commissioned the present study to explore the
potential for community ownership of Orbost Forest.

Community & Stakeholder consultations

- The consultation process identified that Orbost is identified locally as a 'special' place with a
 distinctive 'unspoiled' character, reinforced by the absence of the type of high-volume
 visitor footfall that is drawn to many other iconic areas of Skye such as the Fairy Pools, the
 Old Man of Storr and Glenbrittle.
- The community is supportive of community ownership of Orbost in principle with a strong desire to enhance management for environmental benefit and improved public (non-motorised) access. There is support for small scale timber harvesting, increasing native species, maintaining and developing the path network, outdoor education, creating a small number of forest crofts, and facilitating the development of small-scale woodland-based businesses. Potential concerns about community ownership included the scale of the asset, the cost and financing of a purchase, community capacity to manage the asset, and the risk of overdevelopment.

Forest Management

• The land was afforested by the Forestry Commission who planted a mixed conifer wood from the shores of Loch Bharcasaig, up Gleann Bharcasaig between 1957 to 1961. A less diverse section of commercial conifer comprising Sitka spruce and Lodgepole pine in intimate mixture north of Beinn na Moine was planted from 1990 to 1992, some of which failed, and much of which has grown more slowly than the original, more sheltered conifer stands. New native woodland was planted at Brandarsaig and Idrigil in 2004, extending to some 80 hectares, some of which was part funded by carbon credits- the Joe Strummer, Rebel's Wood – and much of which appears to have failed, possibly due to heavy deer browsing. In 2014 the small outlying woodland at Cruachan, adjacent to Orbost Farm, was clearfelled and restocked with broadleaves.

Development Options

- Several crofts could be created in the Cruachan wood area which could potentially provide several house sites either for the crofts there or for crofts that could also be created in the main forest.
- Current parking provision is in the Orbost farmyard which creates problems in terms of
 safety and some drivers use the track to Bharcasaig Bay without permission. A new parking
 area could potentially be created in Cruachan wood or adjacent to a new road created for
 timber extraction. A new road would allow for a circular walk and would offer a different
 approach to MacLeod's Tables, removing unnecessary activity from the existing settlement.
- A small number of pods/cabins/shepherd's huts could be discretely located in a small part of the forest to provide accommodation for volunteers and an income from visitors.

Management Scenarios

- Three different scenarios were modelled for managing the forest:
 - A High Impact Scenario, with large scale forest removals through clearfelling, as outlined in the current Long Term Forest Plan (LTFP) prepared by Tilhill Forestry Ltd on behalf of HIE.
 - A Moderate Impact Scenario, where the forest is managed with smaller felling coupes.
 - A Low Impact Scenario, where the forest is managed on a continual thinning regime, mimicking a Continuous Cover Forestry (CCF) or Low Impact Silvicultural System (LISS).

Skills

A survey of directors' skills showed strong skills/experience in project development, project
management, managing businesses and managing staff. No directors have skills in forestry
management and operations. This is not unusual in groups considering purchasing forests.
The necessary expertise can be brought in by recruiting directors and staff with the requisite
skills.

Purchase strategy

• If the community and DCT wish to pursue a purchase they should do so after: ensuring that there are no liabilities arising from failures to fulfil planting contracts; negotiating a discount on the sale price for the benefit that will arise from community ownership; negotiating the right to construct a new timber extraction route across Orbost estate; securing support for a new road from the Timber Transport Fund.

DCT Choice

Following a period of reflection, the board of DCT considered that seeking to take on the whole forest would be too big an undertaking given the company's lack of forestry skills and over limitations on capacity for project delivery. It decided however that a purchase limited to the small Cruachan Wood could be within its capacity to manage and would deliver positive outcomes for the local community.

