

**From:** "Sexton, David" <[David.Sexton@rspb.org.uk](mailto:David.Sexton@rspb.org.uk)>  
**Date:** 8 January 2018 at 17:03:13 GMT  
**To:** Colin Woodland <[colin@nwmullwoodland.co.uk](mailto:colin@nwmullwoodland.co.uk)>  
**Subject:** NWCW Ltd & Ulva community buy-out  
**Reply-To:** "Sexton, David" <[David.Sexton@rspb.org.uk](mailto:David.Sexton@rspb.org.uk)>

Dear Colin

### Isle of Ulva

This is a short note from RSPB Scotland to wish NWCW Ltd every success with the proposed community buy-out of the Isle of Ulva. We also appreciate being consulted for the Feasibility Study which was very comprehensive. The island has some distinctive and important biodiversity. In particular the golden eagle and white-tailed eagle pairs were very successful last year each fledging two chicks and it's important too for nesting and wintering hen harrier. The in-bye areas also hold potential for breeding corncrakes, farmland finches and waders and we would be pleased to advise and assist you on any wildlife management matters should your bid be successful.

With best wishes for a successful outcome.

Dave

**David Sexton**

Mull Officer

**RSPB Scotland Mull Office** Dunvegan, Pier Road, Salen, Isle of Mull, Argyll, PA72 6JL

Tel Office 01680 300 387



[rspb.org.uk](http://rspb.org.uk)

**Let's give nature a home** in Scotland



Support for Community Buyout of Isle of Ulva:

I have run the Ulva Ferry for the last twenty five years and have witnessed the decline in population and land management.

Community ownership would guarantee I would keep my job, and that Ulva would stay open to the public. A private owner might choose not to maintain access for the public, or to have residents living here.

There will be challenges ahead with community ownership, but it is the only option available that guarantees a say in what happens to local businesses like mine.

Yours sincerely,

Donald Munro  
Ulva Ferryman  
The Sheiling  
Dervaig  
Isle of Mull  
PA75 6QR

To whom it may concern.

My name is David Woodhouse and I live and run daily Wildlife Expeditions from my base at Ulva Ferry.

Each of us living alongside the beautiful but neglected Island of Ulva see the clear advantages of community ownership. Add that the island also sits on our spectacular National Scenic Area, which is not promoted at all. Some say it is the most spectacular coastal run in Europe and I agree.

The island of Mull is a truly magical Island and jewels such as Ulva, Iona and the NSA bring visitors to the Island of Mull generally. That income would be increased under a Community ownership of Ulva, with a more imaginative and caring touch.



9 Brewery Park Business Centre  
Haddington  
East Lothian, EH41 3HA  
[REDACTED] | 01620248220

**8<sup>th</sup> January 2018**

Colin Morrison  
Chair  
North West Mull Community Woodland Company  
Penmore Mill,  
Dervaig,  
Isle of Mull,  
Argyll,  
PA75 6QS

Dear Colin

### **Isle of Ulva**

I write to give our full support to the proposed community purchase of the Isle of Ulva by North West Mull Community Woodland Company.

We have worked with NWMCWC in recent years to seek to develop affordable housing in the local area and have been impressed by the professionalism of the organisation and your willingness to explore new and innovative solutions to deliver rural regeneration.

I am confident that you will bring energy and creativity to the challenge of regenerating the Isle of Ulva and hope that we can be of assistance to this task.

Best wishes

Derek Logie  
Chief Executive



[REDACTED]

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**From:** [REDACTED]  
**Sent:** 09 January 2018 13:49  
**To:** John Addy  
**Cc:** [REDACTED]  
**Subject:** RE: ULVA CRTB Ref CB00221

Hi John

I can confirm receipt of the email below and the attachments associated with it.

Scottish Ministers will now review this evidence. Should Scottish Ministers require any further information or clarification we shall be in touch before 16 January 2018 to request it. Should such a request be made, then North West Mull would have 7 days to provide a response.

A decision on the Right to Buy is expected on 30 January 2018.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

-----Original Message-----

**From:** John Addy [REDACTED]  
**Sent:** 09 January 2018 11:47  
**To:** [REDACTED]  
**Subject:** ULVA CRTB Ref CB00221

Good morning [REDACTED]

Please find attached our Form 51b with supporting documentation as follows:

1. Cover letter confirming our wish to proceed with purchase of the registered land and assets
2. Business Plan
3. Feasibility Study
4. Fesibility Study summary
5. Articles of Association
6. Membership lists
7. Letters of Support for the community purchase of Ulva

I will send the letters of support in a separate e mail

A hard copy will be in the post today, but it will probably not leave Mull till tomorrow.

best regards

John Addy

Director  
Noerth West Mull Community Woodland Company

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# Community Ownership of the Isle of Ulva



## DRAFT BUSINESS PLAN

December 2017

**Faye MacLeod** (*Campbell Stewart MacLennan and Co*), **Duncan MacPherson** (*Community Development Consultant*) & **Calum MacLeod** (*Sustainable Development Consultant*)



## **Acknowledgements**

North West Mull Community Woodland Company would like to thank Highlands and Islands Enterprise for funding and other support to enable this Business Plan and associated Feasibility Study to be completed.

The authors would like to thank participants in the Feasibility Study for sharing their views on issues relating to it.

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## 1. Introduction

In July 2017 the North West Mull Community Woodland Company Ltd<sup>1</sup> (NWMCWC) commissioned a study to investigate the feasibility of a community buyout of the Isle of Ulva and associated holdings<sup>2 3</sup> on the adjacent mainland of Mull.

The objectives of the study were as follows:

- To review the potential to develop the asset as described in (but not limited to) Appendix 1 of the NWMCWC's Community Right to Buy application including the appropriate business model for running these options, taking into account the existing trading subsidiaries within NWMCWC Ltd.
- To review funding availability for the proposed project/acquisition and prepare a funding strategy and delivery plan. This should include consideration of the costs of running and managing the asset and opportunities to generate income from the asset.
- To prepare a feasibility study that incorporates initial revenue costs, capital costs to create the facilities, on-going revenue and maintenance costs for the project and risk analysis.

This Business Plan has been prepared on the basis of findings and analysis contained in the Feasibility Study Report submitted to NWMCWC in December 2017. **Part 1** places the Business Plan in context by providing background information on the Isle of Ulva, discussing community ownership, sustainability and viability, detailing the research methods used to complete the Feasibility Study and summarising key findings from the study in relation to the above objectives. **Part 2** provides an overview of the financial viability of the Estate. It outlines features of a 5 year Integrated Development Strategy for Ulva and presents options for developing the core areas of '*housing*', '*business*', '*land management*' and '*protecting and promoting Ulva's natural, cultural and built heritage*' within that timeframe. **Part 3** considers issues regarding implementation of the Business Plan including the financial costs of implementation; Estate management and governance issues; securing development support; and risk management.

