

Langholm Initiative Business Plan for Community Ownership

Note

The following business plan has been released following confirmation that it does not breach any commercial sensitivity or personal privacy of those that are directly connected to the assets that it describes (existing tenants, employees and rental agreements for example). In order to ensure that privacy is maintained there are some minor redactions.

The following information was produced as part of a feasibility study in order to determine a viable project should the buy-out succeed. The final business plan relies on ongoing work to assess all options including funding, and therefore could change. LI is committed to keeping the community informed at all stages of the continuing process.

Community Ownership of Langholm Moor

Business Plan for the Langholm Initiative



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1. Executive Summary

This business plan has been prepared to support the purchase of 10,439 acres of land from Buccleuch Estates. The land comprises 9,062 acres of moorland, 678 acres of pasture, 646 acres of woodland and 9 houses and 3 steadings with 34 acres of ground.

The Langholm Initiative intend to use the land to regenerate the landscape and revitalise the local community through the creation of a nature reserve which will boost local tourism and employment, and through providing new employment, training and housing opportunities for the local community.

Extensive research and community consultation has been carried out as part of this process. This includes desk-based analysis of a wide range of estate information, local plans and national reports, policies and strategies. Extensive community consultation has included community awareness raising, consultation events and telephone interviews with stakeholders.

The 'Muckle Toon' has suffered from deindustrialisation with the last of its large textile mills now closed and population declining, with an ageing demographic. Extensive community consultation prior to the proposed sale identified that the community sees its future depending upon landscape and tourism.

There is strong potential to develop a National Nature Reserve on the Langholm Moor to protect the landscape and wildlife (particularly Hen Harriers) and use this status to promote tourism and create employment opportunities and community pride. Economic impacts could be similar to the Galloway Kite Trail which created 20 full-time jobs over an 11 yr period. Social and environmental impacts of community moorland management will also be significant through the creation of new access opportunities for local people such as all abilities trails and a hen harrier observatory and the ability to use the moor to capture carbon and mitigate climate change.

The estate currently runs a sheep flock and employs 1 shepherd who would transfer to LI under TUPE regulations. Future agricultural and environmental support is uncertain due to impending changes as part of the Brexit process. However the Scottish Government is committed to maintaining the available level of support in the medium term and to providing £250m for peatland regeneration over the next 10 yrs. LI will manage the livestock with a view to improving conservation outcomes with a preference to switch - at least in part - to low impact cattle grazing.

There are existing broadleaved and conifer woodlands on the estate which can be managed to produce a steady income stream, an estimated gross revenue of £580,915 over 25 years. There is also the potential to create 200ha of new woodland through planting and natural regeneration. This will generate gross revenues of **£700,800 (years 1-8)**, provide direct employment on the estate and indirect employment for contractors (an estimated 11.1 FTEs in years 1-8). Planting with native broadleaves will sequester **9,105t** of carbon over 25 years, generating **£91,050**

Decisions on where and how conservation, public access, agricultural management, and woodland management activities will take place will be made in the context of an overall land management plan in the 1st year of community ownership.

The Langholm Initiative will be able to have a major impact on local business development through developing a glamping site and providing and creating space for other businesses to let. The

glamping site will address a local need and desire to develop alternative tourist accommodation in the area.

A report for the Dumfries and Galloway Local Plan identified a lack of suitable business space in the Langholm area and the need for agency intervention to provide modern accommodation to facilitate business creation and growth. A survey of business owners identified 15 businesses requiring space to safeguard **15** existing jobs and create **20-25** new ones.

A small campsite will be created at Broomholmshiels where LI will base its own activities and employees. Additional space in the farmhouse will be let to other businesses requiring office space and LI will redevelop the existing steading to create **100m²** new workshop/studio accommodation by 2024. It will investigate further opportunities to create further space if required. LI will also investigate the potential of redeveloping the derelict Lodgegill house as a potential field centre for work with University and other researchers.

The estate has 7 existing houses that are occupiable and one that is partly renovated, bringing in revenues in excess of **£30,000/yr**. These are an important resource for providing rented accommodation for local families and for the estate shepherd. The houses are in reasonable to good condition. However the Scottish government is planning to increase the minimum energy efficiency requirements of properties to a rating of E initially and ultimately to C. LI will therefore need to upgrade all properties which it can do with a combination of Rural Housing Fund, Energy Savings Trust, borrowings and own resources. It will sell 1 property to assist the upgrading works.

LI will also seek to create new housing opportunities on the estate through provision of 2-4 houses by 2024 and further developments in each 5 yr period thereafter. New projects will be developed in partnership with Dumfries & Galloway Small Communities Housing Trust. Each development will provide accommodation for an additional 6-12 people.

At the time of purchase LI will safeguard 1 post and create another 2.5 ftes making a total of **3.5ftes** in employment. Through provision of business space it has the potential to create a further **13.6 ftes** after 10yrs and **25.6ftes** after 20yrs. The development and promotion of a National Nature Reserve has the potential to create a further **20 ftes**. The forest creation programme will create **9.4ftes** in a number of temporary posts.

Financial summary

Financial projections have been prepared for a 5 year period to illustrate how the initial community ownership period might be taken forward. The existing income level combined with the development work and new projects is sufficient to cover the projected expenditure for the estate and leave a surplus with the average surplus funds across the first 5 years being around £23,000 per annum.

The financial projections also illustrate the capital costs estimated for development projects and how they might be funded through a combination of grant funding, using income generated by the Estate, particularly from the forestry schemes, and some loan funding. There is sufficient surplus being generated that the Estate could still proceed if the grant funding is not as high as currently projected (being 50%) with more of their own funds being allocated into capital projects.

An illustrative projection for a subsequent period of 15 years (Years 6 – 20) has been prepared looking at the financial viability of the Estate Purchase. The larger scale purchase enables a higher

level of income to be generated and will allow for an additional part time post to be created around year 9 as well as additional phases of new housing (around year 13 & 16), two additional steading renovations to create office/workshop space (around years 10 & 15) and a further phase of camping pod development to be undertaken in year 9 as well as generating an overall cumulative surplus at the end of year 20 of just over £350,000.

The scale of the Estate purchase, the existing income sources of the Estate combined with the development projects planned will deliver significant benefit to the community whilst also delivering financial sustainability.

Langholm Initiative (**SC197326**) (LI) is a Company Limited by Guarantee as well as being a Charity registered with (OSCR) and is a suitable vehicle for the organisation to undertake a community buyout. The organisation is currently in the process of converting from a Company Limited by Guarantee to a SCIO which will still be a suitable vehicle for the organisation to undertake a community buyout.

LI will consider creating a trading subsidiary company to take forward the trading activities of the Estate and also to safeguard to land assets from the trading activities.

The Board will consider operating additional working groups to expand the capacity of the organisation although governance responsibility will remain with the Board itself.

2. Introduction

In May 2019 Buccleuch Estates gave public notice of their intention to sell approximately 25,365 acres (10,625ha) of land on either side of the boundary between Dumfries and Galloway and Borders councils between the settlements of Langholm and Newcastleton. The land is being marketed as the Tarras Water and Holm Hill Estate. However, it is generally known locally as the Langholm Moor.

The land offered comprised:

- 22,073 acres (8,933ha) of farmland with vacant possession
- 1,599 acres (647ha) of farmland subject to a range of leases and occupancies
- 1,624 acres (659ha) of commercial forestry and amenity woodland
- 16 residential dwellings
- 3 miles of single and double bank fishing on the river Esk.

Buccleuch announced the sale via a one-month public consultation period which drew interest from the community groups the Langholm Initiative and Newcastleton and District Community Trust in purchasing parts of the estate for their respective communities. Buccleuch agreed to enter into separate negotiations with the 2 groups and to hold back the estate from the open market until 31 March 2020 or when the communities notified the estate of a termination in their interest in a purchase (This was later extended until 18 June 2020).

In September 2019 the Langholm Initiative (LI) commissioned a consultancy team to carry out a feasibility study into the options for ownership of all or part of the assets for sale on the Dumfries and Galloway side of the estate. The research methods, the assets, and the findings of the feasibility are covered in Sections 2 to 5. LI separately commissioned Greencat Renewables to research the potential for renewable energy generation on the estate.

Following consideration of the feasibility study, this business plan has been prepared to guide the community in seeking to purchase a total of 10,439 acres comprising:

- 9,062 acres of hill/moorland
- 678 acres of permanent pasture and rough grazing
- 646 acres of woodland
- 9 houses and 3 steadings covering 34 acres

All of the land is in-hand apart from 19 acres on a Short Limited Duration Tenancy (SLDT) at Broomholmshiels with less than 1 year to run and a horse paddock at Middlemoss.

If LI is unable to raise sufficient funds to purchase the whole area it will instead purchase a reduced area of 5205 acres by excluding the northernmost part of the estate comprising the land and buildings associated with Cooms and Lodgegill.

The vision of the community for the area and core development plans to deliver that vision are considered in section 6 to 13. Finally, sections 14 to 18 consider the skills needed, the risks of community ownership and potential funding sources to deliver the plan.

3. Research Methods

The research underpinning the analysis contained in this report was conducted using a combination of methods including the following:

Desk-based analysis of relevant documents including:

- Asset, leases and current land management information supplied by Buccleuch Estates in a comprehensive data room
- Dumfries & Galloway Local Plan 2
- Dumfries & Galloway Employment and Property Land Study¹
- Langholm Community Action plan
- Langholm '20 and Beyond tourism marketing strategy
- The Economic Impact of Wildlife Tourism in Scotland²
- Galloway Kite Trail Visitor Survey Report 2004-15

Primary data analysis regarding findings from:

- **Stakeholder telephone consultations** with representatives of the Langholm Alliance, Langholm Community Council, Scottish Natural Heritage, RSPB Scotland, Loreburn Housing Association, Dumfries and Galloway Small Communities Housing Trust
- **Site visits** to various parts of the estate;
- **A 1st community consultation meeting** attended by 32 people held in the Buccleuch Centre in Langholm on Thursday 10th October 2018 to explore potential land uses and activities under community ownership and community aspirations for the estate [A detailed description of all consultation including and prior and post study activities is given in Section 4]
- **A 2nd community consultation meeting** attended by 50 people held in the Langholm Day Centre to report on initial findings and receive feedback from community members.
- **A Business Space Demand questionnaire** circulated within the local community and completed by 15 existing and potential businesses.

¹ https://www.dumgal.gov.uk/media/19630/LDP2-Employment-and-Property-Land-Study/pdf/2017_March_Technical_Paper_Employment_Land_and_Property_Study_Ryden_FINAL_DRAFT.pdf

² <https://www2.gov.scot/Publications/2010/05/12164456/11>

PART ONE: BACKGROUND AND DEVELOPMENT CONTEXT

4. Langholm in Socio-economic Context

Langholm is located 8 miles north of the Scotland-England border in Eskdale. The A7 trunk road passes through the burgh linking Carlisle (19 miles) with Edinburgh (73 miles). Known as the “Muckle Toon” Langholm had a population of 2,227 at the 2011 census, made up of 1097 households³.

Demographic data shows a profile more skewed towards the older age groups and away from younger age groups than Scotland as a whole (Table 1). Children under 16 comprise 15.1% of the population versus 17.3% nationally. The largest discrepancy is found in the 16-29 age group which comprises only 12.3% of Langholm’s population compared to 18.5% in Scotland as a whole. Those in the 30-44 and 45-59 age groups are more closely matched to the Scottish figures but those over age 60 comprise 32.1% of Langholm’s population compared to 23.2% for Scotland. The census data also shows that 18% of households are single person households over age 65, compared to only 13.1% nationally.

Table 1: Census data 2001 & 2011

Location	Year	Population	Age Group						
			0-4 (%)	5-15 (%)	16-29 (%)	30-44 (%)	45-59 (%)	60-74 (%)	75+ (%)
Langholm	2011	2,311	4.1	11.0	12.3	17.2	22.2	22.1	11.0
	2001	2,277	4.6	12.6	13.0	22.2	21.8	16.4	9.4
Scotland	2011	5,062,011	5.5	11.8	18.5	20.0	21.1	15.5	7.7
	2001	5,295,403	5.5	13.7	17.5	23.0	19.3	14.0	7.1

Comparing with data from the 2001 census shows that while Scotland’s population increased by just over 1%, the population of Langholm declined by 1.9%. A mid 2018 estimate put the population at 2,100, a further 7.8% decline. Therefore, in line with other rural areas Langholm suffers from a declining and ageing population with increasing numbers of elderly people in single person households.

The textile industry was a major employer historically with 22 mills at one point in the town. The major textile players have now ceased production with the Edinburgh Woollen Mill being the last to leave the area in 2018 when it transferred its headquarters to Carlisle. Former textile mills still dominate the townscape, some repurposed to modern uses and others lying vacant.

Langholm is the seat of the Clan Armstrong, with its most famous “son” being Neil Armstrong, the astronaut and first man on the moon, who visited the town in 1972 to discover his roots. It was also the birthplace of Christopher Murray Grieve, better known by his pen name Hugh Macdiarmid, a leading Scottish poet and nationalist of the 20th century.

The Langholm Common Riding is a key cultural event (and tourist attraction) which takes place on the last Friday in July. It is led by the Cornet who is chosen by public election in May. It arises from the settlement of a legal dispute in the 18th century which guaranteed the people of Langholm certain rights e.g. cutting peat within specific boundaries, so long as the people mark these boundaries each year to reassert their rights. Part of this land is located within the sale area.

^e <https://www.scotlandscensus.gov.uk/ods-web/area.html#!>

The Langholm Initiative

The Langholm Initiative (LI) is an award-winning community development trust established in 1994 to respond to economic decline in its remote, rural area. Over the past twenty-five years it has evolved to meet the changing needs in the Langholm community. It has supported and delivered a wide range of projects ranging from the establishment of community Christmas lights to innovative responses to enterprise and training.

Some of LI's past projects have included music and arts festivals, community consultations, employability projects supporting 17 people back to work and the development of ten small businesses, an anti-poverty project helping more than 200 people to access information and award-winning wildlife projects that have cemented a link between people and the land.

The current projects at Langholm Initiative are:

- **Weaving a Future for Eskdale:** Building on the strong textile heritage of Langholm, *Weaving a Future for Eskdale* seeks to understand and exploit the potential economic benefits for training people of all ages in textile skills to respond to a resurgence of small-scale, high-quality manufacture.
- **Digital Skills Project:** A four-month development phase to test the viability of providing digital skills to the community's most vulnerable members by empowering unemployed young people to share their knowledge.
- **Wild Eskdale:** A project promoting eco-tourism as a sustainable source of visitors that will help to place Langholm firmly on the map, as well as educate people of all ages about the special landscape around them.
- **Welcome to Langholm:** Managing the local tourist information point, as well as facilitating exhibitions and sales and improving the customer experience in Langholm.
- **Sports Centre Redevelopment:** Langholm Initiative is leading the design redevelopment of a former sports centre as a Community-led Sports Centre, which will benefit the general wellbeing and welfare of the wider Community in Langholm

LI currently has 6 employees and is governed by a board of 10 community directors. It had a turnover of £153,308 in the year to 31 March 2019.

Regenerating Langholm

The post-industrial decline of Langholm is recognised by others. SURF (which describes itself as "Scotland's Regeneration Forum") produced a feasibility study report in May 2018 "An Alliance for Action for Langholm". It recommended the creation of a local alliance to assist in the regeneration of the town. The report noted that with the loss of large-scale manufacturing jobs new forms of employment need to be found for the town. Local views included creating employment from small scale arts, craft and manufacturing activities, renewable energy, commercial forests and the provision of new housing and social care facilities. The last care home had closed in 2013 with the loss of 24 jobs. Tourism was seen as important for the future of the area. In the context of the current land sale Section 4.1 d. of the report on the topic of land use is worth quoting in full:

"The ownership, use and stewardship of land was referred to by many as being a vital concern for the town, its heritage, its tourism offer and its economic future."

Local people noted the relatively stable historical pattern of Buccleuch Estate owning the vast majority of the land surrounding the town. It was observed that so far, the Scottish Government's community empowerment and land reform policy agenda, had not had a meaningful impact in Langholm and the immediate surrounding geography.

There were concerns regarding recent changes to land use in the hills surrounding Langholm, with the perception that traditional tenant hill farmers were being replaced by commercial forestry. Some saw this as a purely commercial decision, made by the estate in the run-up to a British exit from the European Union. There was concern that it would lead to further de-population, economic decline, and undermine the area's natural heritage offer and its provision of walking/cycling trails.

A representative from the Buccleuch Estate told SURF that the number of farmers leaving the sector was very small; while 23 tenancies had ended, the majority of these farmers had either bought their land or signed new tenancies. The representative also reported that forestry was one of a range of options being considered by the Estate to ensure the long term viability of its commercial business. This commercial business, it was argued, was a clear economic benefit to the town and the surrounding area.

There were mixed opinions on the Buccleuch Estate's support for local regeneration activity. Some interviewees noted that the Estate contributed financially and practically to valued initiatives such as Muckle Toon Adventure Festival, while others said that they had approached the Estate to discuss relevant ideas and plans but had not received a response."

The views recorded highlight that land use is seen locally as vitally important to the future of the area and that the near monopoly ownership of land by Buccleuch estates both provided stability and a sense of being disempowered from decision making about land use choices.

SURF also commissioned the 2019 "upstart" report which engaged with the 14-40 demographic within Langholm. Key findings of the report were:

- The most frequently repeated themes that had been highlighted to create opportunity for Langholm were around tourism - specifically outdoor tourism that make use of the scenery that is pointed out to be one of Langholm's most revered assets.
- The 2 most important ways identified for improving Langholm were the creation of jobs to keep young people in the area and a desire for better amenities to increase tourism and growth
- The overwhelming favourite places of this group were outdoors spaces including Whita hill and they wanted to see more outdoor facilities

The report recommended creating 'Appropriate scaled high-quality workspaces fit for a wide range of enterprises' and upmarket camping or 'glamping' facilities which had been a frequent topic of discussion in the consultation exercise. It recommended that these 'should be delivered and managed by organisations or people local to Langholm to ensure harmony with the towns local development and community agenda.'

The Langholm Alliance produced the Langholm Community Action Plan⁴ in November 2019. The Alliance's aspiration is by 2030 for Langholm to "be a **celebrated hub** for small business and quality textiles and a **renowned visitor destination** for its outdoor, heritage and produce." Amongst other things it wants to start investigating local energy schemes in 2020, develop a

⁴ <https://www.scdc.org.uk/langholm>

mixed-use business start-up hub by 2022 and a trebling of tourism numbers to Langholm by 2025. It aims to achieve the increase in tourism through improved marketing and exploring opportunities for creating new glamping sites and bunkhouse provision. An accompanying Tourism Marketing strategy “Langholm 2020 & Beyond” was produced in September 2019. It cites research showing that 45% of visitors to Langholm are from abroad, 32% from England and 23% from Scotland. This would suggest that there is considerable scope to increase numbers of UK visitors. It also notes that 50% of visitors are in the 18-40 age groups which will be the demographic most interested in activity holidays.

In summary the people of Langholm have undergone extensive consultation on their future and they see that future as one based on creating new jobs and workplaces with a strong emphasis on landscape and tourism businesses led by community organisations.

5. Consultations with Stakeholders

The previous section noted a number of reports that have been produced over recent years following consultations and engagement with the local community. LI has built upon these by carrying out its own comprehensive engagement with the community following the announcement by Buccleuch Estates of its intention to sell the estate (See Table 2).

Table 2 Methods of community and stakeholder engagement

Method	Results	Comments
Petition	Signature target: 290 (10% of the population of Langholm and surrounding area) Signatures achieved: 833	28% of the population signed the petition
Letters of support	Stakeholders and community members wrote letters of support	These included letters from, MSPs, councillors, community council, local organisations (Common Riding Committee, Outpost Arts, Muckle Toon Adventure Festival) and national organisations (SNH, RSPB, Borders Forest Trust).
Social media/facebook The Langholm moor community buy out group	Current page likes: 355 Page Follows: 383 Page Reach: 10,000	Posts are regularly shared on other local facebook sites such as What's on in and around Langholm so audience reach is significantly more than the number of likes
Local press and television	Press releases	The Eskdale & Liddesdale Advertiser, the community owned newspaper for the area which is published weekly carries regular updates about the proposed community buy out; Item has been featured on Border TV; BBC including the work being done in a documentary being filmed in November/December 2019
Coop Stand	The working group manned a stand at local Coop for 5 days during the month of July to engage with the local community.	Many of the 833 signatures were gained here and the community were able to ask questions and give ideas for what could be done with the land.
Farmers Market	2 local farmers market events have been attended by the working group. These provided community members with several opportunities to ask the working group questions.	The LI gained 50 new members.

Stakeholder engagement	Key stakeholders from a wide range of agencies and from other communities i.e. Newcastleton were identified and were engaged with on a regular basis and invited to consultation evenings	
Crowdfunding and local donations	Crowdfunding was able to raise £7000 and local donations totalled £5500 Towards the feasibility study (SLF stage 1 activities).	The result far exceeded expectations and demonstrated community support and support from out with the geographic community for exploring the potential of a community buy out.

1st Community Consultation Meeting

A community consultation meeting was held on the evening of Thursday 10th October in the Buccleuch Centre, Langholm. It was attended by 32 people, excluding the consultants. This was not as high as might have been expected but it was noted that the event was taking place in the context of a community that has undergone multiple consultation events in recent years and that a certain degree of consultation fatigue exists in the town.

The event was opened with a summary of the process undergone by the community to date, given by the Wild Eskdale Project Manager for the Langholm Initiative. The consultancy team followed this with a presentation on the general opportunities available through community ownership illustrated with examples from communities elsewhere in Scotland. The meeting then divided into groups around A0 sized maps of the land for sale to discuss the issues, opportunities and concerns that the public could envisage associated with a potential purchase of the estate land. The following subsections outline the range of views expressed by participants in semi-structured discussions lasting approximately 1 hour in total.

Conservation & Moorland Management

Participants expressed a great interest in the moor and for the conservation activities that were taking place. One described the area as unique, asking the question *“Where else can you find 3 hen harriers within 5 minutes of a town?”* There was concern that the moor was in much poorer condition than historically. It was claimed that 2523 birds had been shot in 1 day in 1912. Views were expressed that headage payments for sheep had been a major cause of the decline of heather on the moor, with increased livestock numbers damaging heather coverage. There was also concern expressed over damage to heather caused by heather beetle.

A key point of contention for some was the culling of wild goats by Buccleuch. It was stated that these were being shot without a vet and that their carcasses were taken to Moffat to feed Golden Eagles as part of the South of Scotland Golden Eagle Project. Some locals considered the goats could be considered native, having been brought from Ireland by monks c. 900 AD. One person suggested that if there were more goats the moor would be better maintained, and another felt that the feral goat population needed to be the subject of passive management, with no culling.

Other management issues of concern were that species were being lost (curlew and lapwing being specifically mentioned), self-seeding trees (particularly Sitka Spruce) needed to be managed and that voles and badgers are a problem.

Speaking more positively it was suggested that merlin density is high because meadow pipit numbers are high and that “Langholm Moor is far from dead”. It was suggested that community ownership would provide opportunities for conservation work parties, carbon sequestration payments for blocking drains etc and bracken could be harvested for compost.