4. Cruachan Wood

Introduction

Cruachan is a small woodland, 8.7 hectares in area, and which is enclosed on three sides by Orbost Farm. The fourth side adjoins the unclassified Orbost-Dunvegan road to the east over a length of approximately 500m. A single house has been built within the wood belonging to one of the tenants of the smallholdings created by HIE following its purchase of the Orbost estate. The wood was clear felled and restocked in 2014. The restocked woodland at Cruachan is established and comprises an intimate mixture of Downy birch, alder rowan, ash, and Salix spp.

5. Development Proposals

The purchase of the forest will allow the community to carry out a broader range of activities than simply those immediately linked to growing and felling timber. The following proposals outline several opportunities that will allow more people to be involved in receiving the benefits of community ownership. The extent of existing infrastructure is considered first of all, followed by opportunities to create woodland crofts, housing and improved public access.

Infrastructure

Access to Orbost is served by 2 single track roads from Dunvegan which meet close to the southern tip of Cruachan Wood and approximately 200m north of the farmyard of Orbost farm. The northerly route leaves the B884 to Glendale and abuts the boundary of Cruachan wood for approximately 600m as it approaches Orbost.

There is an electricity pole with transformer approximately 100m north of the junction of the 2 routes to Dunvegan and an existing serviced property on a separate title within the boundaries of Cruachan Wood. Existing properties in Orbost are served by a public water supply which comes from Dunvegan via the Glendale road.

Forest Crofts

Forest Crofts are a relatively recent development in Scotland. Individuals take on the crofting tenancy of an area of open ground and/or woodland. Similar models are common the world over, where it might be more commonly described as 'family forestry', typically defined as small scale forestry, based on personal involvement and strong stewardship values. Support and advice is available from the woodland croft project¹.

Cruachan Wood has the potential for new croft creation. Cruachan Wood will be divided into 3 or 4 small parcels and tenancies given to individuals. There are some locations here that could favour the building of individual houses (see Housing below).

Crofting law is a distinct (and complex) body of law within the Scottish legal system. New croft tenancies can be created under the Crofters (Scotland) Act 1993. This would then bring the land designated under the whole raft of crofting law, including the right to 50% of any development value of the croft going to the tenant on future sales of land resumed from the croft by the landlord for another purpose.

¹ http://woodlandcrofts.org.cp-27.webhostbox.net/

Standard tenancies allow for the right to buy the croft, the right to a statutory house site and the right to assign the croft amongst other provisions. DCT will therefore takes legal advice when creating crofts and will take the opportunity to safeguard community rights in the leases. Leases will exclude the right to buy the croft and will also exclude the right to assign, the right to compensation for resumption or compulsory purchase and the right to a statutory house site. Excluding the right to assign will prevent tenants from selling their lease to another party, usually for a price equal to or greater than the value of a house site. This will prevent profiteering and also allow the community body to retain the power to approve future tenants. (A policy decision to favour transfer from parent to child where the child was living and working in the area will allow for a normal succession without risking absentee heirs selling the tenancy to the highest bidder). Excluding the right to compensation will secure 100% of any sale price of land to be developed for the community. Excluding the right to a statutory house site will allow the company to provide a house site for tenants with burdens attached requiring residency. It is not possible to attach these to statutory house sites.

The development of Forest Crofts will require the input of development time to satisfy the legal requirements, to locate and define the sites, and to advertise for and select tenants. They will generate a modest £150/croft income for the community and will be developed because of the social benefits that they can deliver.

Housing

DCT will work with partners to deliver new housing opportunities locally. There are a range of options open for delivering new housing opportunities in and close to Cruachan Wood:

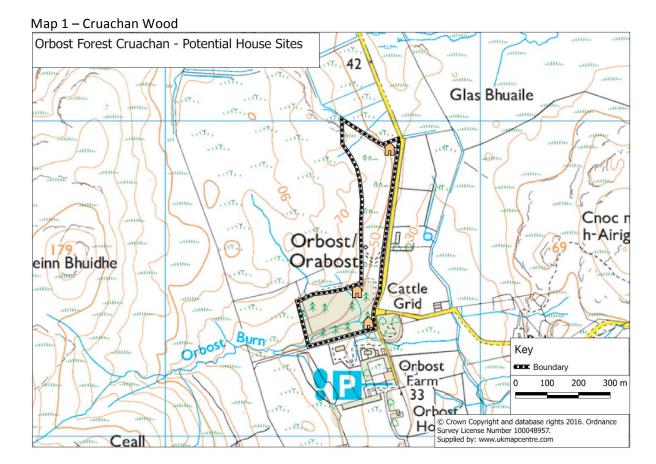
- 1. Lochalsh and Skye Housing Association². The association already owns and manages Cruachan cottages in Orbost. It is understood that LSHA own a site that could take a further 2 units opposite these cottages. DCT will work with LSHA to see this site developed.
- 2. Communities Housing Trust³. CHT (formerly known as Highland Small Communities Housing Trust) was established to fill in the gaps that housing associations found it difficult to address. CHT has come up with a number of innovative housing projects and has delivered shared equity and rent to buy projects which enables those on modest incomes to buy a property over a period of time.
- 3. Self-build. The community will release plots of land for people to build their own houses. Combined with legal burdens to ensure future residence this option can deliver new housing at no cost to the community and can allow individuals to build houses tailored to their own needs and budgets. It will seek to identify sites for the woodland croft tenants or, if not required, for other potential self-builders within the local community.

Approaching from Dunvegan most of the land along the narrow strip of Cruachan Wood rises steeply from the roadside and would therefore be challenging for housebuilding. However, there is an area of ground at the northern tip of Cruachan wood adjacent to the road which is flat enough to create one or two house sites at Grid Ref: NG257439 (Map 1). The water supply should be adjacent to the road, whereas the nearest electricity cable is likely to be about 300m away.

² Lochalsh & Skye Housing Association (Isha.co.uk)

³www.hscht.co.uk/

At the southern end of Cruachan Wood there is a flat area bounded by the roadside wall on the east and a watercourse on the west (grid ref: NG257434. If this area is not prone to the watercourse overflowing (which it appears not to be) a house could potentially be constructed there. Alternatively, there is an existing farm access that follows the northern boundary of this section of the wood. The use of that access may enable the construction of one or two houses slightly higher up the hill, within the wood. The viability of this approach has already been demonstrated by the property constructed approximately 150m further north on the same side of the road.



Access & Tourism

Residents of Skye know only too well that tourism brings both benefits and disadvantages. It can generate income for local businesses and the economy but also lead to large numbers of people descending on specific locations, causing problems with parking and littering. Local residents have emphasised the value they place on Orbost as a beautiful place that does not get overwhelmed. Therefore any 'developments' at Orbost would need to be carried out carefully in order to avoid losing its innate qualities.

If the land adjacent to the roadside wall at the southern end of the wood proves not to be suitable for housing development DCT will seek to create a small car park at this location to manage visitors going to the nearby beach. The informal use of the neighbouring farmyard for car parking has worked up until the present time, but it is inherently risky as moving farm vehicles carrying loads such as bales on handling equipment can have poor visibility. Therefore, there is the risk of accident, with young children being a particular concern.

The creation of a small car park will formalise parking and make it safer.

DCT will also explore options for enabling public access to the wood, with an existing access track near the southern end offering opportunities for views over the surrounding landscape. DCT will further explore opportunities with the local school for using the woodland as a learning resource.

6. Financial summary

The main development work will be around the creation of 3 woodland crofts and development a housing plot (with conditions) for sale. In addition, a community car parking facility will also be included in the development plan which will benefit the wider community as well as those living in the area who presently subject to the public informally parking in the area in a manner which can at times be quite disruptive.

To bring this work to fruition will require the time of at least a part-time Development Manager which it is assumed would attract grant funding for the first 3 years.

In addition, operational and some capital funding support will be required from Dunvegan Community Trust to develop these projects although it is assumed that at least 50% grant funding might be obtained towards the car parking facilities.

The woodland crofts will return a modest annual income once they are tenanted, and the house plot sale is assumed to generate around £15,000. There will be professional costs incurred in relation to these projects.