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<sup>1</sup> Hereafter referred to as NWMCWC or 'the company' in this Business Plan.

<sup>2</sup> The island and adjacent holdings on Mull are collectively referred to as 'the Estate' periodically in this Business Plan.

<sup>3</sup> The initial community right to buy application (CRTB) submitted by NWMCWC for the Isle of Ulva excludes the property known as Ardalum House which is under separate legal title. The Isle of Ulva and Ardalum House were marketed as one Estate package when the Estate was initially marketed for sale. NWMCWC intend to make a second CRTB application for Ardalum House. The Business Plan reflects the assumption that both the Isle of Ulva and Ardalum House will come into community ownership.

## PART 1: THE BUSINESS PLAN IN CONTEXT

### 2. Background Information

The Isle of Ulva is located off the west coast of Mull and is approximately 2000 ha. in size (12 km long by 4km wide). The island has a long history of human habitation. Its name is derived from 'Ullfur', a Viking word for 'Wolf Island', although there are indications of human settlements as long ago as 5,650BC. Ulva has close historical links with the Clan MacQuarrie, which laid claim to its ownership for centuries. It also has close links to the Highland Clearances of the 18<sup>th</sup> and 19<sup>th</sup> centuries, with many of Ulva's residents having been removed from the island during that period. The island is currently in private ownership.

Ulva has suffered significant population decline since the mid 1800s. In 1837 it had a resident population of 604 people living in 16 villages<sup>4</sup>. By 1841 the combined population of Ulva and the neighbouring island of Gometra had been reduced to 150 due to evictions as part of the Highland Clearances and the effects of the Highland Potato Famine. By 1889 Ulva's population had dropped to 53 people. The resident population has fluctuated over recent decades; increasing from 13 in 1981 to 30 in 1991 before declining to 16 residents in 2001 and 11 residents in 2011<sup>5</sup>. It currently stands at 6 people.

Ecologically, Ulva mostly comprises moorland, native grassland and native woodland and contains an important asset base in terms of its natural heritage. Transport links on the island consist of rough tracks and paths and Ulva is connected to mainland Mull by a small privately-operated ferry.

The main industry on Ulva is tourism with an estimated annual 5,500 visitors to the island during the summer season based on ferry usage. *The Boathouse*, an award-winning, independently operated licensed restaurant is located by the waterfront, near the slipway. Ulva has a housing stock of 8 properties including Ulva House and Ardalum House. 5 of these properties are vacant and one has been used as a self-catering holiday facility. The remaining two properties are occupied on short-assured tenancies. There is also a church at Ardalum, designed by Thomas Telford, various farm buildings and 2 bothies on the island.

Geographically, the Isle of Ulva forms part of the larger Ulva Ferry area that has a resident population of 119 people across 53 households<sup>6</sup>. As noted in the 2015 Ulva Ferry Housing Needs Survey report, the main sector of the local economy is '*agriculture, forestry and fishing*', employing 28.3% of the working age population. Other significant economic sectors in the area are '*accommodation and food services*', employing 13.3% of the working age population and '*education*', accounting for 11.7% of that population.

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<sup>4</sup> <http://www.isleofulva.com/history/>.

<sup>5</sup> General Register Office for Scotland. '*Scotland's 2011 Census Statistics for Inhabited Islands*'. Occasional Paper No.10. November 28<sup>th</sup> 2003.

<sup>6</sup> National Census data, 2011.

One of the biggest challenges faced by the local community in recent years has been retention of the local primary school in Ulva Ferry due to a declining school roll. In 2010 the school was identified by Argyll and Bute Council as one of 25 rural community schools earmarked for potential closure. In response the Ulva School Community Association (USCA) was formed in 2011 and successfully opposed the threatened closure<sup>7</sup>. The primary school remains open with a roll of 7 pupils in 2017. The school is a vital element of the local community and USCA performs an important role in helping to co-ordinate community activities in Ulva Ferry as a whole.

The 2013 Ulva Ferry Community Plan identified the need for affordable housing as the top priority for the area. That need remains pressing, as documented in the Ulva Ferry Housing Needs Survey<sup>8</sup> which in 2015 reported 10 households requiring housing. More generally, there is significant demand for affordable housing in North West Mull as a whole. That demand is evidenced in the Dervaig Housing Needs Survey<sup>9</sup> conducted on behalf of NWMCCW by Our Island Home in 2017, which found that 13 of 36 respondents have housing need.

USCA, in partnership with the Mull and Iona Community Trust (MICT) via the Ulva Ferry Housing Partnership, enabled two affordable houses to be built in the area in 2016 leading to an increase in the local population and two children being added to the school roll in 2017. MICT has been at the forefront of developing other community priorities identified in the 2013 Community Plan, notably provision of community transport and pontoons by the pier at Ulva Ferry. MICT is currently co-ordinating ambitious plans for a waterside development in Ulva Ferry to develop onshore facilities, potentially including toilet and shower facilities, office space and an interpretation centre. Other local groups such as the Sound of Ulva Moorings Association also have an interest in the development of pier and other facilities in Ulva Ferry and on the Isle of Ulva.

Set against that background, the proposed community buyout of the Isle of Ulva represents a vital step towards addressing long-term population decline on the island and generating sustainable community benefits that will help secure the future of Ulva, Ulva Ferry and North-West Mull as a whole through community ownership of the island.

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<sup>7</sup> 'Ulva Ferry Community Plan', April 2013.

<sup>8</sup> 'Ulva Ferry Housing Needs Survey Report'. Autumn 2015.

<sup>9</sup> 'A Summary Report of the Dervaig Housing Needs Survey'. Our Island Home. 2017.

### 3. Community Land Ownership, Sustainability and Viability

Land reform is now well established as an area of public policy in Scotland and can be defined as “*measures that modify or change the arrangements governing the possession and use of land in Scotland in the public interest*”<sup>10</sup>. Community land ownership represents a central part of that broader land reform agenda because of its role in facilitating land use that incorporates wider, shared societal objectives associated with the common good. The importance of community ownership in that regard is reflected in the Scottish Government’s strategic land reform objective to “[a]ssist with the acquisition and management of land (and also land assets) by communities, to make stronger, more resilient, and independent communities which have an even greater stake in their development”<sup>11</sup>. That strategic objective is underpinned by new legislation<sup>12</sup> to strengthen and extend community rights to buy land and other assets, continuing financial assistance for community buyouts via the Scottish Land Fund and institutional support via Highland and Islands Enterprise’s Community Assets team and the Scottish Government’s Community Land team.