Grouse Shooting

Attendees suggested that grouse numbers dropped after Hen Harriers arrived on the moor and that grouse were now only to be found at the lower butts. It was suggested that Walked-up grouse shooting, rather than driven shooting could be an option, depending on conflict with other users. Alternatively shooting rights could be let to a third party. This could include deer shooting with a game larder, roe deer outlet, and smokery being proposed. It was also suggested that there would be a need to employ a land manager/ranger/gamekeeper.

Woodland Management

Participants suggested that there were opportunities for more trees but with a marked preference for native species. Some suggested felling spruce or restructuring spruce plantations to have a more diverse range of conifers. Positive comments were made about natural regeneration, with suggestions that this needed to be managed and that self-seeded Sitka spruce were a problem. One person suggested that no felling of trees should be allowed during the nesting season. Suggestions for new opportunities included woodland/moorland burial, Christmas trees, birch sap collection and charcoal production.

Farming

Negative comments about overgrazing by sheep having been caused by headage subsidies have already been noted. It was suggested that grazing pressure needs to be reduced and that alpaca farming/trekking, pony trekking and the creation of a working farm visitor attraction could all be options for diversification. One person stated that there used to be 5 shepherds on the Langholm side of the moor. Another person suggested that land was needed for growing chillies following the success of it in Langholm.

Tourism

Participants were very positive about encouraging greater levels of tourism and had a wide range of ideas. Comments received about the current position were that walking gives great views along the watershed, cycling does not produce much income and that parking in passing places on the moor road is a problem.

Income generating ideas included camping/glamping/caravan site provision with Irvine House, Lodgegill and Cooms Farm suggested as suitable locations for campsites with electric hook-up for campervans. Lodgegill was suggested as a suitable location for a bothy or for holiday lodges and hot tubs. Other ideas included off-road driving courses, photo safaris, laser clay pigeon shooting, paragliding and microlights.

Attendees could see benefits arising from wildlife tourism, kayaking, canoeing, mountain biking, tourist walking, a photo trail, installing a network of paths and cycling tracks. A consistent theme from a range of people was for a centre in the various forms of a Learning/Education centre, Craft & Heritage centre, Field centre, Dark Sky centre (incorporating a restaurant).

Renewables

Suggestions were made that hydro schemes and solar PV would be good projects to pursue under community ownership.

Other

Concern was expressed that the roads in the area need to be improved and that there are no litter bins anywhere by the roadside.

2nd Community Consultation Meeting

A second meeting attended by 50 people was held on 5th December to report the initial findings of the feasibility study. The consultancy team reported that the community could create a viable business on the estate which would be based around moving from a traditional estate model of livestock farming and shooting to one based upon conservation, tourism and community regeneration. New income streams could be developed through planting mixed woodland, payments for capturing carbon, managing the moorland for habitat regeneration and developing new business, tourism and housing opportunities for the local community. It was pointed out however that there was some uncertainty going forward due to the post-Brexit landscape of agricultural and land management not having yet been decided.

Strong support was shown from the floor including from the Chair of the Common Riding Committee who talked of the great concern expressed locally following news of the sale. A number of questions were asked on topics including:

- The future role of sporting activities
- The position of Buccleuch Estates and their attitude towards potential community ownership
- The different options outlined in the report and the detail of some of the support mechanisms currently available
- The position of land that is currently tenanted
- How the land was being valued
- How community ownership would work
- The potential for ecotourism volunteers

One to One Consultations

In addition to the open meeting a number of telephone consultations were held with interested groups, individuals, statutory agencies and conservation groups to gain a broader understanding of the issues, clarify support that may be available pre-and post-purchase and to identify additional opportunities or constraints that may affect a community decision to purchase and manage its own land. Interviewees included representatives of the Langholm Alliance, SURF, Langholm Community Council, Loreburn Housing Association, the local Raptor Study Group, Dumfries and Galloway Small Communities Housing Trust, the South of Scotland Golden Eagle Project and RSPB Scotland.

Interviewees were generally very supportive of a potential purchase of Langholm Moor. There was a recognition that traditional land and economic development approaches no longer work for Langholm. Therefore, they see a community purchase of such a large area as a unique opportunity to develop different approaches to land management and community development in the area. One interviewee noted that a purchase itself should simply be seen as an initial project to get control of the land and that after that a further layer of projects could be developed in which almost anything could be tried by the community.

Land management, conservation and access issues were prominent in most discussions; not only those with a direct conservation interest. Community ownership and management was seen as offering a “tremendous opportunity” for wildlife. One interviewee expressed the view that a priority should be to ensure the Long-term survival of the SSSI/SPA and its communities. It would therefore be important to work with SNH to maintain this interest. They noted that there was a limit to what SNH could do to persuade private landowners to manage designated sites in a way that supported the natural heritage interests.

Conservation bodies and individuals are supportive of the proposal by LI to create a nature reserve on the site and manage it for its wildlife interest. One person commented that a reserve must be an exemplar of best practice and that it would be important to get the community more involved in management activities than it currently is. A lot has been achieved educationally to date but less so on practical involvement. There would be good opportunities to get work parties involved in scrub clearance, footpath maintenance and other tasks.

Langholm Moor was viewed as near unique in offering high densities of hen harriers and merlins along with being very accessible to the public thanks to the hill road across the moor. Golden eagles had historically nested and hunted in the area, and there was no reason why they should not do so again. Satellite tagged birds had explored the area from time to time. It was suggested that astute development and marketing could create a draw similar to that of Ospreys at Kielder and the red kite trail in Dumfries and Galloway.

Concern was expressed about what might happen if an unsympathetic private buyer purchased the estate. It was noted that the local community were worried about continued unrestricted access to the Common Moss and its importance for the Common Riding. Some interviewees were concerned at what might happen if the estate was purchased by a private forestry company. It was pointed out that Buccleuch Estates had already declined to renew agricultural leases at their expiry and had sold the land for forestry purposes. It was suggested that a pure forestry company would blanket afforest as much of the land as it could with Sitka Spruce. One interviewee said that the community recognised that things were changing and were not opposed to some afforestation. However, it was important to keep farming, forestry and conservation in balance.

Consultees suggested that small scale renewables in the form of solar PV or small wind turbines would be useful opportunities for the community. These were contrasted with concerns over proposals for a windfarm near Langholm for 200m high turbines.

The housing body representatives noted that there were significant plans for housebuilding in the area but considered that there would still be appropriate opportunities for small scale developments led by the community.

Langholm has suffered from poor communications in the past but hope was expressed that this will improve. A study is expected to be made into the potential for extending the Borders railway to Carlisle and there is a desire for Langholm to be connected into this. It was stated that there had been talk of a Langholm bypass in the past but that this did not seem to be a current priority of Transport Scotland.

A roundtable meeting facilitated by LI was held with representatives of Scottish Natural Heritage (SNH), the Royal Society for the Protection of Birds (RSPB) Scotland, Borders Forest Trust and SURF on 8th October 2019. It was noted that there were likely to be income earning opportunities from ditch blocking and rewetting of land to enhance carbon capture and storage in peatland. There could be a place for more trees but within the SSSI these would need to face the issue of loss of extent of designated features. Provision of cover could cause problems for ground-nesting birds; in particular predation from foxes and crows. It was noted that there was a lot of woodland regeneration on the Little Tarras Water because of the removal of livestock and that the reseeded of heather in the Newcastleton area had worked well. It was suggested that a remote area of woodland near Cooms farm would be attractive to woodlotter who could use the poorer quality wood for wood fuel.

The geological features of the SSSI would benefit from being made more accessible, possibly by a footpath. This area is dominated by Molinia so loss of habitat would not be a problem.

A major positive aspect of the location is that bird data is really good. There are some golden plover and lapwings are increasing, with the potential for golden eagles to populate the area in the future. A pop-up visitor facility has been used successfully at Loch Druidibeg and Grey Mare's tail (which is visited by 45-50,000 people annually). The D&G Kite Trail has been estimated to being in £54m annually to the local economy so there are likely to be similar opportunities with Langholm Moor. The organisations present could not commit capital to a purchase but would be willing to support the community post-purchase with advice and shared experience.

Post Feasibility Study Engagement

Following the 2nd community consultation event led by the consultancy team LI have continued to engage with the community as shown below in Table 3

Table 3: Continuing Community Engagement Activities

Volunteers	Volunteers have put in significant hours either as part of the working group or to canvas people to sign the petition – this included young volunteers	Total volunteers: 24 Volunteer Hours: 500 Not including final community consultation activities
Speaking to young people	Members of the working group have engaged with young people at Langholm Academy	Some school children volunteered and helped encourage people to sign the petition
Langholm Initiative AGM	18 th December 2019 The Public and LI members were updated on the progress of the community buyout and given the opportunity to ask questions.	Attendance: 40 Two members of the community made statements of support for the LI in its activities and were

		<p>encouraged to see it taking on such important community issues.</p> <p>The members unanimously agreed to adopt the proposed new constitution and change the organisational structure to a SCIO to prepare for community ownership of land.</p>
Local Stakeholder Meetings	<p>Additional follow up meetings were carried out with interested parties that required more information. This included members of the Common Riding Committee, Local Raptor Study Group and Dr Cat Barlow (manager of SSGEP).</p>	<p>There was broad acceptance that community ownership could have a significant positive benefit to the community. This included engaging young people in a ceremonial Common Riding celebration following the community purchase. Local people engaging with the practical tasks of managing the land rather than just learning about it through the excellent local education projects.</p>
External Stakeholder Engagement	<p>8th Dec 2019 A round table meeting facilitated by LI was attended by SNH, RSPB, Borders Forest Trust and the LI lead consultant. Apologies were sent from a member of the local Raptor Study Group although his support was supplied in the form of an email to be read out at the meeting.</p>	<p>This meeting was extremely important given the designations on much of the land.</p> <p>The group were largely supportive of the LI plans for a nature reserve and the increased tourism this could bring to the community.</p>
MSP visits	<p>Colin Smyth and Joan McAlpine MSP's visited the LI and toured the proposed purchase area.</p>	<p>Both MSP's expressed their support for the community purchase on their social media.</p> <p>Colin Smyth voiced his support in the Scottish Parliament and the media for the purchase.</p>

Further community engagement work is planned. This is expected to include: 2 open days, door to door visits, an online survey and stands in various public locations. A comprehensive report on LI's engagement activities will be submitted to the Scottish Land Fund on 10th April 2020. Update, these were severely affected by the Covid-19 pandemic. Further consultation was carried out digitally instead.

6. Key Findings of the Feasibility Study

Consultations with the local community and stakeholders showed strong support for the concept of community ownership. There was a desire for a new development approach to secure the sustainable future of Langholm following the loss of major manufacturing in the town and the decline in employment provided by the estate's activities. An approach based on conservation management, tourism, community involvement and new economic opportunities were highlighted. An examination of the existing estate operations found that a base case scenario would be profitable under community ownership as a going concern as long as it did not carry significant debt. Purchase of the estate would involve taking on 1 existing employee under TUPE regulations. There are significant income streams from housing and agricultural rentals, agricultural and agri-environment activities, and smaller sums from wayleaves, sporting leases and business rentals.

An investigation of the opportunities for development of the estate identified a number of options across a range of sectors:

Conservation Management

A large part of the estate is covered by Site of Special Scientific Interest (SSSI) and Special Protection Area (SPA) designations for the geology, upland habitats, breeding bird assemblage and hen harriers present on the moor. Historic attempts to maintain the raptor interest while regenerating the heather moorland from overgrazing were partially successful but did not manage to combine these with the estate's desire to re-establish commercial grouse-shooting operations on the Langholm moor.

Under community ownership the focus could be solely based on ecological restoration and conservation objectives for which there are management incentives available under the Agri-environment Climate Scheme (AECS). Areas of the moor which have been drained could have their drains blocked in order to rewet them and other areas could be reseeded with heather. Sharing of experience with conservation NGOs and greater volunteering opportunities for the local community and supporters, along with links with research establishments could provide a quite different model of moorland management. Improved management could lead to greater carbon capture by the moor and potential revenue streams from a developing area. It could also offer the potential for the area to become a National Nature Reserve which would raise the profile of the area and increase tourism opportunities.

Agriculture

The land that LI wishes to purchase currently supports a flock of 745 sheep and provides summer grazing for 75 cattle. Modelling showed that these are only profitable when combined with the significant Basic Payment Scheme entitlements and other agricultural support mechanisms currently available. There is considerable uncertainty over the shape of agricultural and land management support post-Brexit with a new regime likely to commence in April 2022. It would therefore be sensible to purchase the Basic Payment entitlements at the time of sale and operate the current system until a proposed new regime becomes clearer. LI could then make decisions for the long term based on a combination of conservation goals and profitability.

Forestry and Woodland Management

Existing woodland is composed of a very diverse mix of species of conifers⁵ and broadleaves⁶, from very old 19th century broadleaves to new planting and restocking in 2017. The large age range and species diversity of the woodlands is positive in respect of a resource that can be sustainably harvested and managed, as opposed to a single aged or simpler age structure, which may, by its nature, lend itself only to clear felling in large blocks. Whilst the situation and aspect of some areas of woodland, such as on steep slopes and in small discrete compartments, make management and timber extraction challenging, most of the woodland is close or relatively close to tracks and minor roads.

The woodlands have been well managed and the quality of much of the growing timber would appear to be good. However, the outlying conifer blocks at Cooms and Tarras Lodge have windblown stands and they are relatively remote and making access more of a challenge.

There is potential to regenerate a section of new riparian woodland along the Tarras Water and to plant approximately 200ha of new woodland in the area known as the Haunches. The new forest could be one of a number of types: conifer, diverse conifer, broadleaved or native woodland. The choice of type or mix of types would depend upon the objectives of the community. This choice can be made following a comprehensive planning and community engagement process.

The creation of new forest would attract planting and management grants that would provide surpluses and improve cash flow for reinvestment elsewhere by the community.

Business Development

The Langholm Initiative will be able to have a major impact on local business development through developing a glamping site and providing and creating space for other businesses to let. The glamping site will address a local need and desire to develop alternative tourist accommodation in the area.

A report for the Dumfries and Galloway Local Plan identified a lack of suitable business space in the Langholm area and the need for agency intervention to provide modern accommodation to facilitate business creation and growth. A survey of business owners identified 15 businesses requiring space to safeguard **15** existing jobs and create **20-25** new ones.

A small campsite can be created at Broomholmshiels where LI may base its own activities and employees. Additional space in the farmhouse can be let to other businesses requiring office space and LI can redevelop the existing steading to create new workshop/studio accommodation. It could also investigate opportunities to create further space if required.

Housing

The estate has 7 existing houses that are occupiable and one that is partly renovated, bringing in revenues in excess of **£30,000/yr**. These are an important resource for providing rented accommodation for local families and for the estate shepherd. The houses are in reasonable to good condition. However the Scottish government is planning to increase the minimum energy efficiency

⁵ Including Sitka spruce, Scots pine, Larches, Western Hemlock, Douglas fir, Norway spruce

⁶ Including Oak, Beech, Ash, Alder, Silver birch

requirements of properties to a rating of E initially and ultimately to C. LI would therefore need to upgrade all properties which it could do with a combination of Rural Housing Fund, Energy Savings Trust, borrowings and own resources. It could sell 1 property to assist the upgrading works.

LI could also seek to create new housing opportunities on the estate through provision of 2-4 houses by 2024 and further developments in each 5 yr period thereafter. New projects can be developed in partnership with Dumfries & Galloway Small Communities Housing Trust. Each development would provide accommodation for an additional 6-12 people.

Purchase Options

Five options were modelled for potential purchase varying from moorland only (Option1) through to the whole part of the estate within Dumfries and Galloway (Option5), with valuations ranging from £2.5m to £7.2m. Option 1 would be loss making and Option 2 marginal in terms of profitability. Options 4 & 5 offered greater scope for business development than Option 3 due to the inclusion of developable land closer to Langholm.

PART TWO: DEVELOPING LANGHOLM MOOR FOR THE COMMUNITY

7. A Vision for the Future

Following receipt of the feasibility study LI concluded that a hybrid of Options 4&5 to purchase as large an area of moorland and forest as possible, along with some farmland and a number of the built properties would be the most appropriate. The key drivers of this decision are:

- The strong cultural and conservation links the community already has to the moorland
- The fears expressed locally that commercial conifer plantation will surround the common moss
- The declining population and loss of local industry require big ambition for the future
- A larger portfolio of assets allows the community to maximise its impact on land management and employment creation opportunities in the area
- Strong support is being expressed by the public, conservation NGOs and some connected individuals who are willing to help in fundraising
- LI has a track record of delivering successful projects and has significant existing capacity

LI therefore has a vision for the future of Langholm and Langholm Moor which is:

"Langholm will be a Revitalised Community in a Restored Landscape as an Exemplar of 21st Century Land Management"

8. Conservation & Public Access Management

A key driver of the community interest in a purchase is the prospect of a community owned and managed nature reserve which will be an exemplar of land management in the 21st century and a means of regenerating the local economy.

Objectives:

- The Site of Special Scientific Interest achieving favourable condition⁷
- The Special Protection Area maintaining favourable condition
- The area achieving National Nature Reserve status
- The creation of new economic and employment opportunities arising from conservation management
- Verifiable contributions to carbon capture and storage to mitigate climate change
- Improved access to and connection with the land by local people

The value of the moor at a national and international level is given by its 2 designations:

⁷ Parts of the SSSI will be controlled by other parties but LI will work with neighbours to co-ordinate management actions to improve outcomes

Langholm – Newcastleton Hills Site of Special Scientific Interest

Sites of Special Scientific interest (SSSIs) are UK designations designed to represent the national natural heritage in terms of flora, fauna, geology and geomorphology (landform). There are 1423 SSSI's in Scotland covering 1,011,000 hectares or 12.6% of Scotland's land area.

The Langholm – Newcastleton Hills SSSI⁸ was designated in 1974 for a range of geological and biological features and covers an area of 7689.84ha (approximately 19,000 acres). The citation for the site notes that the geology of the site is the foundation for the "The underlying geology of sedimentary Silurian, Old Red Sandstone and Carboniferous rocks gives rise to a particularly wide variety of upland habitats both on the moorland and in the steep watercourses or cleughs." This gives rise to the upland assemblage notified feature which is described in the following terms "The habitat mosaic comprises a large area of deeply dissected upland plateau giving rise to a particularly wide variety of typical plant communities, both on the moorland and in the steep-sided cleughs. The vegetation types include blanket bog generally found along the tops of the ridges giving way to dry heather heath, bracken and upland acidic grasslands on well-drained slopes. Extensive areas of purple moor grass *Molinia caerulea* occur on shallower peaty slopes at lower altitudes. A number of cleughs are botanically very diverse with patches of species-rich grassland, moss-rich springs and flushes. Native woodland is confined to scattered stands of mainly birch with some alder and willow along the watercourses" Associated with these habitats are "..... a diverse population of breeding moorland birds which may include black and red grouse, as well as nine species of wader and six raptor species including hen harrier *Circus cyaneus*." The site contains nationally rare bryophyte (mosses and liverworts) species and 240 species of flowering plants which is described as "outstanding."

Langholm-Newcastleton Hills Special Protection Area

Special Protection Areas (SPAs) are part of the Natura network (which also includes Special Areas of Conservation) and are designated under the Birds directive of the European Union in order to protect rare and vulnerable European birds as well as those that are migratory across Europe. The Langholm-Newcastleton Hills SPA⁹ is almost identical with that of the SSSI apart from the exclusion of a small area of commercial forestry at Auldshiels Hill (Grid Ref: NY406897). The area is therefore slightly smaller at 7554.87ha (approximately 18,700 acres.) It was designated in 2001 with the qualifying interest of regularly supporting a breeding population of hen harriers cited as an average of 13 breeding females between 1994 and 1998, making up 3% of the UK population.

Management

The SSSI/SPA area has been managed historically for a mix of livestock grazing and grouse shooting. The SSSI Management Statement notes that concern grew in the 1980s that heather cover was declining and it was being replaced by large areas of purple moor grass. Stock was reduced in the early 1990s and 350ha of bracken spraying was carried out. Aerial photos showed a 48% decline in heather cover between 1948 and 1988 leading to considerable fragmentation, particularly in the northern part of the site. Grouse shooting ceased in 1998.

The site was one of 3 in the UK that looked at the impacts of hen harrier on red grouse populations from 1992-1997. This was then followed by the Langholm Demonstration Project (see below) which ran from 2008-2018. Management Objectives of the SSSI are:

1. To maintain and enhance the upland habitat mosaic and ensure the long term sustainability of each component habitat.
2. To restore and maintain the upland breeding assemblage.

⁸ <https://sitelink.nature.scot/site/906>

⁹ <https://sitelink.nature.scot/site/8523>

3. To maintain a hen harrier population at a minimum of three pairs over the count period, in accordance with the SPA conservation objectives.
4. To ensure geological features and integrity of the site are maintained.

The conservation objectives of the SPA are given as:

<p>To avoid deterioration of the habitats of the qualifying species (listed below) or significant disturbance to the qualifying species, thus ensuring that the integrity of the site is maintained; and</p> <p>To ensure for the qualifying species that the following are maintained in the long term:</p> <ul style="list-style-type: none"> ⌚ Population of the species as a viable component of the site ⌚ Distribution of the species within site ⌚ Distribution and extent of habitats supporting the species ⌚ Structure, function and supporting processes of habitats supporting the species ⌚ No significant disturbance of the species 	
<p style="text-align: center;">Qualifying Species:</p> <ul style="list-style-type: none"> • Hen harrier (<i>Circus cyaneus</i>) 	

The Langholm Moor Demonstration Project ran from 2008-2017 and has just published its final report¹⁰. It had the objective of trying to re-establish Langholm Moor as a driven grouse moor whilst also meeting the nature conservation objectives of the SPA and SSSI. It had 4 deliverables:

- A demonstration of how to resolve conflicts between moorland management for raptors and red grouse
- That the hen harrier population would be maintained as a viable component of the SPA
- That heather moorland habitat would be expanded and improved beyond its state in 2002
- That the number of red grouse shot would be sufficient to ensure the moor reaches a financially viable state

The moor was managed for grouse shooting by 5 keepers and a project manager at a cost of £225k/yr. Predator control of foxes and crows reduced their numbers by 80% and 65% respectively. Moorland was managed by muirburn and reducing stock numbers along with spraying and re-seeding heather to encourage heather regeneration. Diversionary feeding of hen harriers was carried out to reduce grouse predation with chicks being delivered to nests reduced by 34-100%.

Positive outcomes from the project were that heather cover and condition improved, raptors remained in good conservation status and there was wide stakeholder engagement and influence. However, grouse numbers did not recover enough to allow driven grouse shooting and while the numbers of waders increased, they did not reach target numbers. Therefore, the project failed in its

¹⁰

<http://www.langholmproject.com/PDF%20downloads/Langholm%20Moor%20Demonstration%20Project%20Final%20Report.pdf>

aim to operate a driven grouse moor and thereby demonstrate compatibility between management for raptor and red grouse interests.