An illustrative 5 year financial projection has been prepared for the development of the Cruachan Wood.

Cru	achan Wood Financial Projections							
			Year 1	Year 2	Year 3	Year 4	Year 5	Total
	New woodland crofts	1			450	450	450	1,350
	Sale of affordable house plot (with restrictions)	2			15,000	450	15,000	
	Development Funding	3	19,400	20,370	21,389		13,000	61,159
	Operating grant required from DCT	4	5,000	5,000	5,000	5,000	,	
	operating Branciequines from 20.	•	3,000	3,000	3,000	5,000		20,000
	Income		24,400	25,370	41,839	5,450	15,450	112,509
		·						
	Development Manager	а	15,400	16,170	16,979	17,827		66,376
	Development operating budget	d	2,000	2,100	2,205	2,315		8,620
	Office running costs	е	2,000	2,100	2,205	2,315		8,620
_	Other costs	f	2,000	2,100	2,205	2,315	2,431	11,051
	Insurance	g	750	788	827	868	912	4,144
	Operating costs	•	22,150	23,258	24,420	25,641	3,343	98,812
		•			·		·	
_	Net profit/(loss)		2,250	2,113	17,418	(20,191)	12,107	13,697
	Cumulative net profit/(loss)		2,250	4,363	21,781	1,589	13,697	
_	Capital costs Purchase cost of Cruachan Wood	i	30,800					20 800
_	Croft development costs		30,600	2 500	2,500			30,800 5,000
	Housing plot development	j ;		2,500 2,500	2,500			5,000
	Carpark development	J k		2,300	5,000	50,000		55,000
	Total capital costs	Ν.	30,800	5,000	10,000	50,000		95,800
	Total capital costs		30,000	3,000	10,000	30,000		33,600
	Funding of capital costs							
	Scottish Land Fund - Cruachan Wood	i	29,260					29,260
	Grant funding - car parking	5			3,750	37,500	-	41,250
	Own resources from DCT	4	1,540	5,000	6,250	12,500	-	25,290
			30,800	5,000	10,000	50,000	-	95,800
۸۰۰	rumntions							
433	sumptions							
1	Assume that 3 crofts are let by year 3 @ £150 per croft. T	hese cr	oft are assu	med to be	without a	statutory l	house site.	
2	2 It is planned to sell an affordable housing plot with restrictions. This is illustrated as happening in year 3 and a second site in year 5.					site in year		
3	It is assumed that funding might be secured to cover the	cost of	a part-time	developn	nent mana	ger for a 3	year period.	
4	Funding support would be required from DCT to support	the de	velopment,	assumed	to be avail	able to cov	er operation	al and
capital shortfall.								
	For the purposes of these projections, it is assumed that	a /5% g	grant will be	obtained	towards c	ar park dev	relopment.	
	Warranda							
						. ,		
	Wages costs	a Development Manager post assumed to be part-time with salary of £35,000 per annum plus oncosts (pro-rata 2 da						
a	Development Manager post assumed to be part-time wi							cilities and
a	Development Manager post assumed to be part-time wi the first 18 months, in order to deliver the work that is re	equired				pment of	car parking ta	
	Development Manager post assumed to be part-time wi the first 18 months, in order to deliver the work that is re the development of woodland crofts and a house plot sa	equired ale.	to provide	a plan for	the develo			
)	Development Manager post assumed to be part-time wi the first 18 months, in order to deliver the work that is re the development of woodland crofts and a house plot sa For the purposes of these projections, a 10% provision o	equired ale. If salary	to provide has been ir	a plan for	the develo			
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7. Skills Audit of Trust directors

Skills Survey of DCT Board Members

This section presents and discusses findings from the skills survey that was conducted as part of the feasibility study. The purpose of the survey was to analyse what skills exist within the Trust's Board to manage the development of Orbost Forest under community ownership. The online survey was sent to all Directors and a total of 8 responses were received.