Scotland retains an extraordinarily concentrated pattern of private land ownership. Warren (2009) states that 0.025% of the population owns 67% of the privately owned rural land in Scotland<sup>13</sup>. Nevertheless, there are now 562,230 acres of land in community ownership (2.9% of the total land area of Scotland)<sup>14</sup> with the Scottish Government having set a target of increasing that total to 1,000,000 acres by 2020. There has also been a significant increase in the number of community landowners that have emerged in the wake of the pioneering ‘first wave’ of buyouts that took place in the 1990s, notably in Assynt, Knoydart and Eigg. That increase is evident in Community Land Scotland’s<sup>15</sup> membership of over 80 community landowners engaged in a wide range of local development activities from delivering affordable housing to facilitating business start-ups.

Set against the above policy background, the main purposes of contemporary community land ownership in Scotland can be characterised as follows. Community ownership seeks to recalibrate relationships of power and control by democratising decision-making at the local level regarding land and asset use; it seeks to overcome barriers to sustainable development associated with the dominance of private interests inherent in concentrated patterns of private ownership; and it seeks to facilitate development opportunities to improve local infrastructure and services. These purposes are underscored by a desire to achieve community benefits in the wider public interest by pursuing sustainable development that makes positive

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<sup>10</sup> Land Reform Review Group, (2014), *‘The Land of Scotland and the Common Good’*. The Scottish Government: Edinburgh.

<sup>11</sup> Scottish Government Statement, August 2012.

<sup>12</sup> Community Empowerment (Scotland) Act 2015 and Land Reform (Scotland) Act 2016.

<sup>13</sup> Warren, C., (2009), *‘Managing Scotland’s Environment’*. Edinburgh University Press: Edinburgh.

<sup>14</sup> Scottish Government, (2017) *‘Estimate of Community Owned land in Scotland 2017’*.

<sup>15</sup> Community Land Scotland was created in 2010 to represent the interests of community landowners.

mutually reinforcing links between economic development, social wellbeing and environmental sustainability<sup>16</sup>.

The analysis contained in the Feasibility Study Report accompanying this Business Plan illustrates that the case for community ownership of the Isle of Ulva fits closely with the Scottish Government's strategic land reform objective of making *'stronger, more resilient, and independent communities which have an even greater stake in their development'* and reflects the underpinning purposes of community ownership described above. The overall objective of community ownership of Ulva and associated holdings on the adjacent mainland of Mull is *"to provide sustainable benefits for the community in the short to medium term and in the longer term for future generations, including the repopulation of the area"*<sup>17</sup>. Consequently, the underpinning rationale for a community buyout of the island is that owning the land and built assets will enable Ulva to be increasingly populated and managed in ways that contribute to the economic development, social wellbeing and environmental sustainability of Ulva, Ulva Ferry and the wider community of North West Mull as a whole.

The importance of Ulva's future ownership arrangements for the island and wider community is further reinforced by the potential for new private ownership of the land and associated assets to act as a significant barrier to the sustainable development of the area. Specifically, there is a risk that new private ownership of Ulva could curtail visitor access to the island by ending the existing ferry service and reducing the island's small resident population still further by terminating its already limited security of housing and business tenure. The negative impacts of such a scenario would be highly detrimental, both for Ulva and the wider community in Ulva Ferry and North-West Mull. These impacts would include the loss of 2 seasonal and 2 full year Full-Time Equivalent jobs; a reduction in the pupil roll of the local primary school in Ulva Ferry; loss of approximately 5,500 visitors annually to Ulva with associated adverse impacts on the local economy; amenity loss to the local community; loss of use of the church on Ulva; and a reduction in facilities and attractions to complement and add value to existing and future waterside developments in Ulva Ferry, with an associated negative effect on the local economy.

The corollary of the above scenario is that community ownership provides a unique opportunity to use the land and built assets of Ulva to contribute to the sustainability of the island and the wider North-West Mull community of which it is part. Within that context addressing the changing demographics of Ulva and Ulva Ferry's resident population is central to delivering community benefits envisaged in development proposals outlined by NWMWC in its Community Right to Buy application. These population demographics reveal significant structural issues that – if left unaddressed - threaten to impede the sustainable development of the area in the longer term. That threat is most evident in relation to the resident population of Ulva itself, which has been in significant overall decline since the 1830s. As noted

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<sup>16</sup> MacLeod, C. (2017). *'The Future of Community Land Ownership in Scotland: A Discussion Paper'*.

<sup>17</sup> NWMWC. *'Application to Register a Community Interest in Land'*.

earlier, the population has fluctuated in recent decades although the overall long-term pattern is one of steeply declining numbers with a current resident population of 6 people.

The resident population of Ulva Ferry remained relatively static between 2001 and 2011; increasing by 5.3% from 113 to 119 residents. In contrast, the overall population of North West Mull<sup>18</sup> rose by 23.7% between 2001 and 2011 and the overall population of Mull and Iona increased by 14% during the same period<sup>19</sup>. Indeed, outwith Tobermory<sup>20</sup> every 2011 Census Output Area in North Mull, apart from that containing Ulva Ferry, recorded a significant population increase between 2001 and 2011; ranging from 15 new residents (+15.3%) to 38 new residents (+48.1%)<sup>21</sup>.

The relatively static nature of Ulva Ferry's overall population between 2001 and 2011 masks a demographic shift towards an older population that is more significantly pronounced there than the equivalent pattern for Scotland as a whole<sup>22</sup>. Census data for Ulva Ferry between 2001-2011 indicates an ongoing shift towards an older resident population in that time. Residents aged 45-59 accounted for 25.2% of the total population in 2011 (up from 19.47% in 2001). Residents aged between 60-74 accounted for 26.1% of the population in 2011 (up from 22.12% in 2001). In contrast, the resident population aged between 5-15 in 2011 was 13.4% (down from 15.4% in 2001) while the resident population aged between 30-44 in 2011 was 13.4% (down from 19.47% in 2001).