Moorland Management under community ownership

The project failed to achieve its aim of being able to operate *as a driven grouse moor*, which is a distinctive management regime with attendant high costs of £225k/yr in gamekeeping. LI believes that other management approaches are viable but involve much lower costs. These are outlined below. It should also be noted that the moor was recovering from decades of overgrazing and diminution of heather cover and that although heather cover increased it is still much lower than it was in 1948.

The positive outcomes for specific bird species and habitat improvement showed that positive change is possible. However, it is important to note that it did so under the influences of scientific research, professional management and substantial inputs of public and private sector funds. If the land is to thrive these 3 aspects will need to continue, albeit in modified forms.

- Scientific Research. The previous 2 lengthy research projects have produced an enviable amount of data over a long time period that is simply not available for many other designated sites. It would be extremely beneficial to be able to continue with scientific monitoring and research in order to be able to:
 - compare the previous regimes with a new community conservation-driven approach
 - identify new practices that can improve conservation outcomes
 - monitor the long-term impacts of climate change on designated species

This research could be carried out by a combination of professional and citizen (community) scientists. The greater involvement of the local community would both strengthen local conservation interest and reduce costs of research. As a starting point LI will engage with researchers with a view to exploring future opportunities. In that context an expression of interest by the School of Applied Sciences of Edinburgh Napier University in carrying out research by staff and students will be pursued as a priority.

- Professional Management. If the moor is left in an unmanaged state the signs are already present that its long-term future would be to turn to woodland dominated by Sitka Spruce which is being spread from neighbouring plantations. In the absence of professional wildlife management the positive outcomes for raptors and waders produced by the Langholm Moor Demonstration Project may be difficult to sustain as numbers of crows and foxes increase. Therefore, continuing professional management will be required, but of a nature that is different from that which has been practiced in the past. Efforts to regenerate more heather coverage and re-wet areas of the moor will need to be planned. Alternative pest control options will need to be considered. e.g. it was noted in previous research that foxes tended to go to the moor to hunt voles and would only take other prey as they stumbled upon them. There may therefore be possibilities to increase and decrease predator control in line with the 4-year cycle of vole numbers identified in the report. These could involve at least partial use of appropriately trained local volunteers.
- Continued External Funding. Conservation activities do not produce a product that can be sold directly (although indirect benefits in terms of tourism can be substantial). Therefore, continued external funding will be required. This can come from both public and private sources. In the context of a Climate Emergency it seems likely that conservation funding by the Scottish Government will continue, and quite possibly increase. Public funding will be discussed in more detail in under Agri-Environment Support in Section 7. However we will simply note here that under the Agri-Environment Climate Scheme (AECS) an annual moorland management payment of over £12,000 would be available for all of the moorland on the D&G side of the SSSI. Such payments would make a significant contribution to the

costs of a manager. Additional funding from grant making bodies could be accessed for specific projects which would both enable the delivery of new activities and create new job opportunities.

One of the limitations imposed by the previous management goal of being able to operate the land as a driven grouse moor was that of the continued presence of large areas of high moorland that have been heavily ditched to dry the heath and make it more attractive to grouse. Aerial photography shows signs of ditching across large areas of the estate with the most intensive area being on the high ground north of Coom Fell and around Watch Hill. There may be in excess of 20km of ditches in this area alone. A change of strategy to focus on rewetting and carbon capture could have major positive benefits for the environment and yield revenue in carbon credits for LI. AECS offers a payment of £13 for each peat dam created in ditches with a maximum spacing of 30m. At 40 ditches per km (25m spacing) a payment of £5,200 would be made for 5km blocked. This would pay for part of a wage and could be carried out along with volunteer labour from local people or visiting work parties from conservation organisations such as the John Muir Trust.

A challenge for the local community will be that of the willingness to make difficult decisions under community ownership. One example arising from the community consultation event is that of concerns locally over the culling of the goat herd, with anger expressed over the shooting of the goats and their use as carrion for golden eagles. The action was legal, but obviously distasteful to a section within the community. In the absence of any large predators the time will come when the herd needs to be culled again in order to minimise its impact upon the SSSI. It is unclear whether the concerns represented an objection to the practice *per se*, or to a sense of disempowerment from the decision-making process. However, it does highlight the need for LI to think through controversial issues and develop appropriate strategies for engaging with the community well in advance of difficult decisions having to be made. These decisions can be easier to make if they are based on robust research data and are part of a comprehensive management plan. LI will institute regular monitoring of goat numbers and their impact on the environment. It will engage openly with the wider community on herd management and make decisions on management based on scientifically defensible data. It will seek to increase the number of people involved in herd management on a voluntary basis so that locals are more empowered.

The process of exploring community ownership of the estate has resulted in a number of expressions of interest in volunteering from members of local organisations including the Langholm Day Centre, the Muckle Toon Adventure Festival, Outpost Arts and the local nursery, primary and secondary schools in Langholm and Canonbie. LI therefore has the potential to link with these and other groups in the area to deliver a major increase in voluntary land management activities. This will be done through a range of work groups focussing on specific aspects of interest.

Managing Langholm Moor as a National Nature Reserve

The Langholm Initiative wishes to bring benefits to Langholm in the form of increased employment, tourism and community pride of ownership and given the protected status of part of the land envisage nature tourism and the creation of a nature reserve being a core part of that. The accompanying feasibility study explored the benefits of Local Nature Reserves (LNRs) and National Nature Reserves (NNRs) and LI sees NNR status as both achievable and preferable.

The accolade of National Nature Reserve¹¹ (NNR) is given to the best nature reserves in Scotland. They must not only be sites with high natural heritage interest, they must also be well-managed and engage with the public. There are currently 43 NNRs in Scotland. The nearest NNR is Caerlaverock NNR covering 8184.78ha of the Nith Estuary.

Sites can be proposed by any landowner, community or organisation which wishes to gain the accolade for their site.

Applications are assessed by the NNR Partnership¹² which is comprised of representatives of SNH, Forestry & Land Scotland, 2 local authorities, 4 conservation NGO's and Scottish Land & Estates. If the partnership recommends a site for approval SNH formally declares it to be an NNR under the National Parks and Access to the Countryside Act 1949 (as amended) and the Wildlife & Countryside Act (1981).

The criteria for selection¹³ of an NNR are that the site must:

- Be nationally important for one or preferably a range of natural features
- Be very well managed to ensure the continuity and, where necessary, the enhancement of these features in the long term.
- Be suitable for presentation or demonstration of these features in an appropriate way to the public.
- Be likely to inspire people to value and enjoy Scotland's natural environment.

The 1st criterion is met with the SSSI designation being for its geology, upland habitat assemblage, breeding bird assemblage and hen harrier presence. The 2nd criterion could be met by developing and implementing an appropriate management plan that enhances the features of the site over a period of time. Future management that is focussed solely on enhancing these features (in contrast to past management that sought to develop a driven grouse moor at the same time) should have a considerable likelihood of being successful. The 3rd criterion is not prescriptive and therefore is open to interpretation in a variety of ways that will differ from site to site. LI's experience in engaging the public as part of the Langholm Moor Demonstration project via Making the Most of Moorlands and the Wild Eskdale initiative will provide a good base starting position from which to develop further engagement. The presence of a range of existing interpretation materials by the roadside through the site demonstrate the suitability of the landscape to providing opportunities for public engagement. The 4th criterion would appear to have been met through work that has already been done which has resulted in a significant number of inspired individuals who care strongly about the moor already.

Promoting Economic Development

LI's intention in seeking NNR status for the area is not simply for conservation benefits, but also for economic ones. LI will use the status to advertise the area and increase the contribution of tourism to the local economy. In particular it will use the iconic status of the Hen Harrier to attract visitors. This needs to be considered in the context of a Scottish Government estimate in 2010 that wildlife tourism is worth £65m to the Scottish economy, supporting 2,763 jobs.

¹¹ <https://www.nnr.scot/About>

¹² <https://www.nnr.scot/Partnership>

¹³ <https://www.nature.scot/nnr-selection-criteria-and-standards>

Other community groups are already successfully using birds of prey to increase visitor appreciation of an area. The North Harris Trust established an Eagle Observatory 1.5 miles along a track off a C class road in a remote part of its estate and it has since become a major visitor draw. It is a shelter with a large glass frontage with no toilet facilities and no services on offer. In 2019 a people counter recorded 8561 visitors from the end of April to the middle of October.

The Galloway Kite Trail (GKT) is a 24 mile road trip around Loch Ken in Kircudbrightshire. A visitor survey report (incorporating an economic analysis) was published in August 2016¹⁴ outlining the economic impact of kite viewing. While it purported to be a report on the whole trail it was open in stating that the figures used were based solely on 1 site on the trail and that therefore figures were likely an underestimate of the impact. Key findings for 2015 were:

- Total spend by visitors to the GKT was £3.95m
- Total spend attributable to the GKT was £839,765
- FTE jobs attributable to the GKT was 20.84
- The GKT was the primary or one of the main influences for over 50% of visitors who completed a survey

LI intend for their management of their estate to be at least as attractive to visitors as the GKT combining the appeal of hen harriers with outdoor access opportunities to create a must visit destination. The GKT was established in 2004 so it is not unreasonable to conclude that a similar 20 FTE jobs could be created within 10 years of the community taking ownership of the estate.

The wildlife tourism market is a subset of the much bigger nature-based tourism market which VisitScotland estimates is worth £1.4bn/yr. A growing part of that is adventure tourism of which walking, road cycling and mountain biking can all be accommodated on the Langholm Moor as complementary to conservation and nature watching tourism activities. Existing grouse moor tracks can be repurposed for trail riding and walking and offer the opportunity to provide a link to the downhill mountain biking routes being planned for Newcastleton. A Senscot briefing¹⁵ states:

“Adventure tourism is increasingly being targeted for market growth across the world, with many countries recognising its ecological, cultural, and economic value.

Given the richness and diversity of Scotland’s natural landscapes, it is uniquely places to capitalise on the potential for growth within the adventure tourism market, as outlined by the Scottish Government’s Tourism 2020 strategy.”

Promoting Responsible Access

A key outcome of a community purchase will be the ability of LI to plan a comprehensive strategy that facilitates public access to the land in ways which complement and showcase the designated features while also ensuring that they are not harmed by inappropriate access. LI will develop a Responsible and Sustainable Access Plan as one part of an integrated Land Management Plan.

¹⁴ http://ww2.rspb.org.uk/our-work/rspb-news/news/435866-tourists-spend-x00a382m-in-dumfries-and-galloway-after-travelling-to-see-red-kites?utm_source=rss&utm_medium=feed&utm_campaign=News

¹⁵ [Senscot report: Adventure Tourism and Social Enterprise](#)

Elements could include the creation of promoted routes/paths, educational activities and facilities for viewing wildlife. An all abilities trail will cost approximately £60/metre.

Table 4: Conservation & Public Access Action Plan			
Action	Development Cost	Potential Funding Sources	Indicative Start Date
Continue with AECS commitments for duration of current SRDP	-	SRDP	Day of purchase until March 2022
Develop a land management plan	£15,000	SLF Stage 2	2020-21
Work with NNR Partnership to achieve NNR status	Staff time	SNH	2022
Ditch Blocking to rewet blanket bog	£5-20,000	SRDP	2022
Develop links with researchers to continue intensive monitoring	Staff time	Own/partner funds	2021
Audit carbon capture and storage opportunities			
Establish local volunteer groups for specific activities e.g. species monitoring, Sitka clearance and ditch blocking	Staff time		2021
Continue development of Wild Eskdale programme			2021
Support local businesses to take advantage of NNR status	Staff time		2025
Create a Hen Harrier observatory	£10-20,000	SNH, Conservation funders	2024
Improve waymarking and interpretation of existing routes	£5,000	SNH, Conservation funders	2022
Create 2km all abilities trail by river	£120,000	SNH, Conservation funders	2024

Summary

Ownership of the moorland will enable the community to connect much more strongly with the land, to protect its national and international value for the Scottish nation and to develop a nature reserve that has the realistic potential to drive tourism development in the area and create 20fte jobs from nature watching. LI can develop further adventure tourism activities and improve access opportunities for its own community across the estate.

9. Agriculture

LI has decided that it would be optimal to purchase a total of 4227ha (10,446acres), which includes the in-hand land of Perterburn, Cronksbank & Rashiel, and Cooms on the Dumfries and Galloway side of the estate. This will involve taking on the resident shepherd in Cooms under TUPE obligations.

The current farming regime is typical of that of sheep production on unimproved hill in the southern uplands. The number of lambs to ewes indicates an output of approximately 90% lambs reared for every 100 ewes put to the tup. This lambing percentage is consistent with an extensive hill operation with a low proportion of in-bye ground. Sufficient ewe lambs are retained so that all ewes are sold after 4 crops of lambs. The 75 suckler cattle are grazed for part of the summer on the greener hill at Cronksbank.

Objectives

- A farming regime that supports conservation objectives
- Safeguarding existing employment

Agricultural Support Mechanisms

There are a wide variety of support mechanisms to support hill farming. Without these farming in this area would not be viable.

The Basic Payment Scheme (BPS) acts as a safety net to underpin the income of farmers. To be eligible the land must be actively managed and payment entitlements are linked to land area and quality. The estate is selling its BPS entitlements as part of the sale.

These payments are based on historic farming activity and are worth tens of thousands of pounds per year. The share of BPS attributable to the area that LI wishes to buy is calculated at **£74,141/yr.** In the first iteration of the scheme farmers could sell off all their livestock, do nothing with their land and still receive the payments. The scheme has now been tightened so that the land must either have minimum stocking levels or an annual environmental assessment needs to be carried out. The latter option is of relevance to LI's nature conservation proposals and will be discussed further below.

It is possible that BPS will be phased out and replaced with an alternative mechanism after 2022, but it is unclear what new system may replace it. It should be noted that a change of support regime has tended to favour those who had rights under a previous regime.

The sales particulars state that all of the land is classified as Less Favoured Area (severely disadvantaged) for the purpose of grants and subsidies. Schemes include the Less Favoured Area Support Scheme (LFASS), Scottish Suckler Beef Support Scheme (SSBSS), and Scottish Upland Sheep Support Scheme (SUSSS).

SSBS and SUSSS are based on the number of homebred calves and ewe hogs respectively. LFASS is considerably more complicated and is calculated using a combination of available land area, land type, stocking density and enterprise mix. Calculations for maximising the use of land under agricultural tenure show that LFASS could vary from £10,370 for a pure sheep enterprise running 750 ewes to £17,238 for a pure cattle enterprise of 110 suckler cows (See Table 5). The variation

occurs because the scheme recognises that cattle grazing is good for habitat well-being and so a multiplier is added to the calculation: 1.35 where cattle Livestock Units (LUs) are more than 10% of the total and 1.7 where they are more than 50% of the total (1 cow = 1 LU; 1 sheep = 0.15LU).

Modelling of the viability of the current sheep enterprise of 745 ewes and alternative enterprises of 110 hill cattle and mixed cattle and sheep have been carried out using source data from 'The Farm Management Handbook 2019/20' produced by SAC Consulting. The Feasibility Study modelling shows that *excluding BPS entitlements and without additional environmental payments* all of the options are likely to be loss making, with the current system the least profitable of all. However, with BPS payments and environmental management payments (see below) the overall system can avoid losses.

Table 5: Financial Analysis of Livestock Options

110 Cattle	Mixed Cattle/sheep	Sheep Only
Gross Margin for 55 cows 26180	Gross Margin for 55 cow herd 13090	
	Gross Margin for 375 ewe flock 4905	Gross Margin for 750 ewe flock 9810
LFASS 17,238	LFASS 13,844	LFASS 10371
BPS 74,141	BPS 74,141	BPS 74,141
117559	105981	94322
FIXED COSTS		
Employment costs 24000	24000	24000
Rates & water 1500	1500	1500
Insurance 1500	1500	1500
Light & heat 1000	1000	1000
Telephone 1500	1500	1500
Motor expenses 2000	2000	2000
Tractor expenses 3500	3500	2500
Dog maintenance -	250	250
Repairs & renewals 3000	3000	3000
Subscriptions 750	750	750
Accountancy 500	500	500
Interest on overdraft 3000	3000	3000
Sundry expenses 500	500	500
TOTAL FIXED COSTS 42750	43000	42000
PROFIT 74809	62981	52322

LI will give consideration to moving to a suckler cattle system based on native breeds if a viable system can be developed post Brexit. Cattle are non-selective grazers and have a positive impact on herbage mix. Smaller, native cattle have less of a trampling impact upon the ground and require less

winter feeding. The local Galloway cattle would be a suitable choice, as would Highland Cattle which are a big attraction for visitors. It may be possible to sell conservation grade beef from a National Nature reserve at a premium to discerning buyers.

Agri-Environment support

In addition to the core agricultural subsidies Buccleuch estates have entered into an Agri-Environments Climate Scheme (AECS) contract under the Scottish Rural Development Programme (SRDP) with a number of options from the moorland management choices. These options bring in additional funds with 2020 due to be the last year of the scheme. Key elements are:

- Preparing and implementing a moorland management plan
- Reducing stock numbers to reduce grazing intensity on the moorland
- Away wintering of a portion of the sheep flock
- Summer grazing of hill cattle

The sale of part of the estate will require the transfer of part of the contract to LI and for Buccleuch or its successor parties on the remainder of the land to all agree to fulfil all the obligations therein for LI to continue receiving payments for its portion. If any party does not wish to continue with the contract there is a risk that Buccleuch Estates could be required to repay part or all of the money they have already received.¹⁶ If LI wishes to continue receiving payments it will require to fulfil the obligations of the contract until the end of 2020. This will include maintaining sheep at their current levels and continuing the summer grazing of cattle.

It is currently unclear what successor funding will be available once the UK leaves the EU and this is liable to remain uncertain until there is a clear date for leaving the EU and an end to any transition process. The current position with SRDP is that those businesses with contracts which terminate in 2020 will be able to apply for a 1- year extension to their current contracts so that these continue into 2021. A potential complication for any purchase that involves less than the whole of the estate is that RPID may take the view that LI would not be eligible for a rollover extension. An extension would also only be granted if LI intended to carry on managing the land in the same way as specified in the contract for the 2016-20 period. Once a new scheme is introduced LI will be free to apply for a new contract with a different range of land management measures.

It is impossible to predict at this stage what measures may be available to LI under a new SRDP scheme. They may be completely different to the current one. However, given the general trend to supporting conservation management in recent years and that the Scottish Government has declared a climate emergency it is likely that measures similar to, or better than, current ones for moorland management will be put in place in a new scheme. An early indicator of this is the SG commitment in the 2020 budget to provide £250m over the next 10 years for peatland restoration. Therefore, in the absence of any detail on a new scheme we consider it reasonable to consider what approaches LI could take using existing measures and using these to illustrate the potential land management practices and income that could be delivered in future years. Potential options that would meet the conservation objectives of LI would be:

- A new moorland management plan. This could have similar or different objectives from those of Buccleuch estates. In practice additional activities (see below) could be added to the plan. As noted above this would provide £3.60/ha included in the scheme.

¹⁶ <https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/agri-environment-climate-scheme/agri-environment-climate-scheme-full-guidance-menu/aecs-succession-guidance/>

- Continuation of disposal of sheep option. This was included previously to reduce grazing pressure. The guidance allows for a continuation of this practice where it has been allowed under a previous scheme. However, an application to continue is likely to be scrutinised closely. The logic behind this measure is that farmers are paid compensation for not having livestock they would otherwise keep on the land. Therefore, if sheep numbers are allowed to fall below existing levels it is likely to be considered as demonstrating that the case for the higher stocking level and associated compensation no longer applies.
- Continue away wintering of sheep. This can be beneficial to heather which sheep tend to graze when grasses are in short supply.
- Continue/expand summer grazing of hill cattle. The non-selective nature of cattle grazing produces positive benefits for grassland and heath management.
- Predator Control. This option allows for payment to be made to land managers for implementing an agreed predator control plan for ground nesting bird features designated on their land or black grouse leks. For ground nesting birds the manager must be able to demonstrate that the bird features are at risk of being in “unfavourable condition” or from being prevented from returning to it. If the crow control only option is chosen, funding of £259/trap for up to 10 Larsen traps is available. Shooting of crows must also be carried out. If the crow and small mammal option is chosen funding is provided on a hectare basis of £2.18/ha. Control can be via shooting, live-trapping or snaring. (Traps and snares must be checked at least every 24 hours) Trapping and snaring can both catch non-target species and these must be released. The use (or misuse) of snares in particular has attracted a lot of negative comment in the conservation world and LI would want to consider carefully what measures it uses and how it uses them to keep the local community and stakeholders supportive.

All of the above are recurrent revenue payments which are made annually for the length of the contract. Capital options for moorland management that are also available are:

- Ditch Blocking. There are 2 measures available to block ditches to rewet land and improve the quality of moorland. These are the construction of peat dams (£13/dam) or plastic piling dams (£62/dam up to 1m; £151/dam 1-2m wide; £385/dam more than 2m wide). In each case the dam must be at least twice the width of the ditch it is closing and dams must be no more than 30m apart.
- Muirburn or heather cutting. A payment of £76.68/ha is available for controlled muirburn or cutting of heather in areas no more than 50m wide to provide managed forage and cover for birds, wildlife and livestock. It is important to note that where heather is allowed to grow mature it is highly combustible in dry weather and whole moorlands can be susceptible to rapid burning by fire. LI will consider this option to provide some judiciously placed firebreaks to protect wildfire spread from one area to another. It will visit RSPB Geltsdale to learn from their experience of cutting.
- Primary Treatment of Bracken. This can be either manual (£150/ha) or chemical/mechanical (£225/ha)
- Heather Restoration. An area to be restored must be sprayed with a systemic herbicide, the dead vegetation removed by burning or cutting, the land sown with heather seed and livestock kept out for at least 2 years. The payment rate is £259/ha. When working in remote areas a large part of the cost arises from travel to and from the site and in preparing the equipment involved. Therefore, the larger an area to be restored the lower the costs/ha of the overall operation.

Table 6: Farming Action Plan			
Action	Development Cost	Potential Funding Sources	Indicative Start Date
Continue with AECS commitments for duration of current SRDP		SRDP	Day of purchase until March 2022
Develop a land management plan ¹⁷	£15,000	SLF Stage 2	2020-21
Decide on long-term future numbers and mix of livestock (if any)			2021
Apply for new AECS equivalent measures		SRDP	2021-2

Summary

Agriculture and agri-environment management is going through a time of uncertainty and change. LI will make decisions on long-term agri-environment practices once the outlines of public policy and support are clear. At the outset of ownership LI will safeguard 1 job which will be repurposed towards environmental outcomes as outlined above and particularly so if livestock management is no longer viable.

¹⁷ This is the same land management plan as included in the Conservation Action plan schedule

10. Forestry and Woodland Management

Introduction

The forestry and woodlands report deals with aspects of forest and woodland management within the Tarras Water land area, including woodland creation by new planting or natural regeneration of trees, greenhouse gas uptake by trees and woods, and management of existing forest. The report also touches on potential woodland related enterprises such as firewood production and rural skills training for young people.

Objectives:

- The creation of new economic and employment opportunities arising from forest establishment and management
- The creation of a new woodland resource for Langholm
- The sustainable management of trees and woodland for environmental, recreational and social benefit

Woodland creation

Woodland creation sites

Two areas are considered for woodland creation: a riparian section along the Tarras Water and some 200 hectares of hill ground at The Haunches.