Time Commitment to support the Trust's work regarding the assets

Respondents were asked to indicate what time commitment they would be willing to give to the Trust regarding the purchase and development of Orbost Forest. Table 1 below shows survey responses in that regard.

Table 1: Time commitment over next 6-12 months				
Attend some meetings	5 (62.50%)			
Attend all meetings	2 (25%)			
+ less than 1 hour per week	1 (12.50%)			
+ 1-3 hours per week	4 (50%)			
+ 3-6 hours per week	1 (12.50%)			
+ more than 6 hours per week	0			
Unable to give any time commitment at all	1 (12.50%)			

As the table shows, there was a willingness on the part of respondents to make substantial time commitments to assist in taking a buyout of the forest forward. Five respondents were prepared to attend some meetings. Two respondents indicated they would be prepared to attend all meetings and four indicated they would be prepared to spend an additional 1-3 hours per week. One respondent indicated that they would not be able to give any time commitment at all but would help where they could with specific skills if the Board lacks capacity.

The above survey findings indicate that the Trust's Board are prepared to commit a substantial amount of time to the purchase and development of the wood.

Profile of Respondents' Skills

The main part of the survey focused on identifying respondents' strengths and weaknesses regarding a range of generic and specific management and development skills of relevance to community ownership of the forest. The survey results in that regard are presented in table 2 and discussed below.

The table uses a 'traffic light' coding system to illustrate the level of skills regarding each category depending on responses. Categories marked in **green** have been identified by one or more respondents as one of their primary skills areas. Categories marked in **amber** have been identified by one or more respondents as an area where they have a basic knowledge (in the absence of any respondents identifying the category as a primary skills area). Categories marked in **red** have been identified by all respondents as areas where they have no expertise.

Table 2: Skills Survey Responses					
Skills Area	No expertise	Basic knowledge	A primary skills area		
Project development	4	1	1		
Project management	4	1	1		
Managing a business	2	3	2		
Managing staff	1	3	2		
Chairing/Facilitating meetings	3	1	2		
Community consultation and engagement	3	2	1		
HR issues (employment law, employment contracts, recruitment etc)	3	2	1		
Managing consultants	4	1	1		
Running a campaign	3	2	1		
Use of computer packages (Word, Excel etc)	0	4	3		
Designing websites	3	2	1		
Using social media	0	3	3		
Marketing/PR on behalf of a business organisation	4	0	2		
Representing an organisation to elected Council Members, MSPs etc.	5	1	0		
Using and running IT systems above the level of a single PC	3	3	0		
Working with public sector organisations	3	3	0		
Preparing business plans and strategies	4	2	0		
Lease/Wayleave contract negotiations	5	1	0		
Preparing financial accounts	2	4	0		
Charities and Companies House Returns	5	1	0		
Woodlands crofts development	5	1	0		
Woodland development	6	0	0		
Native woodland species restoration	6	0	0		
Forest schools/classrooms	6	0	0		
Access and interpretation	6	0	0		
Housing development	6	0	0		
Conveyancing/legal aspects of Land and/or Asset Purchase	6	0	0		

These colour-coding classifications are basic and the sample size of respondents is small. Nevertheless, they provide a clear indication of where collective strengths and weaknesses lie in terms of relevant skills for managing and developing the wood. It should also be noted that there will be other skills and experience within the community which may be available for the Trust to draw upon following a successful purchase of the wood.

Summary

The skills survey indicates that the Trust's Board is relatively well positioned in relation to several generic skills areas of relevance to managing land assets and has some capacity in relation to a range of other relevant areas, including, 'woodland crofts development', 'and 'pods/cabins' development'. In contrast, the Board lacks expertise in relation to housing. Therefore, DCT will seek to bring relevant experience on to the board.

The following actions will be taken to enable the Board to address skills gaps and enable successful community purchase and development of the forest:

- Recruiting new Board members (either local or non-resident) to augment the skills of existing members, particularly in the area of woodland management;
- Arranging skills training for all Board members in relation to identified areas of need;
- Establishing short-term thematic or topic-specific working groups drawing on wider expertise and capacity within the community;
- Early recruitment of specialist development staff to manage the Trust's activities in relation to core development areas after a buyout is successfully concluded.