Community ownership of Ulva offers an opportunity to increase the resident population of Ulva Ferry and help shift its overall composition towards younger age demographics over the longer term. In so doing, community ownership will help safeguard the retention of essential local services, most obviously the primary school in Ulva Ferry; help meet the expressed need for affordable housing, both in Ulva Ferry and elsewhere in North West Mull; and provide security of tenure for both existing and future new residents of the island. Placing Ulva in community ownership will also unlock the island's substantial potential to contribute to the sustainability of Ulva Ferry and the wider North West Mull area by delivering economic, social and environmental community benefits via development proposals included in this Business Plan.

The Feasibility Study Report's assessment of the community's proposals as they relate to housing stock, buildings and infrastructure improvements; land management; business development; and environmental management, has been underpinned by consideration of their financial viability. The proposals contained in

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<sup>18</sup> As recorded in the 2011 Census Output Areas of S00094595; S00094121; S00094727; and S00094726.

<sup>19</sup> 'Mull Housing Need and Demand Assessment: Final Report'. Argyll & Bute Council. March 2013.

<sup>20</sup> The 2011 Census Output Areas for Tobermory do not exactly replicate those used for the 2001 Census. Therefore comparative analysis of these Areas has not been undertaken.

<sup>21</sup> 2001 and 2011 National Census data.

<sup>22</sup> Census data shows that 44.3% of Scotland's total population was aged 45 or over in 2011. The equivalent figure for Ulva Ferry was 59.7%.

this Business Plan are financially viable in the longer term on the basis of analysis contained in the Feasibility Study Report and calculated associated costings. The Feasibility Report also makes clear that community ownership of Ulva will make an important contribution to ensuring the sustainable development of the North-West Mull area in accordance with the Scottish Government's strategic land reform objective regarding community land acquisition and management.

#### 4. Research Methods

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

**Desk-based analysis** of relevant documents including:

- **Financial information relating to the current Estate operation** based on documentary analysis relating to the Sales Particulars prepared by the land agents and approximate cost information provided to the NWMCWC Directors by the land agents, as well as comparative information relating to other Estates.
- **Evaluation reports and other documentation** relating to specific development areas identified in the study brief. For example, NWMCWC's Community Right to Buy application; Sales Particulars for Isle of Ulva; Ulva Ferry Community Development Plan (2013); Ulva Ferry Housing Partnership's Housing Needs Analysis Report (2015); Dervaig Housing Needs Survey Report (2017).

**Primary data analysis** of findings from:

- **Stakeholder consultation meetings** and/or individual **telephone interviews** with NWMCWC Directors; MICT General Manager and Local Development Officers; USCA, Ulva Ferry primary school Head teacher and Principal teacher; Isle of Ulva residents; elected local politicians, and individual or organisational representatives in relation to farming, fishing and aquaculture, tourism, housing and conservation.
- **Two community consultation meetings** held in Ulva Ferry on Wednesday August 9<sup>th</sup> 2017 and in Dervaig Community Hall on Thursday 10<sup>th</sup> August 2017 respectively, to get the community's views on potential areas for development in the event of a community buyout of the Isle of Ulva.
- **Site visits to Ulva** on August 2<sup>nd</sup> and August 9<sup>th</sup>-11<sup>th</sup> and October 27<sup>th</sup> 2017 to assess potential development options and locations.

- **Two community meetings**, held in Ulva Ferry on December 4<sup>th</sup> and Dervaig on December 5<sup>th</sup> respectively to present and discuss findings in the draft Feasibility Study report.

## 5. Key Findings

The following key findings emerged from the Feasibility Study:

- The analysis shows that a community buyout of the Isle of Ulva is feasible and that community ownership represents a unique opportunity to increase Ulva's resident population and enhance the sustainable development of the island, Ulva Ferry and North West Mull as a whole.
- Community ownership of Ulva fits closely with the Scottish Government's strategic land reform objective to *"assist with the acquisition and management of land (and also land assets) by communities to make stronger, more resilient, and independent communities which have an even greater stake in their development"*.
- The analysis illustrates that community ownership of Ulva will contribute positively to addressing social welfare issues, particularly in relation to addressing housing need and help safeguard vital local services, most critically the primary school in Ulva Ferry.
- Community ownership will contribute to local economic development by stimulating business opportunities, especially but not exclusively in relation to tourism.
- Community ownership will also promote environmental sustainability on the island through careful management of Ulva's extensive built and natural heritage.
- The Estate currently appears to be operating at a financial loss. It may be that the landowner's housing costs and other non-commercial costs are included in the Estate's accounting records. If so, that may explain the apparent loss.
- There are several properties on Ulva requiring capital expenditure for refurbishment. The refurbished properties will provide sufficient income for NWMCWC to maintain them to a good standard and help make the Estate financially sustainable.
- Ulva has adequate electricity, telecoms and water supply provision to allow significant development to take place without requiring major additional services infrastructure investment.

- Housing development on Ulva under community ownership can provide security of tenure for existing residents and help meet wider housing need in Ulva Ferry and North West Mull. The four vacant and two occupied houses on the island could be renovated within the first five years of community ownership. Opportunities for self-build housing could be promoted via sales of plots.
- Agricultural potential is marginal and likely to remain so for some time, particularly with the uncertainties caused by Brexit. There is scope to assist in increasing the resident population of Ulva by creating multiple holdings with residents having a mix of income sources from agriculture/crofting and other employment.
- There is potential for further woodland development but this will need to be decided in the context of other land uses on Ulva and the viability of additional plantings.
- There is significant scope to increase visitor numbers to the island and promote the conservation of Ulva's natural, cultural and built heritage through community-led projects, either independently or in partnership with other bodies.
- There is a range of opportunities for business development. Ardalum House could be re-opened as a hostel. A campsite and bike hire business could be developed alongside the re-opened hostel. Ulva House could be let to a private business.<sup>23</sup> The community could develop additional new-build small business spaces with a particular focus on tourism-related businesses.
- NWMCWC is likely to have various development roles as community landlord following a successful buyout of Ulva. They will include *direct delivery* of projects, *working in partnership* with other organisations and *enabling* things to be done by others (for example, by providing housing plots and/or business space).
- NWMCWC should consider management and governance arrangements for its role as community landlord of Ulva that maximise input from local residents and other interested organisations. For example, via continuation of the recently established Ulva Steering Group as a sub-committee of the NWMCWC with co-opted members from Ulva, Ulva Ferry and the wider North West Mull area, along with additional representation from other community groups as appropriate.

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<sup>23</sup> Whilst the Business Plan assumes that Ulva House will be let to a third party to operate, a separate Options Appraisal should be carried out to fully consider the various possibilities that exist for utilising Ulva House.