In the south eastern corner of the LI apportioned land, there is a section of bare hill ground, bounded in the north by Cross Grain Burn, to the east by the Local Authority Boundary with the Scottish Borders (from below Tinnis Hill), to the south and south east by Tinnisburn Forest, and to the west by the single track road – from Broomholmshiels to Tarras Lodge. This ground was previously intensively managed for sheep and is currently used for seasonal cattle grazing.

Much of the ground is gently sloping, is relatively well drained, and comprises approximately 200 ha of plantable forestry land.

A second area of potential woodland creation is the riparian zone along the Tarras Water. Establishing riparian woodland along a long thin corridor either side of the Tarras Water brings challenges one of which could be the high cost of fencing in relation to the area of woodland being created.

New woodland planting

Woodland creation within the Haunches section of hill land will be carefully planned, sensitively sited and potentially phased over time.

The natural regeneration section runs from the confluence of the Raegill Burn in the south, to Arkleton Cottage in the north where the Tarras Water abuts land on the west that is not included in the sale.

Income and expenditure figures have been generated for two woodland creation types (see Table 7: Woodland Creation Income and Costs) - native woodlands, and a mixed woodland scenario, combining proportions of 4 woodland types.

Planting broadleaves and/or diverse conifers without deer fencing would incur increased tree protection revenue costs, through more intensive deer management. However, deer fencing need not be required, and high capital costs avoided with a commitment to frequent and focused deer management regime and a proportion of revenue costs could be offset with a Woodland

Improvement Grant. LI will seek to avoid any plastic tree tubing beyond vole guards, rather intensive deer control will be considered.

Woodland Type Discussion

The choice of woodland type chosen by LI for woodland creation very much will depend on the outcome of a comprehensive planning and community consultation process.

Conifer – Sitka spruce is the most planted conifer species in Scotland and the UK. Within the Woodland Creation Grant Conifer Scenario, a minimum of 10% other conifers and 5% native b'leaves or shrubs, to a maximum of 15% other conifers and 10% native b'leaves or shrubs. And 0-10% Open Space.

Pros - Sitka spruce is the easiest, fastest and cheapest of tree species to establish and it is the easiest and cheapest to maintain. It has the shortest rotation (age at harvesting) until a commercial return. To Year 25 it requires minimal management, from Year 25 it could yield thinned timber (many Stands of Sitka spruce are unthinned) and from Year 40 onward it could produce significant revenue streams as stands were clear felled.

Cons – Sitka spruce monoculture is not well regarded by the public. It has low biodiversity value, can be unsightly, is not 'welcoming' as a forest type (unless intensively managed) and as a monoculture may be prone to climate change impacts, such as new pests or disease. Additionally, the dense dark foliage and canopy in a Sitka plantation provides ideal habitat for predators of waders and ground nesting birds.

Diverse Conifers – Include Douglas fir, Western Hemlock, Western Red cedar, Scots pine and many more. Larch could not be planted due to Phytophthora disease. Within the Woodland Creation Grant Diverse Conifer Scenario, a minimum of 10% other conifers and 5% native b'leaves or shrubs, a maximum of 40% other conifer (or productive broadleaves) and 10% native broadleaves or shrubs. And 0-10% Open Space.

Pros – A diverse tree species mix is likely to be more resilient to impacts of climate change, it would be more biodiverse than pure conifer and it could provide a more aesthetically pleasing landscape. If managed as Continuous Cover Forest, it could yield modest but continual income streams without the need to clearfell large areas.

Cons – As with any tree species that is not Sitka spruce, diverse conifers will need protecting against Roe deer, necessitating a deer fence and deer control. A long deer fence enclosing a large area (>50ha) gives protection but not complete protection against Roe deer therefore some level of deer control would be required. 'Soft' conifers are also susceptible to other herbivore damage from; voles (hence inclusion of vole guards in the cash flow), rabbits, hares, and Scots pine leading shoots can be damaged by Black grouse.

B'leaves – this Woodland Type is more appropriately titled Productive Broadleaves. These are broadleaves recognised for their hardwood timber qualities and include species such as Sycamore, Beech, Oak, Wild cherry, Sweet chestnut and Silver birch. Within the Woodland Creation Grant Broadleaves Scenario, a minimum of 5% native b'leaves or shrubs, and a maximum of 10% native broadleaves or shrubs. And 0-10% Open Space.

Pros – a long term investment that could yield significant revenues 80-120 years hence. High biodiversity (compared to Conifer, SS), firewood and/or biomass production from thinning in the medium term (25-50 years). Aesthetically pleasing and could provide a resource for Green Tourism.

Cons – High establishment costs. Long term financial returns with potentially high maintenance costs. Requires protection against herbivores and large seeded tree species such as Oak and Beech can be a draw for Grey Squirrels. Small seeded native broadleaved trees such as Common alder can be attractive to Red squirrels, however the best woodland habitat for Red squirrels would be pure stands of small seeded conifer, such as Scots pine. Higher planting density required – up to 3,000 trees per ha. Some of the upper portions of the site adjacent to The Haunches may be unsuitable for the productive broadleaf species.

Native broadleaves – this woodland type is based on National Vegetation Classification (NVC) woodland types which include: W¹⁸ Alder with stinging nettle, W7 Alder-ash with yellow pimpernel, W8 Ash, field maple with stinging nettle, W9 Ash, Rowan with Dog's mercury, W10 Oak (Pendunculate) with bluebell / wild hyacinth, W11 Oak (Sessile), Downy birch with bluebell / wild hyacinth, W16 Oak, Birch, W17 Oak (Sessile), Downy birch with bilberry / blueberry.

Pros – Highest biodiversity of woodland types, most aesthetically pleasing in landscape terms, visitor friendly and potential for firewood and biomass production in the medium term.

Cons – Least commercial of woodland types, high establishment and maintenance costs.

Table 7: Woodland Creation Income and Costs

Woodland type	Total income	Total Costs	Net income/cost
Native Broadleaves*	£700,800	£348,850	£351,950
Mixed planting (25% Conifer, 25% Diverse Conifer, 25% B'leaves, 25% Native Broadleaves) *	£876,267	£541,894	£334,373

*Based on an area of 200 hectares.

Existing Forest management

Introduction

Conifer and broadleaved plantation woodland is mostly located in the southern section of the Tarras Water land, extending from Nether Mumbie at the most southerly point, north to Broomholmshiels with two outlying blocks of conifer at Cooms at Tarras Lodge. It is composed of a very diverse mix of species of conifers¹⁹ and broadleaves²⁰, from very old 19th century broadleaves to new planting and restocking in 2017.

Table 8: Woodland location and areas

¹⁸ W denotes Woodland type

¹⁹ Including Sitka spruce, Scots pine, Larches, Western Hemlock, Douglas fir, Norway spruce

²⁰ Including Oak, Beech, Ash, Alder, Silver birch

Compartment location	Total area of woodland (Ha)	Area of productive conifer (ha)
Glentarras	97.50	73.03
Broomholmshiels	9.57	7.76
Cooms	2.62	2.62
Perterburn & Rashiel	3.15	3.15
TOTALS	112.84	86.56

The large age range and species diversity of the woodlands is positive in respect of a resource that can be sustainably harvested and managed, as opposed to a single aged or simpler age structure, which may, by its nature, lend itself only to clearfelling in large blocks. Whilst the situation and aspect of some areas of woodland, such as on steep slopes and in small discrete compartments, make management and timber extraction challenging, most of the woodland is close or relatively close to tracks and minor roads.

The woodlands have been well managed and the quality of much of the growing timber would appear to be good. However, the outlying conifer blocks at Cooms and Tarras Lodge have windblown stands and they are relatively remote and making access more of a challenge.

Broadleaved woodland

Broadleaved woodland comprises some 100 plus hectares of ground and falls into three categories.

- Recently (last 25 years) regenerating woodland,
- long establish broadleaved plantation, and
- native woodland – Ancient and Long-Established woodland

The long-established plantation woodland includes stands of 19th century Beech, Oak, Ash and Sycamore and these woodlands have high amenity, biodiversity and aesthetic value. From discussions with a local cabinet maker it may be that some timber from windblown trees may be considered for furniture making or firewood production locally. Management of these woodlands is mostly focused on access, health and safety and amenity.

Timber volume assessment

Buccleuch Estate manage their woodlands in blocks, such as Glentarras, which in turn is subdivided into Sub Compartments. It was not possible to visit every Sub Compartment – these range from 0.01 of a hectare to 6 hectares – although most Compartments were viewed.

The Glentarras, Broomholmshiels, Cooms and Tarras Lodge blocks were analysed using Forest Yield, a PC based forest model for forest management in the UK, developed by Forest Research. It allows forest managers to derive data on timber volumes and volume assortments - different sizes of timber produce.

Whilst age is a key parameter for estimating Yield Class (how quickly a tree grows) it is a requirement, if assessing yield accurately, to have other data such as crop Top Heights. Buccleuch Estates did helpfully provide a set of Top Heights for the Glentarras block and this allowed more precise estimations of timber volumes and timber volume assortments for this area, which in turn allowed financial calculations to be performed with a reasonable degree of confidence. Where Top Heights were not available an assumed Yield Class for conifers of 12 was used. This is a conservative estimate when benchmarked against actual yield in similar compartments where Top Heights were given.

The Forest Yield Model allows volumes to be calculated for clearfelling of the crop, or for volumes of timber as a result of thinning. Thinning volumes were calculated for some but not all younger crops, and not all mature stands of timber were programmed for felling. Some of the mature stands of conifer were theoretically earmarked as Long-Term Retention, partly because of their age, their aesthetic and biodiversity value or because of difficulty in access.

Timber harvesting and sale

Felling was programmed over the 25-year business plan period with some conifer stands harvested based on their Maximum Annual Increment (MAI) – this is the age at which it is predicted that the trees will have reached their maximum annual growth. This measure has historically been used by foresters to guide timber felling. Other stands were hypothetically harvested on the basis that they had passed their MAI and/or they had grown to a point where it was feasible to harvest them based on their log production capacity and ability to produce revenue.

Table 9: Estimated timber income for 25 years

Price per tonne	Timber product	Timber Product Spec	Estimated Income
£10	Chip wood	7-14cm	£10,827
£15	Pallet wood	14-18cm	£12,887
£25	Saw Log	18cm+	£562,046
Total			£585,761

Predicting future timber income from harvesting and thinning is, as with all commodities, less than straightforward and to do so over 25 years is a challenge. A conservative timber pricing system based on recent local Standing sales quotes and prices has been applied. Whilst the pricing is somewhat less than the UK Conifer Standing Sales²¹ price (currently calculated as £30.87 per cubic metre of standing timber overbark), conservative pricing includes; difficulty of terrain, small parcels size, mixed species and in parts lack of site access.

²¹ These prices are published by the Forestry Commission (UK) and reflect sales prices from State forests across the UK.

Table 10: Woodland Action Plan			
Action	Development Cost	Potential Funding Sources	Indicative Start Date
Employ/contract P/T Forest Manager	£2500		2020
Prepare management and harvesting plan for existing woodlands (includes planning for woodland creation)	£3250	RPID, Scottish Forestry, Woodland Improvement Grant	2020
Employ part time Woodland Crafts person	£2500		2020
Maintain access & infrastructure	£500		2020
Identify clients for carbon sales	£500		2020
Negotiate standing sale of timber from Tarrasfoot plantation	£300		2020
Harvest first tranche of timber			2021
Woodland management and maintenance	£5000		2021
Woodland Infrastructure	£2500		2021
Detailed design for Woodland Creation (including surveys)	£5000		2021
Submit Woodland Creation application to SF			2021
Harvest and sell second tranche of timber	£500		2022
Register carbon from woodland creation	£1500		2022
Woodland management and maintenance	£20000	Woodland Creation Grant	2022
Woodland Infrastructure	£5000	Woodland Creation Grant	2022
Harvest and sell third tranche of timber	£500		2023
Plant 50% Native Woodland Area	£94,200	Timber harvest, RPID, Scottish Forestry, Woodland Creation Grant	2023
Woodland management and maintenance	£30000	Woodland Creation Grant	2023
Woodland Infrastructure	£15000	Woodland Creation Grant	2023
Harvest and sell fourth tranche of timber	£500		2024
Plant 50% Native Woodland Area	£94,200	Timber harvest, RPID, Scottish Forestry, Woodland Creation Grant	2024

Woodland management and maintenance	£30000	Woodland Creation Grant	2024
Woodland Infrastructure	£15000	Woodland Creation Grant	2024

Management Approach

Whilst the scale of woodlands in the Tarras Water sales parcel is not of sufficient scale to warrant a full time member of staff, the potential creation of 20 hectares of new woodland, combined with forest design and management planning for the existing parcels could merit either a part time employed member of staff or a contracted forest manager - ideally drawn from the local area - combined with a full time Forest Craftsperson employee. A full time Craftsperson could work with a Forest Manager to oversee and deliver new planting and could liaise and work with timber harvesting contractors. Management tasks within the woodlands could include: the provision of new access – forest tracks for machinery (preferably low impact); the improvement of existing access; pruning and brashing of conifers and broadleaves – this to improve the form, the timber value and the aesthetics of the woodland; ensuring there is good drainage, fence repair and replacement, facilitating public access and improving visitor provision (such as car parking).

Staffing would provide local employment and ensure community oversight of forest and woodland working. It would assist the Langholm Initiative to use new and existing forests and woods as an additional ‘green tourism’ resource, with a dedicated member of staff able to oversee the installation and maintenance of visitor facilities such as paths, hides, huts and shelters.

Further, woodland management could extend to the provision of rural skills courses for young local people.

A suitably qualified Forest Craftsperson could manage a training programme for pupils from Langholm Academy, providing oversight of chainsaw, quad biking, rope access, dry stone dyking and fencing courses. Youngsters could possibly be drawn from the Craft Design and Technology Department courses. A comparator for this type of training is Highland Perthshire Communities Land Trust (HPCLT) who have successfully run Rural Skills courses for 4 years, working closely with the Rural Skills Department at Braedaldane Academy. Most youth on these courses are 16-19 years old, are often not fully engaged with academia and have a leaning towards land-based industries such as gamekeeping, farming and forestry. The HPCLT course has attracted funding from SSE, local wind farms and Scottish Charitable Trusts.

The HPCLT programme also facilitates volunteering opportunities within woodlands for more mature members of the community, notably recent retirees, and at the other end of the spectrum it offers tree planting days and outdoor events from Primary Schools, such as could be done with Langholm and Canonbie Primary schools.

Local employment

Beyond direct employment of a P/T Forester/Forestry Contractor and full time Craftsperson, the scale of expenditure in the woodland creation proposal will have a significant impact on the local economy. The first five years of woodland creation will involve: -

- fencing
- site preparation
- tree planting

- tree maintenance
- vegetation management and
- herbivore management

And beyond five years there will be a residual requirement for site maintenance and management. The Local Employment Table illustrates the scale of labour required for establishing 200 hectares of new native woodland.

Table 11: Local Employment for first ten years

Task	Number of jobs (PTE =Part time equivalents, FTE = Full time equivalents)	Timing and duration*	Job time equivalence (number of jobs * duration)
Site preparation	2 (PTE)	Years 3-5 (3 months)	0.5 FTE
Tree planting	6 (PTE)	Years 3-5 (6 months)	3.6 FTE
Tree maintenance	2 (PTE)	Years 4-6 (6 months)	1.0 FTE
Vegetation management	4 (PTE)	Years 4 -7 (3 months)	1.0 FTE
Herbivore management	1 (PTE)	Years 3-10 (36 months)	3 FTE
Forest Management	0.3 (FTE)	Years 1-10 (n/a)	0.3 FTE
TOTALS			9.4 FTEs

- Duration is the estimated time workers are on site

There are a number of local forestry businesses employing local labour in the Langholm area. And there are no Scottish Government or State Aid impediments to LI awarding woodland creation contracts on the basis of added value to the local economy.

Overall, woodland creation, combined with forestry management of existing forests, have the potential to sustain some 11.1 FTE jobs over the first ten years of LI land ownership.

Potential for firewood production

Local firewood production has a ready source of easily accessible, readily cheap raw material in the Tarras Water woodlands, from the planted plantation woodland and the existing and regenerating native woodland. There are producers and retailers of firewood in Carlisle, Gretna and Hawick with the nearest local firewood producer being M&H Tree Services Ltd. in Canonbie. It is possible that timber from Tarras water could be sold locally to the Canonbie firm.

Summary

The state has a significant existing mixed woodland resource which will produce a steady income stream. Additional opportunities to create new woodland will generate new employment, environmental and social benefits for the whole community.

11. Carbon sequestration

Introduction

Offsetting carbon emissions through tree planting is an established mechanism for dealing with greenhouse gases in the UK. There is a Government recognised code, the Woodland Carbon Code (WCC)²², which contains calculation methodologies, governance standards and guidance on how to buy and sell carbon.

With a Climate Change Emergency being declared in Scotland in 2019 by the First Minister and global warming an ever-present threat the market for trading carbon credits looks set to grow.

In the early 2000s Borders Forest Trust were amongst the first environmental organisation to sell carbon credits from tree planting in Scotland. These credits were bought by retail banks, rock groups, companies and individuals with carbon purchase money going towards native woodland tree planting and regeneration.

In Scotland significant investments in forest carbon have been made. In 2001 BP founded and funded the Scottish Forest Alliance project which included the RSPB, the Woodland Trust and Forest Enterprise. This project received approximately £10 million pounds from BP who ensured continuity of forest management by requiring a legal contract with a timescale of two hundred years.

Recent activity by major corporations such as Shell Global include a 5 year, £5million pound contract with Forest and Land Scotland for 250k Woodland Carbon Units (WCUs). This type of scheme is not without its critics²³, however this deal and the many smaller deals being done through companies like Forest Carbon²⁴ give a feel for the demand from corporations wishing to contribute to tree planting in return for greenhouse gas offsetting.

Basis for carbon calculation

The potential for carbon offsetting on Langholm Moor and environs is significant, although restricted by the conservation designations.

Two woodland types were chosen for calculation – Conifer monoculture with Sitka spruce and Native broadleaved woodland with a mix of species and native woodland types (e.g. alder woodland or oak woodland).

The Conifer model was based on clear felling at age 40 years and the Native Broadleaved example was based on no intervention. Both models were run over 100 years, which is part of the WCC methodology, with payments paid in 5 and 10 year tranches (Year 5, Year 15 and Year 25) to coincide with the release of Woodland Carbon Units (WCUs) A Woodland Carbon Unit is a mechanism for ensuring that the trees are growing and the project has been verified by an independent certifier, thereby affording confidence to the purchaser.

Native broadleaved woodland creation totalling 200 hectares was used as the basis for one calculation with a conservative price of £10 per tonne of CO₂ applied.

²² <https://woodlandcarboncode.org.uk/>

²³ <https://www.theguardian.com/politics/2019/oct/15/scottish-ministers-face-criticism-shell-tree-planting-scheme>

²⁴ <https://www.forestcarbon.co.uk/>

Table 12: Potential carbon uptake and sale values – Native broadleaves model

Time (Years)	Tonnes of CO2 (tCO2)	Carbon Credit Sale (£)
5	140	1400
15	2450	24,500
25	6515	65150
TOTALS	9105	91,050

New Native broadleaved planting – 200 hectares @ £10 per tonne of CO2

Conifer woodland creation totalling 200 hectares (no additional riparian planting) was used as a comparator calculation, also with a conservative price of £10 per tonne of CO2 applied.

Table 13: Potential carbon uptake and sale values – Conifer model (clearfell@40years)

Time (Years)	Tonnes of CO2 (tCO2)	Carbon Credit Sale (£)
25	2995	29950
TOTALS	2995	29950

Conifer planting – 200 hectares @ £10 per tonne of CO2

From the calculations, native broadleaves are a better bet for carbon credit generation and sales than Sitka spruce in a conventional clearfelling regime.

Peatland Carbon

Peatland carbon involves keeping carbon in peat and allowing peat formation processes to function.

The Peatland Code follows the same rules as the Woodland Carbon Code - projects must be additional to business as usual and they must be monitored and re-certified; the carbon calculations should be conservative and based on sound evidence; and emissions reductions should be permanent.

The method for assessing carbon savings differs between trees and peatlands, however. With a woodland it is possible to estimate the carbon capture based on things like species mix and location, with peatlands the estimates are based on models that use the condition of the peatland before and after restoration to estimate the emissions reductions. Because of this extensive surveying of a project site is required before work commences.

The major difference between woodland carbon projects and peatland carbon projects – is with trees the carbon capture is in the future, with peatlands the avoidance of carbon loss is immediate.

12. Integrating Land Management

The discussions above on conservation management, agriculture and forestry highlight that there are a range of options available to the Langholm Initiative and the wider Langholm community in terms of managing the land. As already noted, a key driver of the proposed community purchase is that of conservation with attendant community wellbeing and outdoor tourism benefits, and specifically to manage the land as a nature reserve. There are modest opportunities for direct revenue generation, but a key challenge is to decide what approach to take to the agricultural activity on the land. On the one hand there is considerable potential for livestock management to be a loss-making enterprise. On the other hand, limited grazing (particularly by cattle) can be of particular benefit to heather habitat and if this does not occur the features of the designated areas may not be able to be held in a favourable condition.

The current agricultural support regime also throws up challenges in the short-term for moving to a more conservation-oriented model. If LI were to buy land which is currently grazed but not keep the livestock grazing element the SRDP contract would be breached and all elements (including the moorland management payment) would fall. LI could not then expect to receive funding through a successor to SRDP until 2022. [REDACTED]

[REDACTED] Therefore, LI's preference is to continue the existing regime until the new support structure is in place and make changes as appropriate to ensure a long-term viable land management system.

The scope for afforestation offers the potential to generate significant revenue streams and would allow the appropriate level and type of planting to be decided by the community. A well-designed scheme outside the SSSI could enhance habitat for important species such as black grouse, and act as a transition zone from the blanket conifer of Tinnisburn to the open moor. The scope for new woodland within the SSSI is limited but riparian planting would enhance habitat management.

Choice of system and area of land to purchase will ultimately be guided by the money available to purchase and run the estate, and what conditions may come with it. The general principles that will guide future choices are:

- If funding from private sources is not available to purchase livestock LI will not think of continuing agricultural production. The risks of borrowing are that losses will force a sale of stock at a later date and that stock values will be somewhat less than paid for at purchase. Therefore, there could be a risk of having to sell other assets to cover losses.
- In an ideal situation it would be helpful to have a cash buffer to cover the potential for temporary losses in livestock production. However, this need not necessarily be in place because losses could be covered by sale of stock if there was no prospect of improved profitability following Brexit and a new support regime.
- The planting of new woodland will provide a cash surplus that could support other areas of the business.

In order to address the challenges and choices before it, LI will commission the preparation of an integrated land management plan in order to make evidence-based decisions on future land use and public access issues. Plan development will involve an extensive community engagement process in order to maximise community buy-in and to generate the best possible community-wide outcomes.

13. Business Development

The biggest limitation on business development for many community landowners can be the lack of business space. Land can be plentiful but buildings for business activity are often in short supply. In rural areas those who would like to establish new businesses are usually constrained by limited capital and business turnover can be insufficient to justify making a long-term investment in property. This can apply as much to a community landowner looking to provide for its own needs as to a private business looking for suitable accommodation.

