

Appendix 9

Ardochy Forest – Outline Project Plan



May 2021

1. Introduction

In August 2020 a full feasibility study and business plan was produced to support the proposed acquisition from Forestry & Land Scotland (FLS) of the lower part of Ardochy Forest by Glengarry Community Woodlands.

These reports proposed in outline (Section 12 of the feasibility study, & Section 4 of the Business Plan), that GCW should purchase 3 areas of woodland (described as Areas 1 to 3 in the Valuation Report); would then sell on Area 1 to the Highlands Small Communities Housing Trust (now known as the Communities Housing Trust (CHT)), who would develop woodland crofts and affordable housing in this area; informed by this phase of the project, GCW would then develop woodland crofts directly in Areas 2 & 3. Area 4 as identified in the Valuation Report would not be purchased.

Following publication of these reports, further discussion took place with FLS, which highlighted potential difficulties with this approach, but offered some solutions. Alongside this, discussion continued within the community about the detail of the proposals and financial aspects were explored further with stakeholders such as the Scottish Land Fund (SLF), who confirmed that in principle the proposals were ones that would be eligible for SLF funding.

Additionally, in December 2020, FLS approached GCW with the suggestion that the acquisition area might include the wayleave of the new High Voltage powerline (PL) then under construction, to generate a 'cleaner' boundary between the ownerships (see section 5.4 of the Feasibility Study). This was considered by the GCW board and agreed to, subject to valuation.

As a result, a new amended proposal has been drawn up which addresses earlier issues and responds to community feedback, and forms the basis of the Project Plan detailed below. In summary, the key elements are:

1. CHT to purchase Area 1 directly from FLS, plus new PL area above;
2. GCW to purchase Areas 2, 3 & 4 from FLS via the Community Asset Transfer Scheme (CATS), plus new PL area above;
3. GCW & CHT to develop a joint Forest Plan, and carry out Masterplanning exercise, for the purchased area;
4. GCW to commission legal work to confirm detailed model for tenanted & owner-occupied crofts;
5. CHT to develop 1 tenanted & 1 owner occupied croft, and affordable houses/plots, in Area 1;
6. GCW to develop 1 tenanted & 1 owner occupied croft in each of Areas 2 and 3 (4 new woodland crofts total);
7. GCW to develop Area 4 for amenity/conservation and potential longer-term croft extension area.

These elements are detailed and discussed further below.

2. Project Programme

The following sections should be read with reference to the feasibility study and business plan of August 2020 which provide further information about the underlying issues.

It should be emphasised that although CHT and GCW are proposing to acquire separate areas of land, they will be working in partnership and with a shared vision to deliver a single, holistic project for the community in Glengarry. Where activity can be carried out jointly, it will be, but where legal separation is necessary the relationship between GCW and CHT will be underpinned by a comprehensive Minute of Agreement (MoA). Drawing up and agreeing this MoA will form an essential first step in the project.

2.1 Acquisition of Area 1 by CHT

FLS have confirmed that as the purchase of Area 1 is expected to deliver public benefits, they are willing and able to sell the land directly to CHT at market value. CHT will therefore formally request to buy the land in the near future. This will be purchased in tandem with the community acquisition (see below).

2.2 Acquisition of Areas 2, 3 & 4 by GCW

GCW will submit a CATS application to purchase these areas in early 2021, based on this project plan and supported by the existing feasibility study, business plan and associated

documents. If the CATS panel approves the application, and FLS subsequently agrees to sell the land, GCW will apply to SLF for funding for the acquisition and its associated costs. SLF funding combined with a discount on market value (explained in 14.1.3 of the feasibility study) is anticipated to cover this stage of the project. It should be noted that in this project plan the acquisition costs have increased by £19,000 as a result of GCW no longer acquiring Area 1, but now also acquiring Area 4 plus the section of the new PL wayleave above areas 2, 3 & 4. The level of discount requested remains unaltered however, as this is still based on the benefits arising from the 4 crofts in Areas 2 & 3; no additional discount is sought for the expanded area although additional public benefits will accrue.

2.3 Development of joint Forest Plan, and Masterplan

This stage is the bedrock on which the project is built, and both plans will cover the joint GCW & CHT ownerships in an integrated way with the project area being considered as a single management unit. It is an essential precursor to future applications for planning consent and will ensure all relevant issues are addressed appropriately.

As discussed in Sections 13.1 & 13.2 of the feasibility study, the new forest plan will guide the transition from the current FLS management approach to management by the community, including the creation of woodland crofts. Its starting point on the change of ownership will be the transfer of obligations under the current plan, which will then be reviewed and amended to meet community priorities. These will include possible changes to species mix of restock areas, the introduction of additional open space to meet UKFS requirements, and the integration of individual croft management with the wider strategic plan.