- The main source of funding for a community buyout of the Isle of Ulva will be the Scottish Land Fund, which has a £10 million annual budget to support community purchases of land and associated assets. The Fund can provide up to 95% of eligible purchase costs via grant assistance. However, any application for funding of over £1 million has to be approved by the relevant Scottish Government Minister.
- NWMCWC will have to explore alternative sources of financial support to bridge the funding gap between the amount of money the Scottish Land Fund will grant and the overall purchase price of Ulva. The company has proven itself adept at raising finance for existing projects and has launched a crowdfunding initiative as well as investigating other potential sources of financial support for a community buyout of Ulva.
- The Scottish Land Fund also provides revenue funding in support of community ownership. It is possible that up to £100,000 may be available to employ a Development Manager for Ulva and help finance other specialist support and development costs.

## PART 2: DEVELOPING THE ISLE OF ULVA

### 6. Financial Viability of the Estate

Information provided to the Directors of NWMCWC by the Land Agents dealing with the Isle of Ulva indicates that the Estate is operating at a loss of approximately £100,000 per annum<sup>24</sup>. The Land Agents have indicated some approximate cost figures but have not provided any supporting accounting information to substantiate these costs. A sum of £11,000 is stated regarding the cost of vehicle repairs, small tools etc. A sum of £40,000 is included for labour but it is not evident as to what labour costs that sum relates to. Annual repair costs are stated to be £18,000 but it is unclear as to what repairs that sum relates to<sup>25</sup>. There are also further unexplained costs amounting to £42,000. It may be that the landowner's housing costs and other non-commercial costs are included in the Estate's accounting records. If so, that may explain the Estate's apparent operational loss.

NWMCWC will have to cover the insurance costs of the Estate and there will be considerable repair costs to meet when the Estate comes into community ownership. However, the Estate currently appears to be covering significant costs that the new community landlord will not be required to pay. Table 1 shows that the estimated essential annual costs identified for the Isle of Ulva are around £37,000. The largest elements of these costs relate to insurance and maintenance. They also include land management and administration costs.

<b>Table 1 - Summary of current estimated Estate financial position<sup>26</sup></b>		
Income	35,073	35,073
Current Estate Expenditure	139,000	
Revised Expenditure (removing non-essential costs)		37,000
Woodland costs expected in next year		11,000
Net deficit	<b>(103,927)</b>	<b>(12,927)</b>

The Isle of Ulva sales particulars identify income of £28,472. However, this excludes holiday letting income from Fisherman's Cottage and the 2 bothies but for illustrative purposes, Appendix 3 estimates the potential current income levels achievable for the Fisherman's Cottage as a holiday let which is included in the income figure above. It also excludes farm income relating to livestock sales or Less Favoured Area Support Scheme subsidy income. Therefore the income is likely to amount to a figure close to the level of essential annual costs of £37,000. The revised expenditure figures do not take account of the farm operating costs or any

<sup>24</sup> See Appendix 1 for a summary of the financial information provided by the Land Agents.

<sup>25</sup> The Buildings Condition Summary Report prepared by Bruce and Neil, Chartered Architects, for NWMCWC states, "In addition to the general standard of the inhabited buildings, a similar lack of maintenance and upkeep is evident on other unoccupied buildings where the condition of the building fabric will quickly deteriorate without regular attention to stonework, roofing, rainwater goods and external timber". (Bruce and Neil, 2017, p.17).

<sup>26</sup> See Appendix 1 for further information.

labour relating to the farm as there are currently no employees of the Estate. However, the excluded farm income would go some way towards covering the farm expenditure.

The farm is being run on a very small scale and at a low intensity. It is assumed that the farming subsidies and any income from the sale of livestock are absorbed by the operating costs of the farming activities.

On the basis of analysis of available financial information, the Feasibility Study Report concludes that it would be possible to take on the Isle of Ulva as a community owned asset and to operate the Estate on an approximately break-even position. However, this would be at the cost of not undertaking essential maintenance, leading to further physical deterioration of the properties on the island.

Initial review of development opportunities regarding built assets on Ulva was also undertaken as part of the Feasibility Study. The analysis concentrates on the rental properties with a focus on obtaining capital investment to improve their condition over the first 5 years of community ownership. This would enable the Estate to build up a portfolio of assets generating sufficient levels of rent to help bring the Estate to financial sustainability. Initial financial projections are conservative and there are opportunities to generate higher levels of income, particularly if the Hostel and campsite are run 'in-house'. Such an approach would sit comfortably within the capabilities of NWMWC. Appendix 9 provides an illustration of how the first 5 years of operation could look under community ownership. Table 2 summarises the position.

<b>Table 2: Summary of illustrative financial position over first 5 years of community ownership</b>						
	<b>Pre-Buyout</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Total income (incl. grants)</b>	<b>24,500</b>	<b>181,864</b>	<b>121,094</b>	<b>105,057</b>	<b>102,314</b>	<b>113,502</b>
Less: Expenditure	24,500	175,498	103,261	77,369	86,781	96,460
<b>Net income</b>	<b>-</b>	<b>6,366</b>	<b>17,833</b>	<b>27,688</b>	<b>15,533</b>	<b>17,043</b>

Significant capital investment will be required to renovate the properties on Ulva. NWMWC will therefore investigate funding sources for renovation. It is possible to obtain commercial loan funding of up to £60,000 for such renovation work over a period of up to 25 years. However, with access to housing grants, a loan of £30,000 per property over a 15-year period would result in monthly repayments of £220 (£2,640 per annum). This would enable the loan repayments to be met from the monthly rent for each property as well as allowing a proportion of the rent received to be set aside in a fund for future property maintenance. A 15-year loan term would enable the renovation loan to be repaid before such time as further renovation work may be required. Therefore, the ability to obtain grant funding towards housing will be a priority for renovating properties on Ulva under community ownership.

## 7. An Integrated Development Strategy

NWMCWC's application to register a community interest in purchasing the Isle of Ulva and associated holdings identifies the overall objective of community ownership of the land and associated assets as being:

*"[T]o provide sustainable benefits for the community in the short to medium term and in the longer term for future generations, including the repopulation of the area".*

As indicated in Section 3 above, taking Ulva into community ownership will contribute to the Scottish Government's strategic objective of making "*stronger, more resilient, and independent communities which have an even greater stake in their development*". That view is reinforced by analysis of the feasibility of development proposals assessed in Part 3 of the Feasibility Study Report.