Community groups have successfully developed business space at a range of qualities to enable community activity to grow and private businesses to become established and develop. The provision of business space by LI could play an important role to match housing provision in attracting and retaining residents who are capable of making a meaningful contribution to the local economy.

As noted earlier in the report tourism has been identified by both LI and The Langholm Alliance as a key future driver of the local economy. Tourism business development is a complementary fit to the desire to create a nature reserve and will indeed be vital if LI wishes to achieve the objective of engaging the public in a potential National Nature Reserve.

LI can play different roles in terms of using a land purchase to promote business development. It can develop and run new businesses itself, provide land and buildings to enable others to run their own businesses and it can promote tourism generally by promoting the area and providing basic tourism infrastructure that enables other local businesses to enhance their offering.

Camping/Glamping

The Upstart report identified the need for greater accommodation provision in the Langholm area and in particular for glamping facilities which are currently absent locally. There is existing basic provision for campervans in Langholm at the rugby club. The infrastructure needs of a campsite are adequate road access, and provision of water, electricity and sewerage. As a rule electricity follows the roads through the estate and transformers are situated at each of the houses/steadings. The water supplies are private ones supplied and maintained by the estate and sewerage needs to be provided by septic tanks appropriate to the demand.

Camping pods are becoming ever more popular across the UK. The pods provide better protection from the weather and greater comfort than tents. Typically, they will have 2 single beds with a little additional interior space and a small open porch. When they were first introduced provision was basic and aimed at those who would normally sleep in a tent or a basic hostel such as cyclists, hillwalkers or fishermen. This type of accommodation is still available but the market has expanded into ever greater quality of provision approaching hotel standard, hence the term glamping. Prices can vary from £35 to £80/nt depending on the quality of interior finish. Bespoke pods are also available to provide bathroom facilities which can be appropriate for serving a small number of basic pods. On larger sites a toilet and shower block can be provided. In recent years “shepherd’s huts” which are on wheels have also started to become popular. Pods/shepherd’s huts can either be placed in a grass field where (depending on the site) they can be clearly visible or they can be placed unobtrusively amongst trees. Cost of purchase and installation will be in the region of £7,000/unit for basic pods to over £30,000/unit for luxury ones.

Booking for each of the above activities can be managed through the Freetobook²⁵ website which provides a booking service free of charge unless additional extras are requested. The basic service is adequate for pod/hut provision, and signage on site could allow for booking on arrival using a mobile phone at quieter times of year. The website Pitchup.com identifies 6 sites in Dumfries and Galloway offering pods from £35-60/nt. The nearest of these is in Lockerbie, a distance of about 18 miles. Pods are a rapidly growing sector of the market and with no sites nearby displacement issues should be minimal.

Funding for community run sites has previously come from LEADER and in the Highlands & Islands from Highlands & Islands Enterprise. It may therefore be something that SoSE could be able to provide assistance for. The returns from pods can be strong and therefore part funding by borrowing can also be an option.

Following purchase LI will carry out an in-depth study to identify a suitable site or sites. However, locations that have the potential to support a site could include:

- Land adjacent to Broomholmshiels house and steading. This area would provide attractive views for visitors, be reasonably accessible to Langholm and could take advantage of existing electricity and water supplies.
- Flat land in the wood at Tarrasfoot hill. The access would need upgrading and there may be a conflict with sporting activities.
- Flat land adjacent to the river near Arkleton Cottage. A more remote location which may be difficult to service and may be less acceptable visually.

Business Space

The availability of business space is an essential pre-requisite for long-term sustainable growth. This can be constrained in many communities and the provision of space by community landowners can be a major driver of investment and business growth.

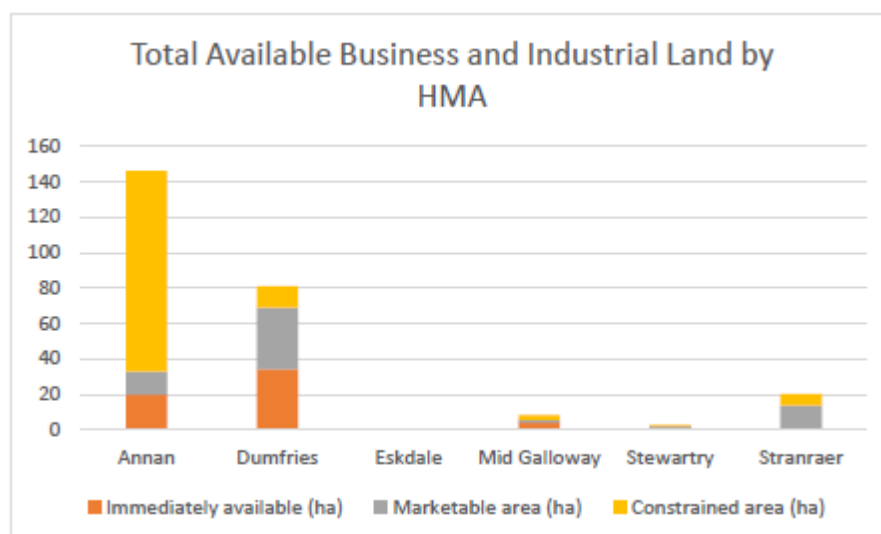
Existing property supply

Dumfries and Galloway Council commissioned an Employment and Property Land Study for the region which reported in 2017.²⁶ The report considered the different areas of the region and the availability of both industrial and office space. Figure 1 shows that there is no marketable employment land i.e. land designated for future business use in the Eskdale Housing Market area:

²⁵ <https://en.freetobook.com>

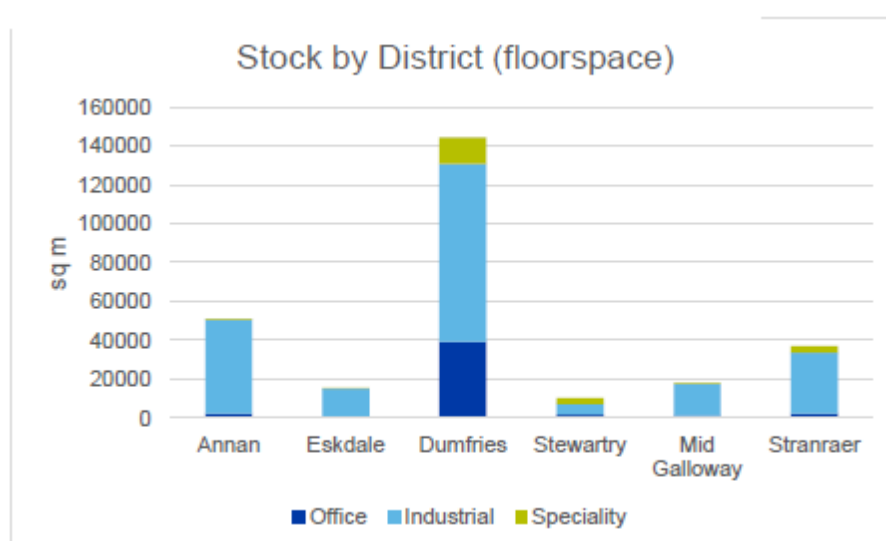
²⁶ Ryden; Dumfries and Galloway Employment and Property Land Study, March 2017

Figure 1: Dumfries & Galloway Business Land Availability



The report noted that the average size of existing property stock at 917m² in D&G was “comparatively large but will be skewed by a few very large industrial buildings.” This would appear to be reflected in Eskdale where the total existing stock is attributed to industrial use, with office and speciality space too small to register in the Stock by District table (Figure 2).

Figure 2: Dumfries & Galloway Business Space Stock



The report used 2 sources to estimate available office space. Costar have a property database that records “information on properties where there has been activity over the past 10 years. Therefore, properties which have not been on the market or otherwise captured by Costar will not be on the database”. The other source used was the Scottish Assessors Association database which holds information on every property for non-domestic rating purposes.

Figure 3: Comparison of Stock Databases

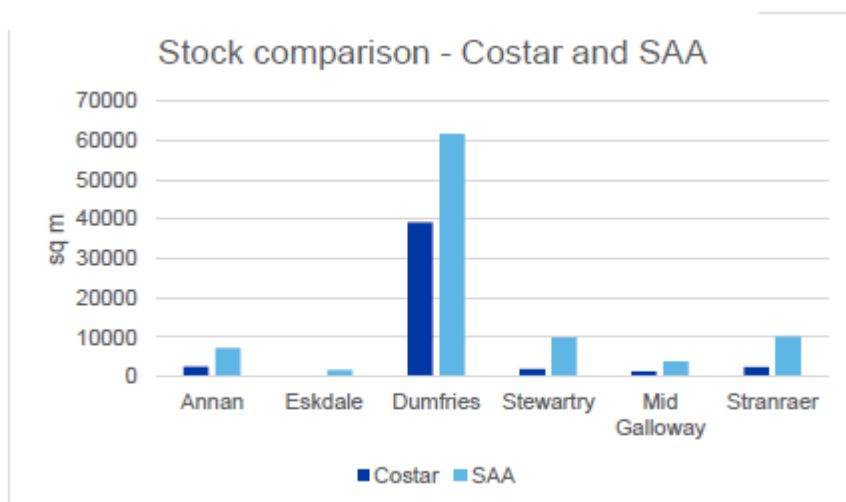
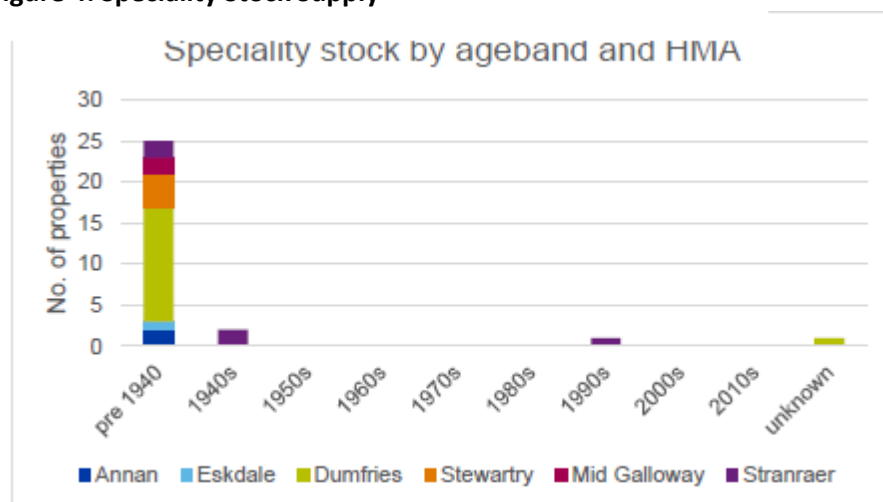


Figure 3 shows approximately 1000m² of office space in the whole of Eskdale with none of it appearing on the Costar database. This would imply that very little, if any, property has been marketed locally indicating that existing office property is fully used.

The report further identified that age of properties was a major issue with 40 year old buildings considered to be at end of life or in need of major renovation to be suitable for modern needs.

Figure 4 shows that in Eskdale offices are either pre-1940 or age unknown:

Figure 4: Speciality Stock Supply



A further table indicated that there was 1 speciality²⁷ property in Eskdale built pre-1940.

The report identified that recent office transactions ranged from £40-89/m² and industrial units from £27-63/m². The authors stated that in their experience rental values of £100-130/m² for office space and £81/m² for industrial space were required for a viable private sector project. Therefore it concluded that “Market failure afflicts employment land and property across Dumfries and

²⁷ Speciality stock in the report is stated to include former schools, churches and public buildings.

Galloway” and that “Market intervention is therefore required by the public sector to ensure that economic activity and growth is not constrained by lack of suitable employment land or property”.

Demand

The needs of small businesses can be overlooked because they do not have the profile of larger employers and engage less with public agencies. A simple survey was distributed locally asking existing and potential small businesses to state their needs in terms of accommodation. The findings were:

- There were a total of 15 expressions of interest in business space, 12 from residents and 3 from people in nearby settlements.
- 11 enquiries are from existing businesses and 4 from potential new business start-ups
- 8 enquiries are for rented accommodation only, 2 for serviced plot only, 3 would consider either rented accommodation or a serviced plot, and 2 rented accommodation or serviced or unserviced plot
- 4 wish to rent workshop accommodation and 4 wish a combination of workshop and office or studio accommodation
- 2 wish to rent office accommodation
- 1 wishes studio accommodation and 1 wishes a combined studio office
- 3 wish ‘other’ accommodation suitable for processing, storage and drying of materials
- This gives a total potential demand of 13 workshop and 3 office facilities
- The sectors in which the businesses are working /intend to work are:
 - Textiles – 3
 - Food & Drink- 3
 - Services – 2
 - Creative Industries – 7
- 6 businesses are looking for space less than 20m²; 3 businesses require 20-30m²; 1 requires 30-40m²; and 5 require more than 40m²
- Existing businesses requiring business space currently employ 15 people
- New employment potential is 20-25 employees, ranging from 1-5 people/business
- 1 start-up stated that if they cannot find accommodation, they will need to move elsewhere

The following is a summary of the views of one respondent:

“There is huge frustration locally regarding investment in business. D&G council have neglected the area in the past and been difficult to work with, particularly for developments in Langholm itself.

A particular scenario in 2012 when trying to get a micro-brewery up and running in the town were told in no uncertain terms that there were no suitable premises in the town and maybe we should consider Hawick (nothing has changed in Langholm since)

DGC and its satellites should be utterly ashamed of the complete contempt it has treated the business community in this town.

Having business units slightly out of town in existing steadings as suggested by the LI may help to solve the planning issues and provide much-needed development.”

As a result of these responses, it is clear that there is an urgent need and demand for additional small-scale business space to enable existing businesses to expand and new businesses to become established. The provision of these will help stimulate economic growth and revitalise Langholm.

Providing for LI & the wider community

On acquiring the estate LI will be a need for additional workspace accommodation for staff as LI's current accommodation is fully utilised. There is also awareness locally of the need to provide accommodation for business start-ups.

A clear option is to use the existing Broomholmshiels farmhouse for office space. The rooms provide 247m² of space which would provide for LI's needs and allow for subletting to other businesses. Planning permission will be required for change of use and there are likely to be costs associated with meeting necessary building regulations. However, it could provide a good rural base for a rural business. If a small campsite were developed there as well as discussed above it could easily be overseen by staff from the office. Sub-letting of space to the 2 businesses identified in the survey will immediately safeguard 3 jobs and enable the creation of 3 new jobs.

The use of existing farm buildings and steadings for business use is an option favoured by the Local Development Plan 2. The steadings at Broomholmshiels, Cronksbank and Cooms are all accessible from local adopted roads. The most accessible and therefore the site for which there would likely be greatest demand for business use is Broomholmshiels. LI will seek to redevelop the existing steading to provide business units to meet the demand for business space. The provision of 100m² of workshop space will create an anticipated 5-10 jobs. It will look to create additional business space in successive 5 yr periods to facilitate local development.

Table 14: Business Development Action Plan			
Action	Development Cost	Potential Funding Sources	Indicative Start Date
Apply for Change of Use for business purposes for Broomholmshiels farmhouse	£500	Own funds	2020
Establish office base for LI in Broomholmshiels farmhouse		Own funds	2020
Advertise for tenants in Broomholmshiels farmhouse	£500	Own funds	2020
Commission study into redevelopment of Broomholmshiels steading to include business options	£10 -15,000	SoSE	2021
Develop 100m ² of business space	£150,000	SoSE/own funds/commercial borrowing	2024
Research options for glamping site	£5,000	SoSE	2020-21
Establish glamping site	£50-100,000	SoSE, own funds	2022
Commission study into redevelopment of Lodgegill as a field centre	£10-15,000	SoSE, University/research partners	2023-2028

Summary

Provision of a glamping site will fulfil a clearly expressed local need, generate revenues for LI, provide accommodation for the growing conservation/adventure tourism sector and create a modest 0.6fte post.

Local authority research has demonstrated a clear lack of supply of business space and feasibility study research has identified a pressing local need for new provision by local businesses. Repurposing of 1 building will enable the safeguarding of 3 jobs and the creation of a further 2 in addition to the 2.5 to be created by LI as a result of the purchase. A further 5-10 jobs could be indirectly created by establishing 100m² of workshop space.

14. Housing

There are a number of residential properties included in the sale. These are outlined in detail in the valuation report and report on condition (pp.20-27) prepared by Davidson and Robertson. They are summarised in Table 15 below:

Table 15: Built Properties for Purchase

Name	Tenure	Size	EPC Rating	Condition	Rent
Broomholmshiels	Vacant	6 bedroom	E	Good	-
Cronksbank Farmhouse	Residential tenancy	4 bedroom	E	Fair	████████
Cronksbank Cottage	Vacant	2 bedroom	-	Internal renovation required	█
Perterburn Farmhouse	Short Assured tenancy	3 bedroom	G	Good/fair	████████
Rashiel	Short Assured tenancy	2 bedroom	F	Good	████████
Cooms	Service occupancy	2 bedroom	F	Good	█
Middlemoss	Short Assured tenancy	2 bedroom	E	Good	████████
Lodgegill	Vacant	2 bedroom	-	Derelict	█
Tarras Lodge	Residential Tenancy	3 bedroom	F	Good	████████

Community ownership and management of housing is becoming more common. Where they are managed well they provide an important function in providing affordable letting accommodation for community members and a steady stream of income for the community landowner.

A number of communities in rural areas are now building their own housing for let with the aid of the Rural Housing Fund (RHF). Other community landowners have purchased a number of properties as part of the purchase of a larger estate or island, in a situation similar to the one facing the Langholm Initiative. The properties tend to be generally older and can be in varying states of repair. Community owners have responded to this by funding repairs through a mix of grant and borrowing, or by selling some properties that it was considered not economic to repair.

The valuation report points out that the Scottish Govt is proposing to make it unlawful to rent out property with an Energy Performance Certificate (EPC) less than E from 1 April 2020. This would apply to new lets but existing lets would not be covered until 31 March 2022.²⁸ However from that same date new lets would be required to meet a rating of D, with existing tenancies to meet the same rating by 31 March 2025. The Scottish Government also intends to set a date by which all properties should be upgraded to a rating of C. To assist with the costs of improving accommodation the Energy Saving Trust (EST) is able to offer interest-free loans²⁹ of up to £38,500.

Objectives:

- A well-maintained housing stock

²⁸ <https://www.gov.scot/publications/energy-efficiency-private-rented-property-scotland-regulations-2019-guidance/pages/2/>

- The safeguarding of existing lets to local people
- The creation of new housing opportunities

Table 16: Housing Action Plan			
Action	Development Cost	Potential Funding Sources	Indicative Start Date
Commission study into costs of upgrading existing properties to meet future letting requirements	£5,000	RHF (for empty property), Own Funds	2020
Sell 1 or 2 properties to fund renovations of others			2021
Carry out a programme of renovations	£100-250,000	EST, RHF, sales income, Commercial borrowing	2021
Set up housing maintenance fund	20% of rental income		2020
Commission study into redevelopment of Broomholmshiels steading to include new housing options	£10 -15,000	SoSE	2021
Develop 2-4 affordable houses	£250-600,000	Rural Housing Fund/Own resources/Commercial Borrowing	2024
Identify sites for potential self-build housing including existing steadings			2021
Develop policy on providing house sites with Rural Housing Burdens for sale			2021

Summary

The existing properties provide an important source of long-term rental accommodation within the local community. LI will seek to maintain most of this provision and upgrade the houses to future standards. It will also look to build 2-4 houses providing accommodation for 6-12 people in its first 5 years of ownership. Future phases could mean additional accommodation for a further 24 people at an average occupancy of 3 people/home.

15. Community Outcomes - Employment and Social Benefits

The previous sections have outlined the potential developments that could take place under community ownership in the areas of land management, public access, business development and provision of new housing opportunities. The opportunities to act directly and to facilitate new developments, economic growth, environmental renewal and community regeneration are extensive and are summarised here.

Direct Job Creation

When the land is purchased, in addition to the existing full time shepherd who will be employed by LI, it is anticipated that a Development Manager will be needed to develop new woodland and conservation projects in addition to overseeing the existing activities. A part time administrative post (0.5 FTE) will also be required to assist with the administration of the Estate. It is planned that a Development Officer will be employed as well which will be a full-time post with an emphasis on developing new business and housing projects. LI will seek to have a funded post in advance of the buy-out to assist with getting the organisation ready for its new role as a community landlord. In the first 2 years the direct employment should generate 2.5 FTEs and safeguard 1 FTE (Table 17). Thereafter, it is hoped that as further development work is planned that the Development Officer role is still required but will be dependent upon project funding. In addition, each phase of pod development will create at least a 0.3FTE to support cleaning personnel.

Table 17: Direct Estate Employment at Point of Purchase		
Position	Duration	Job Time Equivalence
Development Manager	Ongoing	1.0 FTE
Development Officer	18 months (duration dependent on funding)	1.0 FTE
Admin Assistant	Ongoing	0.5 FTE
Shepherd (TUPE)	Ongoing	1.0 FTE
Totals		3.5 FTE

The purchase of the estate offers the opportunity to safeguard existing jobs, and facilitate the creation of new jobs immediately through business space provision in Broomholmshiels farmhouse. It also enables additional business space to be created by steading redevelopment.

Table 18: Indirect Employment Creation Through Business Space Provision

Development	Business Type	New Job Potential		Evidence
		10yrs	20yrs	
Broomholmshiels Farmhouse Office Space	Services Creative Industries	3 FTE	5 FTE	Business Space Demand Survey. Section 12 of Business Plan.
Steading Redevelopments	Textiles Food & Drink Services Creative Industries	10 FTE	20FTE	Business Space Demand Survey. Section 12 of Business Plan.
Glamping Site	Environmental camp site	0.6 FTE (0.3FTE per stage of pod development)	0.6FTE	Business Plan
Totals		13.6FTE	25.6FTE	

Further indirect employment will be created locally through developing the tourism offering on the estate and facilitating tourism growth in the local economy. This will especially be achieved through the creation of a new nature reserve and the promotion of hen harrier viewing in a similar way to that of kites in Galloway.

Table 19: Indirect Employment Creation via Nature Reserve

Action	Industry Examples	New job potential		Evidence
		10yrs	20yrs	
Creation of new nature reserve.	Hospitality Retail Tour Guiding	10 FTE	20FTE	Galloway Kite Trail Visitor Survey report
Totals				20 FTEs

The management of existing and creation of new woodland on the estate will provide additional employment opportunities within the local economy of varying duration.

Table 20: Woodland and Forestry Local Employment for First Ten Years			
Task	Number of jobs (PTE =Part time equivalents, FTE = Full time equivalents)	Timing and duration*	Job time equivalence (number of jobs * duration)
Site preparation	2 (PTE)	Years 3-5 (3 months)	0.5 FTE
Tree planting	6 (PTE)	Years 3-5 (6 months)	3.6 FTE
Tree maintenance	2 (PTE)	Years 4-6 (6 months)	1.0 FTE

Vegetation management	4 (PTE)	Years 4 -7 (3 months)	1.0 FTE
Herbivore management	1 (PTE)	Years 3-10 (36 months)	3 FTE
Forest Management	0.3 (FTE)	Years 1-10 (n/a)	0.3 FTE
TOTALS			9.4 FTEs

The other developments that LI intends to pursue will also have spin -off effect in the local economy. Example are given in Table 20.