8. Purchase Strategy

There are significant community benefits to be gained from community ownership of Cruachan Wood. However, there are also risks so DCT will approach purchase and development carefully. This will ensure that the potential benefits are achieved and the risks minimised.

The following is an indicative strategy for achieving a successful purchase:

- 1. **Negotiate a Discount.** DCT will ask HIE for a discount on the potential purchase price based on an assessment of the social and environmental benefits that community ownership will deliver.
- 2. **Apply to purchase using a Community Asset Transfer request.** If DCT uses this mechanism and HIE refuses a sale DCT will have a statutory right of appeal.
- 3. **Apply for Scottish Land Fund funding for site purchase.** This will be carried out parallel to steps 1 to 4. However, an application will not be considered by the committee for approval until the CAT request has been approved by HIE. Application to approval may take 6 months or longer depending upon negotiations with HIE.

9. Risk Assessment of Community Ownership of the Land Assets

Table 3 below provides an assessment of risk factors associated with community ownership of the land assets including the likelihood of such risks occurring, a description of their impacts and recommended actions to mitigate these impacts.

Table 3: Risk Factors and Mitigation					
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation	
HIE refuses to sell one or more of the land areas to PBCT	Low	High	Unable to proceed with community buyouts of land areas as planned	Initiate further discussions with owner to facilitate sale. Submit offer as Community Asset Transfer request	
Unable to secure capital funding from SLF to complete purchase	Low to Medium	High	Unable to proceed with community buyout of woodland	Consider alternative funding sources.	
Lack of community support for development options	Low	High	Reduces credibility of DCT as asset manager on behalf of community. Prevents development options from being implemented.	 Proactively engage and communicate with local community on options and related activities. Engage with partner organisations to foster support. 	
Unable to secure funding for development proposals.	Medium	Medium/High	Unable to proceed with development options as outlined in Business Plan.	Revise proposals and resubmit to funders.	
Unable to secure croft tenants	Low	Medium/High	Inability to allocate tenancies	Advertise opportunity widely, including community land networks Seek advice from groups who have previously create woodland crofts	
Erosion of support from partner organisations	Low/Medium	High	 Inability to deliver identified benefits. Loss of local credibility and support will impact on fundraising and other activities. 	Continue to work closely and ensure benefits accrue to all parties.	
Lack of skills/ capacity to deliver	Low/Medium	High	Inability to manage land assets and development initiatives. Loss of credibility in community Inability to access development funding	Mentoring Recruitment of new directors. Training for Directors & Others Work with partners to deliver housing	

10. Funding Sources for Acquisition and Development

Acquisition

The main source of public funding for purchase of Orbost Forest will be the **Scottish Land Fund**, which has a £10 million annual budget to support community purchases of land and associated eligible assets. It can provide up to 95% of eligible purchase costs.

The **Scottish Land Fund** allows for a total of £100,000 in revenue funding per applicant over the period of its project. This includes funding given for technical assistance at the pre-acquisition stage for a maximum of £30,000. Revenue funding will be sought for employing staff, training costs, and early items such as insurance.

Development

Rural Tourism Infrastructure Fund. The Scottish Government established this fund⁴, administered by VisitScotland, to assist areas where infrastructure is struggling to cope with tourism pressures. Only local authorities can apply for the funding, but community groups can apply to their local authority for inclusion in an application. Improved parking provision is a common aim of many applications.

Private Grant Making Trusts. There are a wide range of grant making trusts that award funding to community groups and charities delivering socially beneficial projects. Each trust has its own criteria and therefore different trusts will support different projects. A facility to help identify suitable options for any given project is found at https://fundingscotland.com/

 $^{^{4} \\ \}text{https://www.visitscotland.org/supporting-your-business/funding/rural-tourism-infrastructure-fund}$