The Masterplan will examine the issues surrounding development in the project area and lay out proposals which meet relevant guidance. Key amongst this will be the Highland Council Supplementary Guidance 'Trees, Woodlands and Development' which outlines the circumstances under which development can co-exist with woodland, as is the goal here.

2.4 Investigation and preparation of legal templates for croft models

The objective in delivering 2 very different models of woodland croft with housing is to offer opportunities to potential crofters in differing circumstances.

The proposed tenanted woodland croft will be offered with a house to rent, and therefore will be a particularly affordable opportunity for the incoming crofter. The simplest mechanism to tie the house to the croft is to build the house on croft land as a landlord's improvement, but the option of building off-croft will also be considered. The financing of a new house under such arrangements will be explored by CHT in conjunction with GCW to ensure the house is tied to the croft tenancy as well as meeting lenders' requirements. The purpose of the legal work is to develop one or more robust legal templates that link house and croft together.

The owner-occupied croft will appeal to those with some capital behind them, and is in some respects more straightforward. This is because the house plot will be subject to a Rural

Housing Burden whose conditions can be used to tie the plot to the croft, as well as control future sales. The plot once again could be on croft land or non-croft land and financing the house build will be a consideration here also. The possibility of applying the Rural Housing Burden to the whole of the croft and not simply the house plot will be investigated as this offers the potential to be a simpler solution.

Both the models above are each in their own way unique, at least in respect of new crofts, thus the project represents a pilot whose lessons and solutions can be applied much more widely across the crofting counties to the benefit of future projects.

2.5 Development of Area 1 by CHT

Applying the lessons learned from the legal work in 2.4, and following the forest plan and masterplan produced in 2.3, CHT will develop the 2 woodland crofts in this area (1 tenanted and 1 owner-occupied). They will also develop, in parallel, a number of additional affordable houses/plots – the type will be subject to both future funding availability and local demand.

The number of such units will be subject to planning considerations and approval by the planning authorities, but is expected to be in the range 2-4 (ie up to 6 units total, including the croft houses). This development has been the subject of a pre-application enquiry and follow-up discussions with planning officers, which concluded that subject to conditions being met the proposals could be supported (see Section 8 of feasibility study).

Whilst initially CHT will be landlord or owner of both crofts and affordable housing in this area, the policy for their onward allocation will be agreed with GCW to reflect local priorities and this will be enshrined in the Minute of Agreement to be adopted. Future allocations by GCW in areas 2 and 3 will be governed by this same policy. It should be noted that one of GCW's objectives in taking forward this project is to retain existing families and attract new ones to the community. It is for these reasons that Scottish Government has identified the project as a new forest-based repopulation pilot (see section 3.1 below).

2.6 Development of Areas 2 & 3 by GCW

The aim of the first phase of the project in 2.5 above is to de-risk the second phase of the project for GCW, namely the development of crofts in the remaining areas. Any issues which arise in this initial phase will be progressed and overcome by CHT - who have long experience of pioneering new approaches - working in partnership with GCW. Accordingly, the delivery of the next 4 crofts is expected to be straightforward using the lessons learned in phase 1. At its completion the new community of 6 woodland crofters will provide a critical mass for co-operative working and the sharing of equipment and resources.

2.7 Development of Area 4 by GCW

Although listed as a final phase of the project, in reality activity in Area 4 will begin sooner and to a large degree be ongoing in parallel with earlier developments. It will, from the beginning, be covered by the forest plan and masterplan and thus proposals for its development will be considered in detail at this point. Some of this area requires restocking and the nature of this will also need to be included in the forest plan.

Current community aspirations for Area 4 centre on managing it for amenity, though the possibility of expanding crofting into the area, subject to further demand, has not been ruled out. In practice, both are possible.

Area 4 includes several features which lend themselves to development as an amenity resource. Firstly, it includes some of the best areas of semi-natural oakwood in the acquisition area, with a number of fine old oak trees interspersed with younger birch. Secondly, it includes one of the highest points in the lower forest, a knoll which forms a good viewpoint looking out over Loch Garry, and with open views in all other directions.

Further, there is currently no formal stopping point along this stretch of the Tomdoun road where people can stop and park and enjoy the surrounding woodland and lochside. Hence a footpath development through the woods to the viewpoint, and serviced by a modest car park would offer improved facilities for both local visitors and tourists. Access from the public road is less easy at this end of the wood but if necessary can be taken further west, which would lead to the footpath route being extended.

A development of this scale and nature is likely to be supported through local community benefit funds, especially given that it is likely to appeal to a wide cross-section of the community. Ongoing maintenance of any new facility would form an ideal contract opportunity for the crofters, who will be on the spot and be suitably skilled and equipped for such work.