In seeking to deliver the overall objective articulated in the NWMCWC's Community Right to Buy (CRtB) application it is essential that initiatives arising from community purchase of the Isle of Ulva are framed within an Integrated Development Strategy for the entire Estate. Individual projects must be financially viable and add value to that overall objective in their own right while simultaneously contributing to broader development aspirations for the island. That requires the NWMCWC - working with and on behalf of the community – to identify a clear long-term vision for the Estate that complements and adds value to existing and future plans for ensuring the sustainable development of, the island, Ulva Ferry and North West Mull as a whole.

The following draft vision statement articulates the broad aspiration for the transformation of Ulva under community ownership:

*"Ulva will be a viable, vibrant and demographically balanced community with an increased resident population. It will be an accessible, well serviced community that contributes to the economic, social and environmental sustainability of the wider North West Mull area and its residents."*

A critical element of that vision relates to the increase in Ulva's resident population that the community would like to see happen and ways in which that can be achieved through housing provision and employment opportunities associated with the core development areas discussed in Part 3 of this Business Plan. Increasing Ulva's population to 20 residents after 5 years in community ownership is achievable solely through the renovation and letting of existing properties. Increasing the population to 30 after 5 years and to 50 or more residents after 10 years is a more ambitious but achievable target in conjunction with the development proposals contained in the Business Plan.

NWMCWC is committed to working closely with existing community organisations and the wider community to shape and deliver the overall Development Strategy for

Ulva. As such, development of both the Strategy and Business Plan are informed by the following criteria:

- **Transparency, accountability and community engagement** in the development, governance and administration of the Strategy;
- **Co-ordinated activity *within* and *between* core development areas to generate mutually beneficial synergies**; for example, some proposed tourism activities may interact positively with aspects of land management;
- **Establishing an appropriate pace of change on the Estate in terms of population growth and development activities** that is ambitious but realistic in terms of *what* can be achieved and *when* it can be achieved;
- **Clear and measureable targets in relation to outputs and outcomes** for core development areas where possible and appropriate;
- **Creation of added value by developing and delivering projects and shared services through joint working at different spatial scales** (i.e. Isle of Ulva, Ulva Ferry, North West Mull, and the Isle of Mull as a whole) with community, public and private sector partners and stakeholders as appropriate.

## 8. Core Development Areas and Actions

This section discusses core development areas and associated objectives to be pursued under community ownership of Ulva to realise the vision set out in the preceding section. It outlines specific planned actions in relation to each development area together with indicative development costs, funding sources and start dates. These initiatives are covered under the core development headings of 'Housing', 'Business Development', 'Land Management' and 'Protecting and Promoting Ulva's Natural, Cultural and Built Assets'. The Feasibility Study underpinning the Business Plan explained that NWMCWC may adopt particular development roles ('direct delivery'; 'partnership'; or 'enabling') depending on the specific circumstances of initiatives. It is therefore anticipated that the community landlord will adopt varying roles in relation delivering the action plans detailed in the following subsections.

### 8.1 Housing

Affordable and secure housing provision is the top priority under community ownership of Ulva. This reflects the clear need for housing in the Ulva Ferry area as documented in the Ulva Ferry Housing Needs Survey (2015) which reported 10 households requiring housing. It also reflects the broader demand for affordable housing in North West Mull as evidenced in the Dervaig Housing Needs Survey (2017).

As indicated in Table 3 below, the existing housing stock on Ulva is limited in number and in poor condition. Apart from Ulva House, only 2 houses are currently occupied on a permanent basis, accommodating 5 residents in total. Both of these households lack long-term security of tenure. All properties within the housing stock have an Energy Performance Certificate (EPC) rating of F or G. The scale rates energy efficiency from A to G, with A being the most efficient. Therefore, these properties are among the least efficient and most costly to heat in the UK.

<b>Name</b>	<b>Tenure</b>	<b>Bedrooms</b>
Ulva House	Vacant	5 (+ 3 in flat)
Ardalum House	Vacant	4
Ulva Manse	Vacant	3
Fisherman's Cottage	Self-Catering	2
The Ferry House	Short Assured Tenancy	3
1 Bracadale	Vacant	1
2 Bracadale	Vacant	2
3 Bracadale	Short Assured Tenancy	3

## **Housing Action Plan**

The single biggest contribution that community ownership can make to securing the immediate future of Ulva is to refurbish and re-let the island's non-occupied houses. In the longer-term a vibrant and sustainable community will require housing opportunities across a range of tenures to match residents' and potential residents' different needs and aspirations. NWMCWC will strive to provide these opportunities by delivering its own projects, making opportunities available for self-build and working in partnership with housing providers to deliver affordable housing. The objectives for housing under community ownership of Ulva are therefore as follows:

### **Objectives:**

- A population of 30+ residents housed in high quality accommodation incorporating a range of tenure arrangements.
- A well-maintained property portfolio.

The Feasibility Study Report contains findings from the review of development opportunities regarding built assets on Ulva. The analysis here concentrates on the rental properties with a focus on obtaining capital investment to bring those to a good standard over the first 5 years of community ownership. This will enable the Estate to develop a portfolio of assets generating reasonable levels of rent to help bring Ulva to a position of financial sustainability. The financial projections presented in this Business Plan are conservative and there are opportunities to generate higher levels of income, particularly if the Hostel and campsite are run in-house. Such an approach would sit comfortably within the capabilities of NWMCWC as community landlord of Ulva.

Renovating the properties on Ulva will require a significant level of capital investment. NWMCWC will need to investigate funding sources for the redevelopment. It is possible to obtain loan funding of up to £60,000 for such renovation work over a period of up to 25 years. However, with access to housing grants, a loan of £30,000 per property over a 15-year period would result in monthly repayments of £220 (£2,640 per annum). This would enable loan repayments to be met from monthly rental income for each property and enable a proportion of that income to be set aside in a fund for future property maintenance. A 15-year loan term would allow for the renovation loan to be repaid prior to further renovation work being required. Therefore, securing grant funding to contribute towards renovating Ulva's housing stock will be a priority for the community landlord.

Appendix 2 of the Business Plan summarises the number of properties on the Isle of Ulva, their existing or anticipated use, and the number of bedrooms available in each property (where relevant). Various scenarios are possible for the redevelopment of these properties. Two possible scenarios are considered in Appendix 2, which also indicates the anticipated timeframe within which the capital expenditure will be undertaken.

In scenario 1, an estimate of potential income from properties on Ulva has been calculated on the basis of undertaking capital expenditure to bring residential properties in particular to a good standard of accommodation. Properties that can operate as businesses will be offered on 'repairing basis long-term leases' at low levels of rent.