Table 20: Contractor Work Required to Develop the Community Owned Estate in First 10 Years	
Project	Required Expertise that could be appointed locally
Steading Conversion	Architect
Farmhouse conversion to offices	Builders including all associated trades (i.e. plumbers, Joiners, painters etc).
Renovation of community owned properties	Architect Builders including all associated trades (i.e. plumbers, Joiners, painters etc).
Glamping Site	Joiner Landscape Plumber
Nature Reserve	Predator control Path creation Wildlife watching hide build
Community owned farm equipment (Tractor, Quad bike, Truck)	Agricultural engineer Local mechanic

All of the above will provide new employment and economic opportunities for the people of Langholm and Eskdale and will play a major role in turning round community sentiment from one of neglect by outside authorities to one of empowerment by community-led action.

[Social and Environmental benefits](#)

The purchase of the estate will enable the community to safeguard 5 homes for residential use in an area where there is increasing demand for holiday accommodation. The development of 4 new homes by Year 5 will create new housing opportunities for 12 people at a conservative average occupancy of 3 per home. A further 2 phases in Years 11 & 17 would enable a further 24 additional people to live on the estate, assisting in the repopulation of the area and creating a vibrant rural community.

The community will benefit greatly from an enhanced connection with the land. The common moss will be protected from encroachment by blanket conifer, there will be greater volunteering opportunities in woodland and landscape management, the schools will be more directly involved in forest school and wildlife monitoring activity, all abilities facilities will be provided for hen harrier observation, existing paths will be properly signed and promoted and new paths will be created to enhance people's enjoyment of their own natural heritage.

The environment will benefit from appropriate management for conservation and the nationally and internationally designated features will be safeguarded for future generations. LI will manage the landscape to maximise carbon storage and to act as an exemplar of land management in the 21^e century. As a result the community will live in an area of which they can be genuinely proud.

If the Langholm Initiative is given the opportunity to own the land and carry out the developments in this plan then there is every chance that the vision of section 6 will be achieved and Langholm and its moor will indeed be

"..... a Revitalised Community in a Restored Landscape as an Exemplar of 21st Century Land Management"

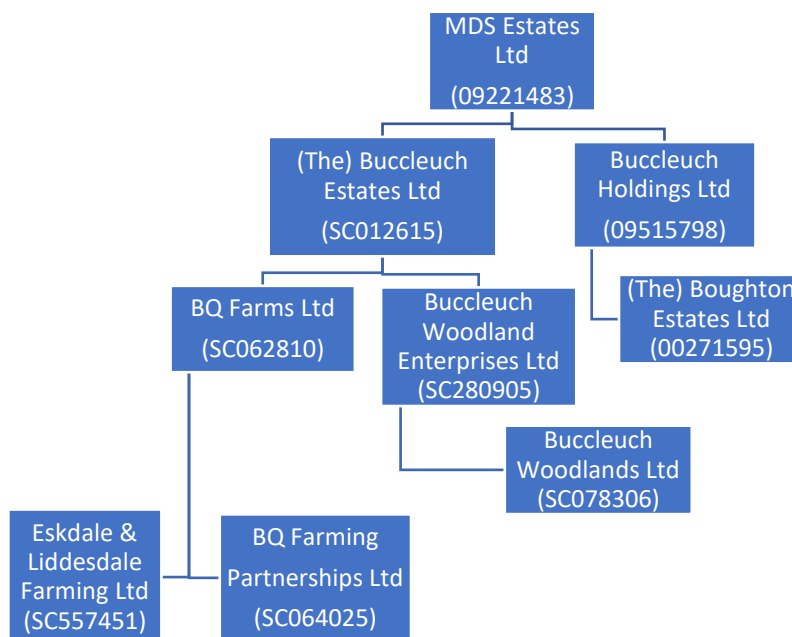
16. Purchasing the Land

Existing Land Ownership

The land being considered for community ownership is being marketed by Buccleuch Estates but the land, rights and operations are spread across a number of different legal entities within the extensive MDS Estates Ltd group operations. Figure 5 below does not represent the full group position, but simply illustrates the subsidiary companies related to the Tarras Water & Holm Hill Estate and their parent companies.

Land ownership	The Buccleuch Estates Limited
	B Q Farming Partnerships Limited
Mineral rights	Boughton Estates Limited
Forestry operations	Buccleuch Woodlands Limited
Farming operations	Eskdale & Liddesdale Farming Limited

Figure 5: MDS Estates Group Ownership Structure



ACTION POINT – LI will ensure that clean title over the subject land is transferred to Langholm Initiative, including mineral rights

Standard securities

There are a number of securities having been granted around 2010 and 2012 over the land being considered for community land ownership.

B.Q. Farming Partnerships Limited – standard security in favour of HSBC (In-hand Farmland at Eskdale & Liddesdale Estate)

Eskdale & Liddlesdale Farming Limited – standard security in favour of HSBC over Eskdale & Liddlesdale Estate

The Buccleuch Estates Limited - standard security in favour of HSBC over Parts of the Land and Estate of Eskdale & Liddlesdale

The Buccleuch Estates Limited – standard security in favour of HSBC (i) area of ground at Thomas Telford Road, Langholm, (ii) Holmhead Cottages, Langholm, (iii) land at Broomholmshiels Farm, Langholm, (v) 2 North Liddle Street, Newcastleton, (vi) subjects at Broomholmshiels, Broomholm Holms and Rashiel, Langholm, (vii) subjects at Priorslynn Cottage, Canobie and (viii) former Tourist Information Centre at Townhead, Kilngreen, Langholm

Buccleuch Woodlands Limited – bond & floating charge in favour of The Royal Bank of Scotland Plc

Further legal work will be required to ensure that all securities given by the relevant entities, particularly in favour of other group entities are identified and discharged before the community take ownership.

ACTION POINT – LI will ensure that all securities are discharged prior to land being purchased by the community

VAT – Option to tax

The purchase price will potentially be subject to VAT as an Option to Tax has been taken by The Buccleuch Estates Limited Group over land and buildings for all of its agricultural property rents in addition to commercial property rents. Buccleuch Estates have indicated that they would be happy to revoke the Option to Tax on the relevant properties prior to sale which would leave the sale of the Estate exempt from VAT. At a later date LI can if they wish to 'Opt to Tax' for VAT purposes on a property by property basis. This will enable LI time to develop its own plans and decide on a project by project basis what the most appropriate VAT position is for each property.

Where the Estate is exempt from VAT, the main benefits and disadvantages are as follows:

Benefits

- Rent charged to tenants will not be subject to VAT which will reduce the cost to those who are not VAT registered (no net impact on VAT registered farm businesses).
- Reduces the administration of dealing with VAT, particularly if the organisation is trading below the VAT registration threshold.

Disadvantages

- Cannot claim VAT on expenditure on land related activities. (VAT in relation to residential properties cannot be reclaimed anyway)
- Need to fund the VAT element of the purchase.

ACTION POINT – LI to request that Buccleuch Estates revokes the Option to Tax for VAT purposes on the relevant property on the Estate

It would also be possible to treat the purchase as a Transfer of a Going Concern which will then allow the purchase to be net of VAT, leave the option to tax in place with LI then registering an option to tax.

Benefits

- Don't need to fund the VAT element of the purchase price
- Will be able to reclaim VAT on land related costs

Disadvantages

- Rents will be subject to VAT
- Additional administration work and increased risk of claiming VAT on non-business expenditure

For the sale to qualify as a Transfer of a Going Concern, it will be necessary for HMRC to be satisfied that certain conditions have been met, including:

- The assets must be sold as part of a 'business' as a 'going concern'
- The purchaser intends to use the assets to carry on the same kind of business as the seller
- Where the seller is a taxable person, the purchaser must be a taxable person already or become one as the result of the transfer
- Where only part of a business is sold it must be capable of separate operation
- There must not be a series of immediately consecutive transfers
- There are further conditions in relation to transactions involving land

The ability for the sale to be treated as a going concern may be impacted by the community's decision over what assets they will be purchasing and also how they intend to operate the Estate post purchase.

This route would add an additional administrative burden to the Estate from the outset which is not necessary when a simpler option is available by having the purchase exempt from VAT.

Langholm Initiative will need to consider how they will structure their operations in the future and the potential impact of having a mix of business and non-business activities for VAT purposes. The organisation could find itself in a partial exemption position for VAT purposes and will need to consider the financial and administrative effect. Once clear plans are established for the Estate, LI can then revisit the optimum operating structure and status of each project to ensure that it operates as efficiently as possible.

ACTION POINT – LI to keep under review its operating structure and VAT status to ensure that each new project/element is considered from a group perspective and the optimum structure applied

Land & Building Transaction Tax

LBTT is a tax applied to residential and commercial land and buildings transactions (including commercial purchases and commercial leases) where a chargeable interest is acquired.

Revenue Scotland administers LBTT with support from Registers of Scotland (RoS).

It is likely that total valuation will apply in the Langholm case as it would be treated as a linked transaction if it had been split up into a number of smaller acquisitions.

If there are six or more residential properties and 5% applies to the whole transaction then LBTT would be:

£150,000 at 0%

£100,000 at 1%

Remaining at 5%

The purchase of six or more residential properties purchased in a single or linked transaction is taxed at non-residential rates. The land and woodland may not be residential. This would mean the commercial rates of LBTT would apply to the whole.

If there are less than six residential properties, the property would presumably need to be separated out between residential and non-residential elements, but multiple dwellings relief (MDR) may apply. This is a relief which applies where several dwellings are bought in a single transaction and if they were purchased separately, lower rates of LBTT would apply. The relief applies if there is a transaction involving two or more dwellings (with or without other types of property). It does not apply to transactions which are leases. MDR is limited so that it can't be under 25% of the LBTT payable without the relief.

There is a relief which attracts to certain "sub-sales" of ancillary woodland but it is not likely to apply in this case.

Base Case Scenario

Financial projections have been prepared which considers the existing operation and what this would generate if continuing to operate on this basis with similar terms for leases as are currently in place (see Appendix A). This considers the 2 purchase proposals put forward to Buccleuch Estates on the basis of a larger area being purchased if sufficient funding can be raised for the purchase, or a smaller area if less funding is available for the purchase, as well as also providing an illustration of what the financial position would be in the event that the Basic Payment Scheme for farming is withdrawn. The three scenarios all result in profitability although the most attractive position is the larger scale purchase with the Basic Payment Scheme (or a similar scheme) continuing.

Table 21: Base Case Profitability

Purchase Scenario	Annual Profit	Purchase Price
Larger area (with BPS)	£96,000	£6,608,000
Larger area (without BPS)	£44,000	£6,608,000
Smaller area	£32,000	£4,128,000

Overall the existing income level is sufficient to cover the projected expenditure for the estate and leave a surplus.

A 20 year loan of around £500,000 at 5% per annum interest rate would require repayments of just under £40,000 per annum illustrating that the Estate can support around £500,000 of debt if purchasing the large scale area, but would require the remainder of the Estate purchase to be funded through grants, donations or fundraising. The smaller scale purchase would generate sufficient income to cover a £400,000 loan over 20 years at 5% per annum. If possible, it would be desirable to avoid taking on debt for the purchase of the Estate so that this leaves more scope for using debt funding in the future for taking forward development projects and capital work required to the Estate.

5 Year Projections

Financial projections have been prepared for a 5 year period to illustrate how the initial community ownership period might be taken forward. This includes some development grant support assumed to be around 75% from a combination of Scottish Land Fund support and other grant funding sources for a period of around 12-15 months. This would enable some initial assessment to be undertaken on the Estate to help take forward new forestry development as well as undertaking surveys and assessments of the existing housing stock and exploring new housing opportunities and the potential to create business opportunities. See Appendix B & C for the 5 year projections for the 2 Purchase Options, as well as Appendix D for the Development Support costs.

The existing income level combined with the development work and new projects is sufficient to cover the projected expenditure for the estate and leave a surplus. The average surplus funds across the first 5 years is around £57,000 per annum for the Larger Scale purchase with BPS income remaining at its current level for the first two years and just over £22,500 per annum for the Small Scale purchase.

Income

For the purposes of financial illustrations it is assumed that the existing leases will be renewed and continue on the existing terms and that therefore at least this level of income can be generated.

Expenditure

Comparative data has been used from other estates to build up estimates of the projected expenditure for the estate, and where possible estimated costs specific to the Langholm Moor have been used.

Employment

The employment costs in the projections are based around data provided by Buccleuch Estates. It is expected that one employee falls within the Langholm Moor operation and would be taken on by LI under TUPE.

Farming Income/Agricultural Leases

The farming income has been estimated on the basis of the entitlements for the existing Langholm Moor Estate whilst expenditure has been calculated on the basis of similar farming enterprises in Scotland. It is assumed for the purposes of financial illustrations that farming subsidies will continue at a similar level as they are currently available at, however the outcome of Brexit could significantly impact on the future availability of farm subsidies and would have a significant impact on the farming operation of the Langholm Estate. The uncertainty surrounding these payments in the future is reflected in these projections by assuming that from year 3 that the farming income will simply cover the farming costs. A replacement scheme for BPS might result in a significantly higher level of income than included in these projections.

Sporting Income

There is a low level of income from sporting and fishing arising from leases covering a larger area of land generating a proportion of income for the Langholm Moor Estate area.

It is assumed for the purposes of the base case estate scenario that the income continues at a low level for the first 5 years.

Wayleaves

The Estate is entitled to a share of wayleave income but Buccleuch Estate are unable to provide an income figure for the share that relates to Langholm Moor Estate however an estimate is included in the projections for illustrative purposes.

Timber/Forestry

The Estate already includes some existing woodland planting and there are revenues to be generated from harvesting on an ongoing basis, and these have been estimated by a forestry specialist for the purposes of providing revenue estimates. These projections of existing timber operations exclude the cost of forestry management which it is anticipated would be primarily focused on new forestry development projects taken forward by LI. For the purpose of financial projections, forestry management is included in the new developments, but there would be an element of work undertaken on existing forestry operations as well, and that a part-time role will be funded by this budget allocation.

Development

The projections include the assumption that a permanent Development Manager Post will be created with assistance from a Development Officer for an initial period of 24 months. These posts will help to kickstart the planned development work required on the Estate. Development costs and the related grant funding are included in the financial projections.

Costs are also included for the consultancy work required to undertake the initial stages of the development projects such as:

- Land management plan
- Creating office space for LI and third party tenants in one of the Estate houses
- Redevelopment of steading buildings for office/workshop space
- Housing developments – renovation of existing housing stock and planned new builds
- Business developments – camping pods

The financial projections also illustrate the capital costs estimated for these projects and how they might be funded through a combination of grant funding, using income generated by the Estate, particularly from the forestry schemes, and some loan funding. The projections include the cost of loan repayments as well for either 25% or 40% loan funding with the balance coming from own resources. There is sufficient surplus being generated that the Estate could still proceed if the grant funding is not as high as currently projected (being 50%) with more of their own funds being distributed into capital projects.

Table 22: Development Scenario Profitability

Purchase Scenario	Average Annual Surplus	Cumulative Surplus
Larger area	£57,000	£284,000
Smaller area *	£22,500	£112,500

*The larger and smaller area surplus includes the sale of one property for £160,000 to help fund own projects which is not necessary in the larger area purchase, hence the higher surplus in the small-scale purchase.

An illustrative projection for a subsequent period of 15 years (Years 6 – 20) has been prepared looking at the financial viability of the Smaller Scale Purchase and Larger Scale Purchase. These illustrations are simply testing the longer term viability of the two land purchase scenarios making relatively conservative financial assumptions and are not necessarily a definitive plan for the Estate which will be developed as part of the development planning exercises to be undertake in detail once the Estate has been purchased.

The smaller scale purchase results in a cumulative deficit figure of just under £107,000 £ by year 20. This could be addressed by reducing the management role to part-time from year 17 onwards or looking to undertake additional development projects that would generate additional income for the Estate, but would require additional external funding.

The larger scale purchase enables a higher level of income to be generated and will allow for an additional part time post to be created around year 9 as well as an additional phases of new housing (around year 13 & 16), two additional steading renovations to create office/workshop space (around years 10 & 15) and a further phase of camping pod development to be undertaken in year 9 as well as generating an overall cumulative surplus at the end of year 20 of just over £350,000.

These development projects are important to the regeneration of the Langholm area in terms of not only creating improved affordable housing, but also in terms of creating new business opportunities through the provision of office and workshop space at a fair rental level. Not only will the community as a whole benefit, but these projects will also enable LI to diversify the Estate from its traditional sources of income. In years 6 – 20 the cumulative additional income projected from the traditional Estate is just over £185,000. This is a very conservative assessment as it assumes no surplus at all from farming activities in order to provide for the worst case of farming subsidies being

significantly reduced, although it is anticipated that there will be some form of subsidy to replace existing schemes after Brexit.

The cumulative surplus at the end of year 20 including the development projects illustrated is just over £350,000. Without the additional development projects in years 6-20, the cumulative surplus would be £78,000. This provides a significant level of comfort that if these additional development projects do not proceed that the Estate has the capacity to be financially sustainable. More importantly however, the scale of the Estate purchase, the existing income sources of the Estate combined with the development projects planned, will deliver significant benefit to the community as a whole whilst also delivering financial sustainability.

16. Structure & Governance

Langholm Initiative (**SC197326**) (LI) was incorporated on 17 June 1999 and is a Company Limited by Guarantee as well as being a Charity registered with (OSCR). The organisation is currently in the process of converting from a Company Limited by Guarantee to a SCIO which will still be a suitable vehicle for the organisation to undertake a community buyout.

This is an entirely suitable vehicle for taking forward the purchase of the Langholm Moor land, however, the organisational structure and legal position should periodically be reviewed as the company develops and its circumstances change to ensure that its structure remains appropriate to its activities and ambitions, particularly taking into consideration the VAT position of each activity and the entity through which it will operate.

Purchase Position

The structure of the purchase should be relatively straightforward as it is an asset purchase rather than purchasing a company structure. The assets can be purchased by the existing Langholm Initiative.

Subsidiary Trading Companies

Community Companies/Trusts frequently add a second layer to their organisational structure by establishing a separate trading company to manage specific developments (for example, estate management, commercial activities, renewables projects etc) for administrative purposes and to minimise the financial risk to the Trust, which continues to operate as the holding company. It is essential that subsidiary trading companies are used to avoid jeopardising the Initiative's charitable status. It would be advisable for the Langholm Initiative to create a trading subsidiary for the operation of the trading activities of the Estate.

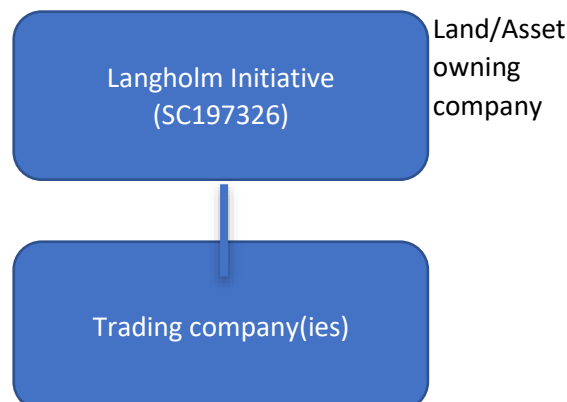
Further background information is provided in Appendices to this Business Plan:

What is a charity and how does it retain its status when undertaking trading activities?

Investing in your subsidiary trading company

Managing Subsidiaries

Post asset purchase operating structure



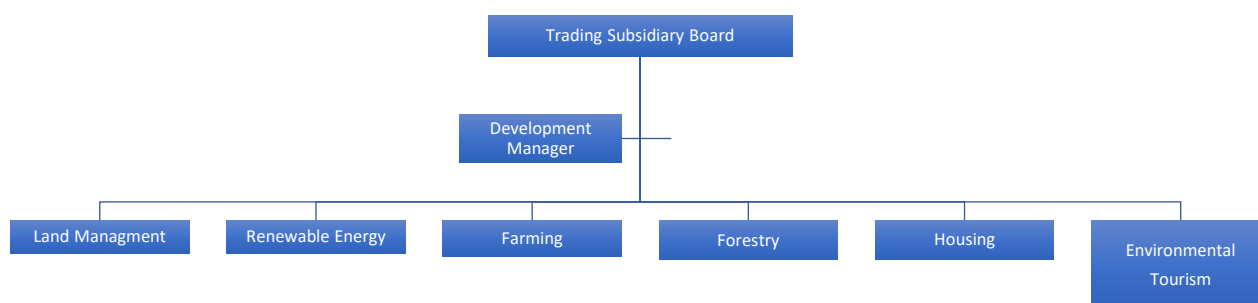
Income from rental of land and property are investment activities and relatively low risk. These activities are appropriate for charitable companies to operate and Langholm Initiative can receive the income from leasing directly. The activities relating to farming and forestry will need to trade through a trading subsidiary, however. Langholm Initiative will also consider whether it would want separate trading activities dealt with through multiple trading companies to create further separation, particularly if different VAT circumstances arise from those different activities. In certain circumstances external funders may require a separate trading subsidiary to exist, for example for renewable energy projects where there are significant levels of commercial funding required.

Governance of the Initiative's (and any subsidiary companies) activities and associated liabilities will remain the legal responsibility of the Trust's Board. Therefore, it is vital that Board Members are clear as to their responsibilities in those regards. Some Trusts such as the North Harris Trust ensure that there is representation on the Board from within all of the Estate's townships and including a cross-section of community interests. In the case of the Portree and Braes Community Trust, they have established a structure of around 10 working groups to cover various interests/projects beneath the Trust's Board with one or two different board members sitting on the various working group committees and reporting back to the main board and making recommendations for the board to approve. Such thematic or topic-specific working groups can involve input from Board Members, development staff and members of the wider community and beyond as appropriate. This increases the capacity of the organisation as well as providing a greater level of community involvement in the overall aims of the organisation.

Administrative and development roles are most likely to be undertaken by a specialist staff member employed by the Trust. However, such support may well be provided on a part-time basis during the initial period of community ownership, depending on what financial support is available and the nature and scale of agreed development priorities.

Figure 6 provides an illustration of how such a structure might look.

Figure 6: Management Structure



17. Skills Audit of Langholm Initiative

A short online survey was circulated to LI's Board of Directors to assess their skills set – and any gaps therein – in relation to functioning as a community landlord and to oversee development options within the estate under community ownership. The survey also sought to ascertain what time commitment Board Members anticipated giving to the Trust in relation to a community buyout of the estate. The survey was completed by 8 Directors of LI.

Time Commitment to Support the Trust's Work

An important aspect of taking a community buyout forward is ensuring that the Trust's Directors are prepared to put in the necessary time commitment during both the pre-buyout and post-acquisition phases. Table 23 below shows survey responses in that regard.

Table 23: Directors time commitment over next 6-12 months	
Time Commitment	Responses
Attend some meetings	3
Attend all meetings	5
+ less than 1 hour per week	1
+ 1-3 hours per week	3
+ 3-6 hours per week	3
+ more than 6 hours per week	0
Unable to give any time commitment at all	1

Inevitably, any time commitments can only be indicative at this stage given that the precise number of meetings required is currently unknown. However, as the table shows, there is a clear willingness on the part of the Trust's Directors to make substantial time commitments to assist in taking a buyout forward over the next 6 to 12 months. Five Directors are prepared to commit to attending all meetings with the remaining three directors able to attend some meetings. In addition, seven directors are willing to contribute additional amounts of their time.