3. Further Considerations

During the evolution of this project, and since earlier meetings with FLS, new developments have arisen as well as potential queries. These are discussed briefly below:

3.1 Scottish Government Repopulation Pilot

The Scottish Government (SG) committed in the Programme for Government to 'develop an action plan to support repopulation of our rural and island communities and to work with partners to test approaches using small scale pilots'. At a workshop held in Aviemore in March 2020, a number of ideas for such pilots were developed through groupwork, one of which was informally named 'Forests for People'.

Following the workshop, the SG chose this model as one of its pilots and approached the Woodland Crofts Partnership (WCP) for assistance with this. Following further discussion, SG identified Glengarry Community Woodlands (GCW) as its preferred host community group for this pilot.

Accordingly, SG is providing time-limited funding support for revenue costs to GCW, CHT and the WCP to progress the Ardochy project, until 31 March 2021. It is also providing some capital grant to GCW to support other aspects of its business. Following the end of this pilot, an evaluation will be carried out so that lessons can be learnt and shared, including the potential replicability of the approach, and any policy issues for consideration.

It is understood that this SG support does not pre-judge the forthcoming applications to CATS or SLF, and that either of these may be unsuccessful for other reasons.

3.2 Maintenance of public & community benefit

This project seeks to deliver public and community benefit over the long term, and this is the justification which underpins the CATS application, the requested discount from market value, and associated applications for public funding, for example to the SLF.

As the proposal involves 'devolving' responsibilities for land management over much of the area to the crofters, it is reasonable to ask how the expected benefits can be maintained. In practice, there are a number of overlapping measures which will ensure this, of which the 3 main ones are:

The GCW croft allocations policy

GCW will draw up a croft allocations policy which will reflect community needs. As well as prioritising certain demographics eg young families, selection of crofters will involve the assessment of business proposals for the crofts. The process will be impartial and designed to ensure that the very best candidates, with genuine long-term commitment to woodland crofting, are chosen. This policy will apply to both tenanted and owner-occupied crofts.

Crofting Law

Crofting is a regulated system of land tenure underpinned by extensive legislation, and administered by the Crofting Commission. Crofters enjoy a range of rights but importantly are also subject to a number of key obligations. These include the requirement to reside on or close to the croft; the requirement to cultivate the croft (which includes 'use as woodlands') or put it to other purposeful use; and the duty not to misuse or neglect the croft.

These obligations apply equally to both crofting tenants and owner-occupier crofters. Crofting regulation ensures that croft land is used properly; failure to meet any of the above obligations is a breach of crofting law, with an ultimate sanction of removal from the croft.

Contractual arrangements with GCW

In addition to the above, GCW will enter into contractual arrangements with the crofters to ensure community benefit is maintained. The approach will differ slightly depending on whether the croft is tenanted or owner-occupied:

- Tenanted crofts will be let according to the statutory conditions of let enshrined in crofting law. However, GCW will also apply a number of additional conditions to safeguard their, and the public, interest. These will include (but are not restricted to)
 - Withholding the Right to Buy;
 - Restricting the Right to Assign;
 - Ensuring the croft is used as a woodland croft;
 - Requiring crofters to agree a management plan with GCW, consistent with latter's own Long Term Forest Plan.

- Owner-occupied crofts will be sold subject to a Rural Housing Burden (RHB) and associated Standard Security and Personal Bond. Together, these will ensure that:
 - GCW (or CHT on their behalf) has a right of pre-emption should the crofter decide to sell and move on, at a pre-determined price;
 - GCW will retain a share of the value of the land, ensuring that it remains affordable for the original and any subsequent purchaser;
 - GCW will include in the Personal Bond equivalent conditions relating to use of the croft, requirement for management plan etc as described for tenanted crofts above.

The above represent the general principles which will be covered in the various agreements between crofters and GCW. The legal work to be commissioned through the project (as per 2.4 above) will provide detailed legal templates for those agreements and during which stakeholders, including FLS, will be consulted.

3.3 Right of Pre-emption in favour of Forestry and Land Scotland

At an early stage, agreement will be sought on a suitable form of words to encapsulate the social and community objectives of GCW and marry them with the responsibilities of Forestry and Land Scotland, for use within the legal sale documents. This will clearly describe suitable land uses and functions which GCW and their successors (who purchase affordable housing or crofts) will carry out on the land. It is considered that this would prevent the requirement for the Right of Pre-emption being exercised by Forestry and Land Scotland, unless the land use altered from the intended purposes.