Scenario 2 considers the option of undertaking some capital expenditure to Ardalum House and *The Boathouse* restaurant in order to earn a higher level of rental income on these leases. This scenario also considers operating Ardalum House as a hostel and operating a campsite on the surrounding land to generate greater income for the Estate.

Table 4 provides a summary of how the community's objectives in relation to housing on Ulva will be achieved via the Housing Action Plan. It outlines proposed actions, development costs, potential funding sources and indicative start dates. As with plans relating to other core development areas discussed later in this document, the Housing Action Plan is indicative and will be subject to change following more detailed site-specific studies regarding particular developments.

<b>Table 4: Housing Action Plan</b>			
<b>Action</b>	<b>Development Cost</b>	<b>Potential Funding Sources</b>	<b>Indicative Start Date</b>
Let Ulva House			2018
Provide secure tenancies for existing tenants	£500	Own resources	2018
Refurbish 2 vacant properties	£150,000	Rural & Islands Housing Fund/ Argyll & Bute Council/Own resources/mortgage borrowing	2019
Provide accommodation in Ardalum House for business tenant/warden			2018
Refurbish 4 properties for let	£300,000	Rural & Islands Housing Fund/ Argyll & Bute Council/Own resources/mortgage borrowing	2021
Set up housing maintenance fund	20% of rental income		2018
Develop policy on providing house sites with Rural Housing Burdens for sale			2018
Study to identify suitable land for future housing opportunities	£5000	Rural & Islands Housing Fund/ Argyll & Bute Council/Own resources/Housing provider partners	2019
Sell 1 plot every 3 years for self-build to croft tenants and others	£150-200,000 capital cost for self builder/house (of which £10,000/plot to NWMCWC)	Croft Housing Grant Scheme/Self-builders resources	2020, 2023, 2026
2-4 houses constructed by affordable housing provider	£300-700,000	Scottish Government housing finance/borrowing	2022
A further 2-4 houses constructed by affordable housing provider or by NWMCWC	£300-700,000	Scottish Government housing finance/borrowing or Rural & island Housing Fund/Own funds/Borrowing	2027

## 8.2 Business Development

Increasing Ulva's resident population is closely linked to providing affordable housing on the island as discussed in the preceding section. It is also linked to increasing employment and business development opportunities on Ulva, primarily but not exclusively in relation to tourism on the island.

Under community ownership, the existing businesses on Ulva relating to the ferry operation and *The Boathouse* restaurant will both be given long-term security of tenure to safeguard their ongoing operation and facilitate future investment in the businesses as appropriate. Further business development initiatives will be investigated and pursued on a community or privately-run basis as appropriate. The business development objectives for Ulva during its first five years under community ownership are as follows.

### **Objectives:**

- Safeguard the future of existing private businesses on Ulva by providing them with long-term security of tenure.
- Establish 2 community businesses that generate community and visitor benefits.
- Enable creation of 4 private businesses with secure tenancies facilitating private investment.
- Develop a tourism strategy to market Ulva as a visitor destination.

### **Tourist Accommodation**

Developing the available tourist accommodation on Ulva is a high priority under community ownership of the island. NWMCWC can undertake that directly by re-establishing Ardalum House as hostel accommodation, using the land around the hostel as a campsite, and by adding glamping pods in the same area. These 3 development opportunities can generate a significant income stream for the community, as illustrated in financial projections contained in Appendices 4-6 of this Business Plan.

The financial projections contained in Appendices 4-6 are conservative. However, they show that the above accommodation developments offer an opportunity to generate revenue and seasonal employment on Ulva. These tourist accommodation initiatives can be undertaken alongside the Housing Action Plan outlined in the previous section. It is anticipated that NWMCWC will aim to run Ardalum House as a basic standard of hostel accommodation with minimal capital investment. Whilst NWMCWC will encourage third parties to operate businesses on the Isle of Ulva, an operation such as the hostel and bunkhouse which requires the maintenance of a

booking system can be linked into the post of a Development Manager in order to provide financial sustainability to the Isle of Ulva buyout's operation and to support the funding of a full-time development post in the longer term. Some renovation work is anticipated in year 4 of community ownership to raise the standard and price of accommodation from year 5 onwards.

NWMCWC will support a private operator to develop Ulva House as a tourism accommodation business (for example, high quality guest accommodation if that is the community's preferred option regarding management and use of the property). Options for joint marketing of Ulva House and other tourism accommodation on the island will be explored as part of an overall tourism strategy for Ulva.

The Sales Particulars for the Isle of Ulva do not indicate the income generated from holiday letting of the Fisherman's Cottage, which has two bedrooms and can accommodate up to 4 people. As the only holiday accommodation on Ulva it is believed to be relatively busy. Appendix 3 provides an estimate of income generation for Fisherman's Cottage as tourist accommodation. NWMCWC is considering some renovation work of the cottage to bring it up to a higher standard of accommodation. It is anticipated that doing so would enable the weekly letting charge to be increased to £600 per week. It is also anticipated that increased marketing of the property and of Ulva in general could achieve an additional 4 letting weeks during the tourist season. Monthly repayments £220 would be payable on the assumption that a 15-year loan funding of £30,000 is taken to fund the renovation work. However, net cashflow from Fisherman's Cottage could increase by almost £3,000 per annum.

The costs of repairs to the cottage are expected to decrease after renovation is complete. Nevertheless, a proportion of the annual income will be set aside in a maintenance fund to ensure that any future work on the property is affordable.

### **Cycle Hire**

The provision of cycle hire on an island without vehicles is a logical step. Cycle hire is likely to be very appealing to those wishing to explore more widely. Only the fittest and most determined would be able to walk to Gometra and back along the main track in the 8 hours available when the ferry is running. Mountain bikes make this a much more manageable proposition, offering an added attraction for visitors who like to explore more widely. It is therefore intended to facilitate a business start-up for cycle hire on Ulva on either a privately or community operated basis.

Campsite and hostel users are likely to be key users of bikes, so it is envisaged that the business will be co-located with the campsite/hostel business. The availability of 2 outhouses offers the opportunity for ready-made storage space and simple workshop facilities for the bikes. It is anticipated that the business will start with a small number of bikes and will expand over time to match demand

## Business Space

A lack of business space is the biggest limitation on business development for most community landowners. The provision of business space by NWMWC on Ulva will play an important complementary role to housing provision in attracting and retaining residents. The company will therefore seek to create several small craft studios linked to tourism for lease to private tenants to locate and develop their own businesses on the island. In so doing, the aim will be to provide the community with an additional income stream to add to its portfolio.