Additional comments in relation to time commitments included the following:

- *"As current Chair of the Langholm Initiative board I will give as much time as necessary to see this deal through and a management team in place."*
- *".....it might be more accurate that I will be able to attend most meetings. With regards to the additional time available I've selected 1-3hours as hopefully a good average. I'd like to say for sure that I could give more time but cannot guarantee that."*
- *"I have ticked the 3-6hrs per week but this may be subject to my commitments to both the Sports Centre redevelopment project and support for implementation of the Langholm Community Plan which are also going to require significant support in coming months. If more time becomes available then I will be happy to help more if required."*

The above survey findings are encouraging. The Directors' time commitment will be vital to ensuring that progress can be made in terms of progressing a buyout towards a successful conclusion. Such time commitment will also be vital to ensuring that subsequent management of the estate and associated developments are undertaken in coordinated manner.

Directors' 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 the operation of the Forest under community ownership. The survey results are presented in table 24 and discussed below.

Table 24 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 two or more Directors as one of their primary skills areas. Categories marked in **amber** have been identified by two or more Directors as an area where they have basic skills (in the absence of respondents identifying the category as a primary skills area). Categories marked in **red** have been identified by two or more Directors as areas where they have no skills (in the absence of two or more Directors respondents responding in either the '*basic skills*' or '*primary skills*' classifications).

These colour-coding classifications are relatively unscientific and the sample size of 8 respondents is small. Nevertheless, they provide a clear indication of where the Directors' collective strengths and weaknesses lie in terms of relevant skills for managing and developing the estate. It should also be noted that there will be other skills and experience within the community which may be available for LI to draw upon following a successful purchase of the estate.

Table 24: Skills Survey				
Category	No Skills	Basic Skills	Primary Skills	Total
Project development	0	4	3	7
Project management	0	4	3	7
Managing consultants	1	5	2	8
Governance issues: roles and responsibilities of a Director	1	4	3	8
Managing staff	0	3	5	8
Managing volunteers	1	4	3	8
Use of computer packages (Word, Excel etc)	1	3	4	8
Community consultation and engagement	1	4	3	8
Chairing/Facilitating meetings	1	0	7	8
Representing an organisation to elected Council Members, MSPs etc.	3	2	3	8
Working with public sector organisations	4	2	2	8
Partnership Working	2	3	3	8
Managing a business	1	6	1	8
Book-keeping & financial reporting (inc. VAT, corporation tax etc).	2	6	0	8
Preparation of financial accounts	3	5	0	8

Charities and Companies House returns	3	4	1	8
Conveyancing/legal aspects of Land and/or Asset Purchase	5	3	0	8
Lease/Wayleave contract negotiations	7	0	1	8
Preparing and submitting funding applications	3	4	1	8
Preparing and submitting grant claims	2	5	1	8
Organising fund-raising events and activities	3	5	0	8
HR issues (employment law, employment contracts, recruitment etc)	2	5	1	8
Using and running IT systems above the level of a single PC	2	5	1	8
Designing websites	6	2	0	8
Using social media	2	6	0	8
Marketing/PR on behalf of a business organisation	4	3	1	8
Preparing business plans/strategies for an organisation	1	6	1	8
Running a campaign	4	3	1	8
Renewable energy development	6	2	2	8
Access and interpretation	5	3	0	8
Paths development	6	2	0	8
Housing management & development	5	3	0	8
Visitor centre development	6	2	0	8
Business space development	5	3	0	8
Developing campsite facilities	7	1	0	8
Moorland Management	7	1	0	8
Livestock Management	7	1	0	8
Completing agricultural support applications	8	0	0	8
Woodland development	7	1	0	8
Native woodland species restoration	7	1	0	8
Forest schools/classrooms	7	1	0	8

The survey findings indicate that Directors have extensive collective expertise in relation to project management and development, managing staff, organisational governance, managing consultants, meetings facilitation, and partnership working. They also indicate that a large proportion of respondents consider themselves to have basic skills in relation to several categories including: managing a business, financial management; preparing funding applications; fundraising activities; HR issues; preparing business plans and strategies; housing management; and buildings related development.

The survey data indicate that none of the respondents consider that they have primary skills in relation to land management and education. However, one respondent considers that they have basic skills in relation to each category of moorland management, livestock management, woodland development and native woodland species restoration.

There may be an underestimate of some knowledge on the part of the board. One member stated that were formerly an agricultural merchant that “sold a wide range of animal health products, vaccines, dairy chemicals, feed supplements, protective clothing etc” and another “grew up on a livestock farm”. Directors also have “downstream skills” that are related to estate activities e.g. the milling and drying of timber for a bespoke furniture business.

Skills Gaps

Respondents were also asked if they thought there were any gaps in skills or resources within the LI Board to develop and manage the estate under community ownership. Two respondents indicated that there were gaps and made the following comments:

- *“I believe the board has very little professional experience of wildlife, nature, estate management, carbon sequestration and passive house buildings. We are generally guided by Kevin³⁰ on the wildlife, nature aspects and estate management aspects. With regards to the carbon sequestration and passive house standards a few of us have an interest in these areas but are generally learning as we go along.”*
- *“I have answered Yes simply because I am not really au fait with all skills of board member colleagues so it is difficult to answer this question. I am not sure as an organisation we are setting up for success and have the overall office set-up to manage the takeover of the moor but I suspect that this type of issue will/is being addressed via working group.”*

The presence of skills gaps and the comments noted above are not untypical of groups looking to buy property for the first time. By their very nature community landownership projects are something outside the experience of most organisations and individual directors when the opportunity first arises. These gaps can be addressed by recruiting local people with appropriate experience to act as directors, advisors or to participate in sectoral working groups. One local individual who runs a land management company has already expressed an interest in helping out if a purchase is successful. Further skills gaps can be provided by hiring appropriate staff and working in partnership with other bodies, both of which are discussed below.

Staff Skills

Existing staff are already familiar with the purchase area and have undertaken community projects on it (Wild Eskdale). Staff also possess relevant skills, qualification and experience directly related to the management of land and engaging the community in local projects. Their experience is summarised in Table 25.

³⁰ Project Manager, Wild Eskdale

Table 25: Staff Skills Analysis

Existing staff skills, experience and qualifications	
Skills	<ul style="list-style-type: none"> • Arranging training for local people. • Engage the community in project based activities. • Timber felling and processing. • Timber extraction using timber forwarding equipment. • Timber marketing and sales. • Development of small businesses derived from land based activities. • Land management including the development of integrated land management plans (woodland, moorland, rivers and agriculture). • Dealing with agricultural tenancies. • Sourcing and employing skilled staff.
Experience	<ul style="list-style-type: none"> • Rural estate management including: Woodlands, moorland and properties. • Submitting and claiming agri-environmental grants. • Sourcing grant funds for core funding. • Recruiting and working with volunteers. • Health and safety during land based activities. • Partnership working.
Qualifications	<p>Education</p> <ul style="list-style-type: none"> • BA Hons Business Administration • MSc Conservation and Management of Protected Areas <p>Certified Training</p> <ul style="list-style-type: none"> • Woodland management – Irregular Silviculture • Ground based chainsaw operations • Safe use of pesticides • IPAF – Operating mobile elevating work platforms • 4x4 Off road driving • Emergency first • Deer stalking certificate level 1

Partnerships

The RSPB, John Muir Trust and Borders Forest Trust have already expressed strong support for community ownership of the Langholm moor. Each of these organisations has knowledge and experience that can assist with gaps in LI's portfolio. It is notable that RSPB is already willing to commit officer time to research and partnerships with these bodies (and others) can be developed over time. In addition, local voluntary groups such as the Raptor Study Group also have much to offer.

Summary

The survey data indicate a high level of time commitment on the part of LI Directors in relation to a community buyout of the Tarras Water. The Board appears well positioned in terms of skills capacity regarding a wider range of important areas. In contrast, there is appears to be a relative lack of basic or primary skills in relation to several of the potential management and development areas that may be pursued under community ownership. As noted above, that is not necessarily a significant concern with regard to taking particular development forward, especially given the skills available within the existing staff and if the Trust adopts partnership or enabling roles in relation to specific developments. Moreover there may be scope to draw on specific relevant skills and expertise from within the wider community.

18. Risk Analysis and Management

There are a number of potential risk factors associated with purchase and management of the Estate. Table 26 contains an assessment of these factors, their potential impacts and mitigation strategies.

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Owner decides to withdraw Langholm Moor from the market.	Low	High	<ul style="list-style-type: none"> Unable to proceed with community buyout as planned 	<ul style="list-style-type: none"> LI could submit a community right to buy application to Scottish Government to secure first option to purchase in a future sale
LI unable to secure funding to complete purchase of Langholm Moor	Medium/High	High	<ul style="list-style-type: none"> Unable to proceed with community buyout as planned 	<ul style="list-style-type: none"> Fully engage with SLF during its assessment process Prepare crowdfunding appeal to target likely givers Develop a programme of press releases to maximise publicity for appeal Continue engagement with NGO's and individuals with an interest in the project to maximise awareness and donation giving potential Purchase smaller, rather than larger moor area

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Unable to secure development funding for first 3-5 years .	Medium	Medium	<ul style="list-style-type: none"> Unable to progress with proposals as currently stand – will require updated planning process. 	<ul style="list-style-type: none"> Early discussions with key potential funders. Approach more funders than may be necessary to spread risk. May have to revise initial proposals.
Delay in securing development funding for first 3-5 years.	Medium	Medium	<ul style="list-style-type: none"> Unable to recruit development staff within timescale. Will affect proposed budgets and ability to deliver on original targets. 	<ul style="list-style-type: none"> Submit applications/ proposals at earliest opportunity. Greater activity undertaken by voluntary directors. Develop fall back plans in order to meet key deadlines
Inability to secure high calibre staff.	Medium	High	<ul style="list-style-type: none"> May impact on development initiatives required to meet objectives. 	<ul style="list-style-type: none"> Use networks and contacts to encourage applications. Offer flexibility in contract – employed or self-employed. Use contracts with existing community landowners with known expertise to pool development staff resources.

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Inability to recruit within planned timescale.	Medium	Medium	<ul style="list-style-type: none"> Delays in delivering key activities. Knock-on impact on management of Estate. 	<ul style="list-style-type: none"> Prepare recruitment documentation in advance of securing funding. Liaise with partner organisations in advance of securing funding. Ensure high calibre candidates attracted to posts avoiding need for re-advertisements
Changes in support systems post-Brexit make livestock farming unviable	Medium/high	Medium	<ul style="list-style-type: none"> Losses from livestock reduce viability of overall enterprise Removal of livestock will lead to under grazing and negative impacts for certain plant and bird species 	<ul style="list-style-type: none"> Lobby for conservation grazing value of livestock to be fully recognized in new support system If support inadequate seek alternative support from conservation-minded individuals/ organisations In preparing land management plan consider options and alternative management techniques which include no livestock
Lack of community support for significant new afforestation	Low/medium	Medium/High	<ul style="list-style-type: none"> Loss of income, habitat creation and employment opportunities 	<ul style="list-style-type: none"> Fully engage with community in forest planning process

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Inability to develop acceptable plan for FGS	Low	Medium/High	<ul style="list-style-type: none"> New planting not possible 	<ul style="list-style-type: none"> Engage professional support to deliver land management plan Engage with FLS throughout the project development phase
Windblown timber	Medium	Medium/High	<ul style="list-style-type: none"> Trees blown over, difficult to harvest and difficult to access and with lower price for logs and small round wood 	<ul style="list-style-type: none"> Timber Growing Insurance,
Woodland creation failure due to environmental factors – drought or fire herbivore	Medium	Medium	<ul style="list-style-type: none"> Young trees die of drought, woodland damaged by fire 	<ul style="list-style-type: none"> Timber Growing Insurance, fire protection planning
Pest or disease in forests or young trees	Medium	Medium / High	<ul style="list-style-type: none"> High mortality amongst 	<ul style="list-style-type: none"> Timber Growing Insurance
Woodland creation failure due to herbivory	High	High	<ul style="list-style-type: none"> Young trees browsed by deer/goats 	<ul style="list-style-type: none"> Rigorous herbivore management
Member of the public injured by falling tree limbs/tree	Low	High	<ul style="list-style-type: none"> Member of the public walking amongst old broadleaved trees hit by falling tree limb, or in conifer forests in high wind hit by windblow 	<ul style="list-style-type: none"> Public Liability Insurance, annual inspection of old, diseased trees.

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Reduction in property rental income due to failure to meet new letting requirements on energy use	Medium	Medium/High	<ul style="list-style-type: none"> Inability to let specific properties Reduction in rental income 	<ul style="list-style-type: none"> Prioritise plan to update properties post purchase Market more than 1 property in order to maximise ability to sell 1 promptly for reinvestment in others
Lack of local support for income generating activities	Low	High	<ul style="list-style-type: none"> Reduces credibility of LI as community landlord 	<ul style="list-style-type: none"> Continue to engage and communicate with community on activities.
Erosion of support from partner organisations	Low	High	<ul style="list-style-type: none"> Inability to deliver identified benefits. Loss of local credibility and support will impact on fundraising and other activities. 	<ul style="list-style-type: none"> Continue to work closely and ensure benefits accrue to all parties. Make use of potential benefits of being one of the first community buyouts in the south of Scotland to garner support from public organisations
Lack of skills/ capacity to deliver	Low/Medium	High	<ul style="list-style-type: none"> Inability to manage Langholm Moor Loss of credibility in community Inability to access development funding 	<ul style="list-style-type: none"> Mentoring Recruitment of new Directors to fill skills gaps Training for Directors & Others Use of Working Groups to draw in wider talent pool Use contracts to buy in expertise from existing Community Landlord Organisations

Table 26 Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Volunteer fatigue means reduced ability to deliver.	Medium	Medium	<ul style="list-style-type: none"> More difficult to maintain self-financing Estate able to deliver wider community benefits 	<ul style="list-style-type: none"> Aim to secure higher numbers of volunteers via Working Groups to spread workload. Recruitment of staff for key activities should reduce overall workload.

19. Funding Strategy for Acquisition and Development

The Langholm Initiative is aware that it will be seeking a sum of money beyond what other community groups have achieved in requiring £6.6m to purchase an estate and the livestock and machinery. It will be doing so in times of uncertainty where Brexit and agricultural reform mean that future revenue streams are unclear. Therefore LI will seek to raise a minimum of **£6.8m** to purchase and develop the estate. Update, the total required is £6.4m.

Table 27: Purchase Costs & Funding Profile

Item	Cost
Land	6,085,000
Land & Buildings Transaction Tax	332,750
Legal Costs	40,000
Agricultural related assets	170,000
Sub-Total	6,587,750
Working Capital	200,000
Total	6,787,750
Funded by:	
Scottish Land Fund	3,000,000
Public Fundraising	3,800,000

LI will seek through the public fundraising to raise £200,000 in working capital in addition to the capital sum required for purchase of the land and assets. This will enable LI to:

- take on the existing land management regime including livestock and machinery
- take appropriate measures to adapt it if the new agricultural support mechanisms are not favorable
- invest in projects which will improve the future sustainability of the estate operation³¹

While the fiscal environment may be currently uncertain LI will also seek to capitalize on the opportunities presented by the major policy shift taking place in responding to the Climate Emergency and the desire by institutions and individuals to support initiatives responding to the climate challenge. Therefore LI will seek to gain financial support from a wide range of public and private sources. These will include:

1. The main source of public funding for purchase of the Langholm Moor 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. However, any application for funding of over £1 million has to be approved by the relevant Scottish Government Minister, and the fund is under greater financial pressure as increasing numbers of groups apply for support to purchase community owned assets. LI will apply for more than £1m to SLF, arguing that the need for regeneration of post-industrial Langholm and the once in a lifetime opportunity justifies the request.

³¹ For reasons of prudence the financial calculations associated with the business plan have assumed the necessity of a certain level of borrowing and associated costs. However, the preference would be to not have to borrow.

2. **Conservation NGOs and their supporters.** LI has already had conversations and expressions of support from conservation NGOs for the proposed project, including RSPB, JMT and the Borders Forest Trust. At least one of these bodies is willing to provide cash support towards a purchase and all are willing to distribute appeal information to those on their mailing lists and/or through publishing the appeal in their publications and on their websites.
3. **Crowdfunding.** LI will use a crowdfunding platform to launch a worldwide appeal and will promote it through a co-ordinated campaign in the media generally, its conservation partners and its own social media channels. It will use high profile supporters to publicise the appeal further.
4. **e.** LI has already had some contact with high net worth individuals who are interested in supporting projects that have the potential to contribute to rewilding the countryside and/or mitigate climate change. LI will seek formal pledges and donations once an appeal is launched whether this be through direct donations or activities such as fundraising dinners.

The issuing of community shares may also provide a potential additional mechanism for generating funds in support of purchase, particularly for an element of the project where there will be a future return such as forestry, albeit in the long-term; this being an increasingly used route for community companies to raise finance. For example, the Galson Trust in Lewis used a community share offer successfully raise finance in support of its wind turbine development. The Langholm Initiative is also in discussion with potential partners who may be able to assist in purchasing part of the Estate alongside the Initiative.

Development Funding

The purchase of the Langholm Moor is not an end in itself. Consequently, significant resources are going to be required to develop the Estate. The first priority must be to attract funding to enhance the capacity of the Langholm Initiative to develop the Estate, via employment of a Development Officer. The second priority is to attract capital to deliver developments. The following are potential funding sources in relation to one or both of these priorities:

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. It is likely that Langholm Initiative's costs prior to acquisition will be approaching this total. Therefore, a sum in the region of £70,000 may be available for employing a Development Officer, training, running community consultations and getting specialist support. The term of the current iteration of the SLF is due to end in March 2021. Therefore, a 1 yr contract for revenue assistance is all that can be expected from that source.

South of Scotland Enterprise is being established to support key community groups through its community account management approach in a similar way to the way that Highlands and Islands Enterprise operates. Groups become account managed through a process whereby SoSE and the local group agree a set of economic development projects that the community will aim to deliver.

The group can receive additional assistance in developing projects and expected capital requests are entered into SoSE's system for future years, giving a greater degree of likelihood that a project can be funded when it is ready. LI has developed a close relationship with the South of Scotland Economic Partnership (SoSEP) the forerunner of SoSE. An email from SoSEP states:

"You will be aware that SoSEP is recommending that both community groups in Langholm and Newcastleton in relation to the potential purchase of the Moor are given support from SOSE at an early stage and I am sure SOSE will be keen to engage with you from April to best understand how it may be able to help you develop the project. "

The funding landscape is in a state of flux at the moment due to a number of factors including on-going austerity, Brexit and further devolution of powers to the Scottish parliament.

Austerity has reduced the sums of money available to public funders such as local authorities. It has also led to reductions in funding available to the lottery funders. The UK's exit from the EU will mean that European funds such as those from the LEADER programme will no longer be available.

Despite these issues there are a number of continuing sources of funding. These are:

Heritage Lottery Fund. Funds of up to £5m are available to deliver projects which will deliver one mandatory outcome "A wider range of people will be involved in heritage" and up to 8 other optional outcomes³². These include "Heritage will be in better condition", "People will have learned about heritage, leading to changes in ideas and actions" and "The local area will be a better place to live in, work or visit". LI have an existing relationship with HLF and the aims of improving the SSSI/SPA and seeking National Nature Reserve Status may be the kinds of things that HLF could support.

Scottish Government Regeneration Capital Grant Fund. This fund has been running for some years now and is administered through local authorities. It favours projects with strong community input and community-led projects have been successful in securing funding in recent years.

Rural Tourism Infrastructure Fund. The Scottish Government established this fund³³, 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.