4. Updated Financial Projections

In light of the changes to the initial project proposals, described fully above, the costings, income & expenditure figures and land acquisition costs from the August 2020 Business Plan have been updated; the new figures are included below:

4.1 Land Acquisition Costs

Project Costs		
Land at Valuation		
Area B	178,000	
Land Cost		178,000
Legal Fees on Acquisition		5,000
Create Legal Template for Owner occupier croft		10,000
Forest Plan and Masterplan		10,000
Project Management Costs		10,000
Total Costs		<u>213,000</u>
Funded by		
FLS Discount		40,000
SLF	81%	173,000
		<u>213,000</u>

4.2 Costings

Project Costs	Notes	1	2	3	4	5	Total
Phase 1							
Land at Valuation		178,000					178,000
Legal Fees on Acquisition		5,000					5,000
Forest Plan and Masterplan		10,000					10,000
Create Legal Templates	1	10,000					10,000
Project Management							10,000
Phase 2							
Title Plans	2		2,400				2,400
Architect and planning fees for 4 crofts in areas 2 and 3	3		9,000				9,000
Plot Servicing (4 plots)	4		160,000				160,000
Construction of 2 croft houses	5			320,000			320,000
Legal and Registration Fees of new crofts			5,000				5,000
Individual Timber Valuations for tenant woodland crofts	6			4,000			4,000
Valuation of Owner Occupier woodland crofts	7			4,000			4,000
Project Management		10,000	5,500	5,500			21,000
Insurance	8	500	515	530	600	618	2,763
Tenant Croft houses annual running costs	9				6,824	6,960	13,784
Tenant Croft houses loan repayments	9				5,069	5,069	10,138
Total Costs		213,500	182,415	334,030	12,493	12,647	755,086
Funded by							
Phase 1							
Scottish Land Fund	10	173,000					173,000
Discount negotiated with FLS	11	40,000					40,000
GCW		500	515	530			1,545
Phase 2							
Grants towards servicing and house construction	12		181,900	113,500			295,400
Sale of 2 owner/occupier crofts with discounted serviced house plots with RHB	13			140,000			140,000
Mortgages on Tenant Croft houses	9 & 14			80,000			80,000
Tenant crofts rental income	9				13,200	13,464	26,664
		213,500	182,415	334,030	13,200	13,464	756,609
Net Income		-	-	-	707	817	1,524
Cumulative		-	-	-	707	1,524	

Notes

1 Legal templates for Owner occupier croft with RHB incl. Minute of Agreement with CHT

2 Title Plans for the apportionment of land to individual crofts

3 Architect and planning fees for 4 crofts in areas 2 and 3

4 Plot Servicing (4 plots)

5 Construction of 2 croft houses

6 Individual Timber Valuations for tenant woodland crofts

7 Valuation of Owner Occupier woodland crofts to inform Selling Price

8 Insurance PI

9 Tenant Croft houses annual running costs

9 Rental Income and Expenditure

Croft Rent per unit (based on £100 per ha @ 6ha per croft) 600

Croft House Rent per unit 6,000

No of Units 2

Total Rental Income per Annum 13,200

Expenses

14 Loan Repayment (4% interest, 25 years) 5,069

Management 1,800

Property Insurance 800

Maintenance 1,980

Voids 264

Major Repairs Sinking Fund 1,980

Total Expenses 11,893

Annual Surplus 1,307

10 Scottish Land Fund grant requested

11 Discount negotiated for public benefits derived from project

12 RHF Grant towards servicing and house construction based on providing 2 discounted serviced plots and 2 x 3 bedroom homes at social rent equivalent

13 Sale of 2 owner/occupier crofts with discounted serviced house plots with RHB estimated value based on 50% of area 2

14 Maximum Mortgages on Tenant Croft houses that can be serviced through rental income

4.3 Income & Expenditure

	1	2	3	4	5	6 to 10	11 to 15	16 to 20	21 to 25	Total
Income										
Scottish Land Fund	173,000									173,000
Grants- servicing and croft house construction		181,900	113,500	-						295,400
Sale of 2 discounted RHB owner/occupier crofts			140,000	-						140,000
Loans supported by Tenant Crofts rental income			80,000	-						80,000
Tenant crofts rental income				13,200	13,464	71,469	78,907	87,120	96,187	360,347
GCW	500	515	530	-						1,545
Total Income	173,500	182,415	334,030	13,200	13,464	71,469	78,907	87,120	96,187	1,050,292
Expenditure										
Land Purchase	138,000									138,000
Direct Acquisition costs	5,000									5,000
Post Acquisition costs	20,000									20,000
Project Management	10,000	5,500	5,500							21,000
Woodland Croft Creation Costs		16,400	8,000							24,400
Plot Servicing (4 plots)		160,000	-							160,000
Construction of 2 croft houses			320,000							320,000
Tenant Croft houses annual running costs				6,824	6,960	36,947	40,793	45,038	49,726	186,288
Tenant Croft houses loan repayments				5,069	5,069	25,344	25,344	25,344	25,344	111,514
Insurance	500	515	530	600	618	3,379	3,918	4,542	5,265	19,868
Total Expenses	173,500	182,415	334,030	12,493	12,647	65,671	70,054	74,924	80,335	1,006,070
Annual Surplus/(Deficit)	-	-	-	707	817	5,798	8,853	12,196	15,852	44,222