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/>

³² <https://www.heritagefund.org.uk/funding/outcomes>

³³ <https://www.visitscotland.org/supporting-your-business/funding/rural-tourism-infrastructure-fund>

Langholm Moor Estate				APPENDIX A
Base Case Scenario for 2 Purchase Options				
		Final	Final	Final
		Option	Option	Option
	Note	Larger	Smaller	Larger
		(inc. BPS)	(inc. BPS)	(exc. BPS)
Rental income				
Commercial	A			
Agricultural	A	3,505	3,505	3,505
Residential	A	38,160	30,000	38,160
Sporting	A	2,000	2,000	2,000
Gross farm income (est.)	B	94,322		
Timber revenues (est.)	C	15,325	15,325	15,325
Environmental income	F	23,362	15,754	23,362
Wayleaves	G	5,000	3,250	5,000
		181,674	69,834	87,352
Gross farm expenditure	B	42,000		
Insurance	D	3,000	3,000	3,000
Rates (Langholm Moor)	D	2,500	1,500	2,500
Maintenance	D/E	20,000	15,000	20,000
Predator control costs	D	2,000	2,000	2,000
Admin costs	D	12,000	12,000	12,000
Legal & professional	D	2,000	2,000	2,000
Accountancy fees	D	1,500	1,500	1,500
Bank charges & interest	D	360	360	360
		85,360	37,360	43,360
Net profit		96,314	32,474	43,992
Purchase Price (excl. taxes)		6,607,877	4,127,550	6,607,877

A - Rental income based on existing rental agreements and assuming that lease continue on existing terms but excluding rental income from joint leases as they end (N.B. Most leases end between 2019 - 23, but for illustrative purposes, assume continuation on existing terms)

B - Farming income estimated on the basis of agriculture data provided by Buccleuch Estates (assuming all sheep) and average farming expenditure expected for this scale of operation based on available industry wide data

C - Forest income and expenditure based on estimates prepared by forestry specialist

D - Costs based on estimates taken from existing knowledge of other estates

E - Assuming that necessary work carried out on properties annually

F - Calculation of potential environmental subsidy claims

G - Wayleave income has not been quantified, but anticipated to be at least £5,000 for the whole area

Langholm Moor Estate					APPENDIX B	
Larger Scale Purchase						
		Year	Year	Year	Year	Year
	Note	1	2	3	4	5
Rental income						
Commercial	A					
Agricultural	A	3,505	3,505	3,505	3,505	3,505
Residential	A	35,339	27,132	32,532	32,532	32,532
Sporting	A	2,000	2,000	4,000	4,000	4,000
Gross farm income (est.)	B	94,322	94,322	44,558	45,895	47,271
Timber revenues (est.)	C		15,325	7,848	28,477	33,325
Woodland creation grants	C		-	214,400	241,600	54,400
Management grant	C	3,250				
Restocking grant	C			1,732	1,732	1,732
Environmental income	F	23,362	23,362	23,362	23,362	23,362
Wayleaves	G	5,000	5,000	5,000	5,000	5,000
Development grant	H	70,000	19,800			
Project specific consultancy grants	I	25,000	30,000		15,000	
Camping pod net profit (5 units)	K			9,606	9,894	10,191
New housing	L					9,000
Sale of property to fund renovations			160,000			
Sale of plots	O			20,000		20,000
New environmental income	P			2,600	2,600	2,600
Office space	N		6,000	6,180	6,365	6,556
Steading business unit development	Q					8,100
		261,778	386,446	375,323	419,962	261,575
Gross farm expenditure	B	42,000	43,260	44,558	45,895	47,271
Woodland creation	C		-	151,250	90,450	23,350
Restocking	C			5,511	5,511	5,511
Forest management	C	8,550	7,500	7,500	7,500	7,500
Forest infrastructure	C	500	2,500	5,000	10,000	10,000
Carbon registration & sales	C	500		1,500		
Insurance	D	3,000	3,090	3,183	3,278	3,377
Rates (Langholm Moor)	D	2,500	2,575	2,652	2,732	2,814
Maintenance/sinking fund	D/E	20,000	20,600	21,218	21,855	22,510
Predator control costs	D	2,000	2,060	2,122	2,185	2,251
Admin costs	D	12,000	12,360	12,731	13,113	13,506
Legal & professional	D	2,000	2,060	2,122	2,185	2,251
Accountancy fees	D	1,500	1,545	1,591	1,639	1,688
Bank charges & interest	D	360	371	382	393	405
Development manager salary (full time)	M	40,553	41,770	43,023	44,313	45,643
Vehicle running costs	M	8,111	8,354	8,605	5,000	5,150
Development costs	H	40,254	19,800			
Project specific consultancy costs	I	31,000	30,000		15,000	
Loan repayments (capital & interest)	J		4,000	6,550	11,300	27,200
Office running costs	N	6,000	6,180	6,365	6,556	6,753
Steading business unit costs	Q					500
Land Management Plan		15,000				
Funding own development projects			50,000	20,000	15,000	50,000
		235,827	258,024	345,862	303,906	277,680
Net income/expenditure		25,950	128,422	29,461	116,056	(16,106)
Cumulative income/expenditure		25,950	154,372	183,833	299,889	283,783
Results if no BPS available:						
Net income/expenditure		(26,372)	77,360	29,461	116,056	(16,106)
Cumulative income/expenditure		(26,372)	50,988	80,449	196,505	180,399

Langholm Moor Estate					APPENDIX B cont.	
Larger Scale Purchase						
		Year	Year	Year	Year	Year
	Note	1	2	3	4	5
Capital costs						
Camping costs				80,000		
Housing renovations			200,000			
New house builds						500,000
Steading business units					150,000	
Total capital costs		-	200,000	80,000	150,000	500,000
Funding of capital costs						
Grant funding assumed @ 50%			100,000	40,000	75,000	250,000
Loan funding	J		50,000	20,000	60,000	200,000
Own resources			50,000	20,000	15,000	50,000
			200,000	80,000	150,000	500,000
Repayments - 20 years			4,000		4,750	15,900
Repayments - 10 years				2,550		
<p>A - Rental income based on existing rental agreements and assuming that leases continue on existing terms but excluding rental income from joint leases as they end (N.B. Most leases end between 2019 - 23, but for illustrative purposes, assume continuation on existing terms). Assume 6 months income from Middlemoss property in year 1 due to work required to re-let, and new income in year 3 from Cronksbank Cottage. Also assumption of 5% rent voids provision against rental income.</p> <p>B - Farming income estimated on the basis of agriculture data provided by Buccleuch Estates (assuming all sheep) and average farming expenditure expected for this scale of operation based on available industry wide data. Assumption from year 3 that income will cover expenditure but no surplus arising from BPS.</p> <p>C - Forest income and expenditure based on estimates prepared by forestry specialist</p> <p>D - Costs based on estimates taken from existing knowledge of other estates with inflationary annual increase in costs</p> <p>E - Assuming that necessary work is carried out on properties annually</p> <p>F - Calculation of potential environmental subsidy claims</p> <p>G - Wayleave income has not been quantified, but anticipated to be at least £5,000</p> <p>H - Development grant assumed at a % of total costs (see separate breakdown of costs)</p> <p>I - Costs based on business and housing development plans with assumption that the majority of the costs will be grant funded. See Development costs tab.</p> <p>J - It is assumed that commercial borrowing of around 25% for capital projects will be required to be taken over 10 years for business development projects, 25% loan finance for housing renovation projects over 20 years and 40% loan finance over 20 years for new house build projects and steading redevelopments at an interest rate of 5%.</p> <p>K - See separate illustration of Pod income and expenditure.</p> <p>L - Assume 3 houses built with income of £500 per month per property being generated, but only completed half way through year.</p> <p>M - Assume that provision for a development manager on at full time basis will be required plus vehicle running costs - provision allows for monthly cost of purchase/leasing of vehicle plus running</p> <p>N - There is an option of developing Broomholmshiels as a office for LI and other tenants which would effectively cover the running costs of the office space.</p> <p>O - Assume that 2 house build plots could be sold to help fund own projects.</p> <p>P - Estimate of environmental grants available for ditching work.</p> <p>Q - Assume the development of a steading building with approximately 100m2 of space with grant of 50% and 25% borrowing. Rental income assued at approx. £90/m2 with a 10% void provision.</p>						

Langholm Moor Estate					APPENDIX C	
Smaller Scale Purchase						
		Year	Year	Year	Year	Year
	Note	1	2	3	4	5
Rental income						
Commercial	A					
Agricultural	A	3,505	3,505	3,505	3,505	3,505
Residential	A	27,179	19,380	24,510	24,510	24,510
Sporting	A	2,000	2,000	2,000	2,000	2,000
Gross farm income (est.)	B					
Timber revenues (est.)	C		15,325	7,848	28,477	33,325
Woodland creation grants	C		-	214,400	241,600	54,400
Management grant	C	3,250				
Restocking grant	C			1,732	1,732	1,732
Environmental income	F	15,754	15,754	15,754	15,754	15,754
Wayleaves	G	3,250	3,250	3,250	3,250	3,250
Development grant	H	70,000	14,850			
Project specific consultancy grants	I	25,000	30,000		15,000	
Camping pod net profit (5 units)	K			9,606	9,894	10,191
New housing	L					9,000
Sale of property to fund renovations			160,000			
Plot sales	O			20,000		20,000
New environmental income	P			1,300	1,300	1,300
Office space	N		6,000	6,180	6,365	6,556
Steading business unit development	Q					8,100
		149,938	270,064	310,085	353,387	193,623
Gross farm expenditure	B					
Woodland creation	C		-	151,250	90,450	23,350
Restocking	C			5,511	5,511	5,511
Forest management	C	8,550	7,500	7,500	7,500	7,500
Forest infrastructure	C	500	2,500	5,000	10,000	10,000
Carbon registration & sales	C	500		1,500		
Insurance	D	3,000	3,090	3,183	3,278	3,377
Rates (Langholm Moor)	D	1,500	1,545	1,591	1,639	1,688
Maintenance/sinking fund	D/E	15,000	15,450	15,914	16,391	16,883
Predator control costs	D	2,000	2,060	2,122	2,185	2,251
Admin costs	D	12,000	12,360	12,731	13,113	13,506
Legal & professional	D	2,000	2,060	2,122	2,185	2,251
Accountancy fees	D	1,500	1,545	1,591	1,639	1,688
Bank charges & interest	D	360	371	382	393	405
Development manager salary	M	40,553	41,770	43,023	44,313	45,643
Vehicle running costs	M	7,500	7,725	7,957	5,000	5,150
Development costs	H	40,254	19,800			
Project specific consultancy costs	I	31,000	30,000		15,000	
Loan repayments (capital & interest)	J		4,000	6,550	11,300	27,200
Office running costs	N	6,000	6,180	6,365	6,556	6,753
Steading business unit costs	Q					500
Land Management Plan		15,000				
Funding own development projects			50,000	20,000	15,000	50,000
		187,217	207,955	294,291	251,455	223,656
Net income/expenditure		(37,279)	62,109	15,794	101,933	(30,032)
Cumulative income/expenditure		(37,279)	24,829	40,623	142,556	112,523

Langholm Moor Estate					APPENDIX C cont.	
Smaller Scale Purchase						
		Year	Year	Year	Year	Year
	Note	1	2	3	4	5
Capital costs						
Camping costs				80,000		
Housing renovations			200,000			
New house builds						500,000
Steading business units					150,000	
Total capital costs		-	200,000	80,000	150,000	500,000
Funding of capital costs						
Grant funding assumed @ 50%			100,000	40,000	75,000	250,000
Loan funding	J		50,000	20,000	60,000	200,000
Own resources			50,000	20,000	15,000	50,000
			200,000	80,000	150,000	500,000
Repayments - 20 years			4,000		4,750	15,900
Repayments - 10 years				2,550		
<p>A - Rental income based on existing rental agreements and assuming that leases continue on existing terms but excluding rental income from joint leases as they end (N.B. Most leases end between 2019 - 23, but for illustrative purposes, assume continuation on existing terms). Assume 6 months income from Middlemoss property in year 1 due to work required to re-let, and post sale of one property that income drops in year 2. New income assumed in year 3 from Cronksbank Cottage. Also assumption of 5% rent voids provision against rental income.</p> <p>B - No farming income assumed</p> <p>C - Forest income and expenditure based on estimates prepared by forestry specialist</p> <p>D - Costs based on estimates taken from existing knowledge of other estates with inflationary annual increase in costs</p> <p>E - Assuming that necessary work is carried out on properties annually</p> <p>F - Calculation of potential environmental subsidy claims</p> <p>G - Wayleave income has not been quantified, but anticipated to be at least £5,000 for the whole</p> <p>H - Development grant assumed at a % of total costs (see separate breakdown of costs)</p> <p>I - Costs based on business and housing development plans with assumption that the majority of the costs will be grant funded. See Development costs tab.</p> <p>J - It is assumed that commercial borrowing of around 25% for capital projects will be required to be taken over 10 years for business development projects, 25% loan finance for housing renovation projects over 20 years and 40% loan finance over 20 years for new house build projects and steading redevelopments at an interest rate of 5%.</p> <p>K - See separate illustration of Pod income and expenditure.</p> <p>L - Assume 3 houses built with income of £500 per month per property being generated, but only completed half way through year.</p> <p>M - Assume that provision for a development manager on at full time basis will be required plus vehicle running costs - provision allows for monthly cost of purchase/leasing of vehicle plus running costs.</p> <p>N - There is an option of developing Broomholmshiels as a office for LI and other tenants which would effectively cover the running costs of the office space.</p> <p>O - Assume that 2 house build plots could be sold to help fund own projects.</p> <p>P - Estimate of environmental grants available for ditching work.</p> <p>Q - Assume the development of a steading building with approximately 100m² of space with grant of 50% and 25% borrowing. Rental income assumed at approx. £90/m² with a 10% void provision.</p>						

Langholm Moor Estate's Development Costs			APPENDIX D		
Development costs					
Funding will be sought to establish a development post in order to bring the Langholm Moor Estate's business plan to fruition. Directors have considered the likely development spend required as follows with grant funding being sought from Scottish Land Fund and other funding providers.					
			Year 1	Year 2	
Development Officer	1	33,545	16,500		
Office & travel related cost		6,709	3,300		
		40,254	19,800		
Development Manager	1	40,553	41,770		
Office & travel related cost		8,111	8,354		
		48,664	50,123		
Development grant		70,000	19,800		
1 Development officer post assumed to be full time for a period of 18 months with salary of £30,000. An allowance has also been made for National Insurance and pension contributions.					
2 It is assumed that the Development Manager will contribute to land management activities as well as to Development work, therefore 25% of salary costs will be covered by development funding in the initial period.					
Project specific development work	Year	Year	Year	Year	Year
	1	2	3	4	5
Consultancy:					
Broomholmshills converted to office space	10,000				
Land Management Plan	15,000				
Housing/Business Development costs	6,000	30,000			
Field Centre study				15,000	
	31,000	30,000	-	15,000	-
Grant funding	25,000	30,000		15,000	
Capital costs					
Camping costs			80,000		
Housing renovations		200,000			
New house builds/Business units				150,000	500,000
	-	200,000	80,000	150,000	500,000
Grant funding		100,000	40,000	75,000	250,000
Own resources		50,000	20,000	15,000	50,000
Loan funding		50,000	20,000	60,000	200,000

Langholm Initiative				APPENDIX E				
Holiday Accommodation Options								
Projected Annual Income								
Camping Pods								
Camping pods could provide a new source of income to help increase the capacity of holiday accommodation in the Langholm area. The assumption below is that each pod would include services and planning permission would be required for this development.								
Assumptions:								
1 Average rate per unit per night is £45								
2 Assume not registered for VAT in these projections								
3 Occupancy rates based on Scottish average occupancy statistics published by Visit Scotland for similar accommodation								
4 Cleaning wage costs are based on 1 hour per day required for each pod								
5 A management charge would be made to the Accommodation Pod business for the management function undertaken by the company								
6 It is assumed that the business will operate seasonally from April to October each year								
	Annual							
	(1 pod)							
Income	4,422							
Cleaning wages	1,081							
Rates	-							
Insurance	200							
H&L	240							
Telephone	-							
Advertising	240							
Repairs & renewals	240							
Cleaning	60							
Sundry	240							
Bank charges	200							
	2,501							
Net profit	1,921							
Capital cost per pod	16,000							
Return on capital	12%							

APPENDIX G - VAT & CHARITIES

General VAT considerations

Charities are subject to the same VAT rules as any other organisations, although there are a number of reliefs and exemptions available specifically for charities which are detailed later.

A business cannot be VAT registered if it does not make any taxable supplies and a VAT registered business cannot recover VAT on goods or services relating to non-business activities. These transactions are known as 'outside the scope' of VAT.

If you are registered for VAT but make some exempt supplies, your business is partly exempt. Generally speaking, businesses cannot reclaim VAT on purchases that relate to exempt supplies either.

VAT on goods purchased up to four years prior to registration, and still on hand at that date, and on services received in the six months prior to VAT registration, can be reclaimed on the first VAT return.

Business or non-business?

The VAT rules are based on the concept of making supplies in the course or furtherance of business. Generally, if goods or services are provided in return for a charge, even if the activity is carried out for the benefit of the community or in the furtherance of charitable objects, it can still be a business activity for VAT purposes and VAT may be due on the income.

Non-business activities include

- donations where nothing is given in return
- grant funding given to support your charitable activities where nothing is given in return
- activities where your organisation doesn't make a charge

Partial exemption

In the case of most charities, not all input VAT is recoverable, amounts should therefore be identified as directly attributed to taxable, non-business and exempt supplies as far as possible with any remaining amounts being treated as residual VAT. A 'partial exemption' calculation is then required to establish the proportion of residual VAT that can be recovered.

VAT recovery on supplies of land & buildings

Supplies of land and buildings, including leasing or renting, are normally exempt from VAT meaning that no VAT is payable, but the person making the supply cannot normally recover any of the VAT incurred in relation to the supply of land and buildings either. However, you can opt to tax land, so that once you have opted to tax, all supplies you make in relation to the land and buildings will normally be standard-rated and you will be able to recover the VAT incurred in making those supplies. Residential accommodation will always be exempt, even if the land is subject to an option to tax.

Capital goods scheme

If you acquire or create an asset that you use or intend to use only for making taxable supplies, you can reclaim all of the Input Tax you've paid.

If you use or intend to use the asset partly for making taxable supplies and partly for making exempt supplies, you can only reclaim a proportion of the input VAT using your partial exemption method.

The scheme applies when you spend, net of VAT:

- £250,000 or more on land or buildings, or on building or civil engineering works
- £50,000 or more on a single computer or piece of computer equipment

If the extent to which you use an expensive asset for making taxable supplies varies over the years, you may have to adjust the amount of Input VAT you reclaimed. There are also rules for what to do if:

- you register or deregister for VAT
- you buy or sell a business
- your business moves into or out of a VAT group
- you sell an asset during its Capital Goods Scheme adjustment period

If your business has an asset and the extent to which you use it to make taxable supplies varies over the following five or ten years (depending on the asset), you'll have to adjust the amount of Input Tax you reclaim. You can reclaim more if the proportion of your taxable supplies increases, but you'll have to repay some if it decreases.

Charitable VAT reliefs

When your charity buys goods and services you will normally have to pay VAT just like anyone else, but the following areas are subject to zero or reduced rates of VAT at the point of supply. This is beneficial from a cash flow perspective, and avoids the charity paying VAT that may not be fully reclaimable due to non-business or exempt supplies.

- Many types of advertising can be zero-rated at the point of supply. The main conditions are that the advertisements comply with your charitable objects, and the advertisement must be placed on someone else's time or space. Further details can be found in HMRC VAT notice 701/58.
- The construction of buildings, and certain works to protected buildings, intended to be used solely for non-business purposes can be zero-rated subject to certain criteria being met. More information can be found in HMRC VAT Notice 708.
- Your charity pays a reduced rate of 5% VAT on fuel and power if it relates to charitable non-business activities or small-scale use (up to 1,000 kilowatt hours of electricity a month or a delivery of 2,300 litres of gas oil) although, if less than 60% of the fuel and power is for

something that qualifies, you'll pay the reduced rate of VAT on the qualifying part and the standard rate (20%) on the rest.

APPENDIX H - What is a charity and how does it retain its status when undertaking trading activities?

Charitable status and regulation

A registered charity under the Charities and Trustees Investment (Scotland) Act 2005 must meet the 'Charity Test' which is regulated by the Office of Scottish Charity Regulator (OSCR) established in 2005.

The Charity Test

A body meets the charity test if –

- (a) Its purposes consist only of one or more of the charitable purposes, and
- (b) It provides public benefit in Scotland or elsewhere.

Corporation tax status

Activities carried out by charities are not subject to Corporation Tax requirements, provided any income generated from those activities arises from or is applied to charitable purposes, thereby making charities 'exempt' from Corporation Tax.

Trading activities

Charities are able to carry out trading activities that are directly related to their charitable aims and objectives. However, they are not allowed to carry out non-primary purpose trading activities that are substantial and that involve a significant risk to their assets.

Small-scale exemption applies to profits from non-primary purpose trading if either:

- The annual turnover of the relevant non primary purpose trading of the charity, plus the 'incoming resources from miscellaneous activities' potentially qualifying for exemption, must not exceed the 'relevant threshold' during the chargeable period; or
- If it does exceed the 'relevant threshold', the charity must have had a reasonable expectation at the start of the chargeable period that it would not do so.

The relevant threshold is calculated as follows:

Total of all incoming resources in a particular chargeable period of the charity	Maximum permitted annual turnover of the relevant trading in that chargeable period
Under £32,000	£8,000
£32,000 to £320,000	25% of charity's total incoming resources
Over £320,000	£80,000

Subsidiary trading company

It is common for a charity to set up a subsidiary trading company to trade on its behalf and which it wholly owns in order to ensure that the charity's position is safeguarded from potential problems which can arise from engaging in trading activities.

The income and profits of a subsidiary trading company are taxable in the same way as the income and profits of any ordinary limited company. And it's also treated as a normal business for VAT purposes. But the subsidiary trading company can give all or part of its profits to its parent charity, and claim tax relief for those payments. This means the trading company doesn't have to pay Corporation Tax on the profits it donates. And as long as the charity uses the income for charitable purposes, the charity won't have to pay tax on it.

APPENDIX I - INVESTING IN YOUR SUBSIDIARY TRADING COMPANY

If your charity sets up a subsidiary trading company it's likely that you'll have to invest some money in the company at the outset. Your charity may need to give the company regular cash injections too - for example to expand or develop the business.

There are special rules that apply to charities when they invest their funds in a trading company. Any charity investments or loans that aren't 'qualifying' investments or loans are treated as non-charitable expenditure, and a charity that incurs non-charitable expenditure will lose some or all of its tax exemptions.

'Qualifying' investments must be made:

- for charitable purposes only
- for your charity's benefit - and not to avoid tax

HMRC considers that an investment is made for the benefit of the charity if it is 'commercially sound'. This means that your charity needs to make sure that any investment it makes is:

- secure
- gets a fair rate of return that's actually paid

If the charity makes a loan to a subsidiary company, it must be clear that the amount of the loan will be repaid in due course.

THINGS TO CONSIDER WHEN DECIDING TO MAKE AN INVESTMENT

Charity law says that a charity must bear certain things in mind when it's thinking of making investments. A charity is required to:

- be objective when it's choosing which investments to make
- make sure that an investment won't be too risky and that it's got a reasonable chance of success
- make sure that funds are spread between a number of investments, so that the risk is spread if things go wrong

Your charity needs to keep proper records of all the investments it makes, as well as details of why it decided to choose those particular investments. Depending on the amount of money your charity invests it may base its decisions on the information contained in:

- business plans
- cash flow forecasts
- projections of future profits

At regular intervals your charity should look critically at the investments it's made, to make sure they're performing as expected.

APPENDIX J - Managing subsidiaries

Effective management of subsidiaries can be a challenge for corporate groups. A balance must be struck between control of a subsidiary (essential for risk management and compliance) and the autonomy it needs to operate as an independent legal entity. This briefing looks at some risk areas for directors and parent companies where too much control is exercised over a subsidiary, and offers some practical steps to achieve a balance.

Risk areas

A duty to whom?

A subsidiary must not be seen as an extension of the parent company. Even if a subsidiary is wholly-owned it is still a separate legal entity. In making decisions which affect the subsidiary its directors can consider the interests of the parent company or the group as a whole, but they have a duty to act in the interests of the subsidiary. This can cause problems where the subsidiary's interests are at odds with, or conflict with, those of the parent. When the directors of a subsidiary prefer the interests of the parent company, they risk breaching their duty to the subsidiary. This is difficult to avoid where there are common directors between parent and subsidiary companies.

Control and management

Although the parent entity, typically being the sole shareholder of the wholly owned subsidiary, is entitled to appoint the directors of the subsidiary, the board of the subsidiary must be allowed to manage the affairs of the subsidiary and the parent should not interfere excessively.

Depending on the involvement of the directors of the parent company in the management of the subsidiary, they may be considered as shadow directors (although a parent company itself is not to be regarded as a shadow director of its subsidiaries). Shadow directors are liable in many of the same ways as registered directors.

There are instances where regulators and the courts have powers to impose liability on the parent for a subsidiary breach in areas such as environmental damage, health and safety and bribery.

Practical steps

There are practical steps to avoid an over-controlling parent company:

- As far as possible, avoid having common directors between parent and subsidiary companies and consider appointing non-executive directors to the boards
- Have clear internal group policies extending to subsidiaries on matters such as conflicts, major transactions and related party transactions, borrowing and the provision of guarantees
- Directors of subsidiaries must understand that their role is not a token role but one that carries duties and responsibilities
- Hold separate board meetings for each group company, on different days where possible
- A parent company should carefully consider 'approving' actions of the subsidiary board and avoid giving directions
- Ensure that inter-group transactions are at arm's length where possible (otherwise take professional advice)
- Maintain up-to-date registers of directors' interests
- Carefully document and minute board decisions and the rationale for making them.

Conclusion

Clearly, the parent must have the control and visibility over its subsidiary companies that is necessary to reduce operational risks, and subsidiary companies do need to operate within group policies in certain areas. However, this should not be used by the parent as a mandate to pressurise subsidiary directors into acting in accordance with the parent's interests when those interests are not aligned with those of the subsidiary. Directors of a subsidiary are expected to run the subsidiary as an autonomous entity, and the independence of the board of a subsidiary to make decisions about its own management, separate from the parent group, must be emphasised and also facilitated in practice.