Table 5 below provides details of the Business Development Action Plan including associated development costs, potential funding sources and indicative start dates as appropriate.

<b>Action</b>	<b>Development Cost</b>	<b>Potential Funding Sources</b>	<b>Indicative Start Date</b>
Let or operate Ardalum House as a hostel and associated campsite	£20,000	HIE/LEADER/Argyll & Bute Council/Own resources	2018
Develop cycle hire business	£5000	HIE/LEADER/Argyll & Bute Council/Own resources	2019
Let Ulva House as a private business		Private	2018
Refurbish Fisherman's Cottage to increase holiday let rates and occupancy	£30,000	Own resources/borrowing	2018
Create up to 4 craft studios/workshops to be let to private tenants	£200-250,000	Big Lottery Fund/HIE/Argyll & Bute Council/Own resources	2019 (Design) 2021 (Construction)
Agree long-term lease with ferry operator			2018
Upgrade Ardalum House	£50,000	HIE/Argyll & Bute Council/Own resources	2021
Agree long-term lease with operators of <i>The Boathouse</i> restaurant			2018
Create replacement fund for ferry and landing craft	£3000/yr	From rental	2018
Marketing campaign to promote tourism on Ulva	£2000	HIE/LEADER/Argyll & Bute Council/Conservation partners/Own resources	2019
Encourage self-builders to build live/work spaces	Variable	Private	2019
Explore various additional business opportunities (e.g. electric vehicles, kayak tours, water taxi (See appendix 10 for full list))	Variable	Various/private	2019

### 8.3 Land Management

There is considerable potential for land management on Ulva in relation to *'agriculture and crofting'*, *'deer management'* and *'woodland management'*. Actions detailed in the following subsections are designed to individually and collectively contribute to the overall sustainable development of Ulva and wider North West Mull in economic, social and environmental terms by making mutually reinforcing positive links where possible. There is also considerable potential to make such links between land management and protecting and promoting Ulva's natural, cultural and built heritage (*see section 8.4*).

Land management objectives for Ulva under community ownership are as follows:

#### **Objectives:**

- A landscape farmed/crofted by tenants with a long-term commitment to Ulva.
- A deer herd that is managed sustainably for the benefit of the community and the environment.
- Healthy woodlands that support community development and access.

#### **Agriculture and Crofting**

The combination of poor agricultural profitability, high dependency on subsidies and major uncertainties over future support regimes amplified by Brexit makes the current economics of livestock production very precarious. Given those circumstances the Feasibility Study Report does not recommend either that the community runs a farm in-hand or lets it out to a single tenant. It would be imprudent to let the farm to a tenant unless it could be demonstrated via a business plan that such an enterprise would be viable and sustainable.

Dividing the farm into crofts would not, of itself, resolve problems associated with poor returns on livestock production. However, small-scale crofters/farmers tend to act from a different set of assumptions. Their principal living comes from other activities, they keep a more diverse range of stock (for example, including hens and pigs to provide food for the home) they cultivate small areas more intensively and may undertake specialist activities such as growing in polytunnels. The fact that most of their income comes from other employment arguably makes them more resilient to economic adversity.

Creating smallholdings would contribute significantly to bringing people to Ulva and retaining them; thereby contributing to the community's goal of increasing the resident population. 6 crofts could conceivably result in 18-20 people being added to the island's population. The higher grant support available to new entrants and

those under 41 years of age offers an opportunity to assist the community in its aim of having more residents on Ulva.

It is highly unlikely that the community will be able to run a satisfactory process of recruitment of tenants in the short time that will be available before a purchase of the island. This leaves the question of what to do with the farming operation in the interim. As noted above, running the operation in-house would be financially risky, especially for an organisation that has limited reserves of capital.

NWMCWC will therefore form a dedicated working group including people with farming experience to examine all agriculture and crofting issues in detail and develop a comprehensive plan that appropriately balances opportunities for individuals whilst also protecting the community interest in the land. It may be possible to provide a short-term grazings let for one season for a farmer looking for additional summer grazing. A further alternative is to leave the land empty for 1–2 years while long-term plans are drawn up. This would have the advantages of allowing a clearer understanding of the financial position post-Brexit and allow for a deer cull and reduction in grazing pressure on the hill (*see below*). The in-bye land would look quite untidy as the grass grew tall but it would have significant conservation benefits. The rationale for adopting such an approach would need to be clearly explained to the community ahead of its implementation.

### **Deer Management**

The Sales Particulars estimate the number of deer on Ulva to be in the region of 400 while offering no basis (such as recorded counts etc.) for this figure. The 5-year average for culling is given as 16 stags and 21 hinds. This equates to a cull rate of <10% if the figure of 400 deer is correct. It equates to a cull rate of just over 12% if the herd number is only 300. In either case it is likely that a cull rate of >15% will be required simply to maintain the population.

Revenue from the existing lease appears low for the number of animals being taken. The Feasibility Study Report's authors are aware of another lease situation on an island where the return is approaching £200/stag with other potential tenants expressing a willingness to pay higher sums. A lease rental of £3,500- £4,000 is likely to be achievable at current cull levels.

A useful rule of thumb developed by the Deer Commission of Scotland (now part of SNH) is that a stocking density on hill ground of no more than 10 deer/km<sup>2</sup> or 1 deer/10ha should be present for habitat recovery to begin. On an island with 1854ha this would equate to 185 deer. It would equate to a population of 136 deer on 1363ha, assuming all deer should be on the open hill. In reality, despite good fencing there will be a number of deer inside the woodland areas and farm policies as they can swim around fences and Ulva can constantly be repopulated by deer swimming across from Mull.

The number of deer will have to be reduced even further if farming/crofting tenants introduce more cattle to the hill and/or seek to reintroduce more sheep. A farmer/crofter wishing to use feed blocks on open hill would find a significant proportion of them being eaten by deer as well as livestock.

The key to limiting deer numbers in the long term is to reduce the number of hinds on a hill. Unfortunately, the market for hind shooting is relatively limited and it therefore has to be conducted, at least partly, in-house. Traditional estates have gamekeepers but this model of management usually requires significant subsidy of the operation from the landowner. The fact that the current lease runs out in February 2018 gives NWMCWC the opportunity to either agree a new lease with a provision for the client to carry out a major cull, or for NWMCWC to carry out a cull itself. Continuing with a lease arrangement for stag stalking will ensure that the community receives a rental income without incurring losses often associated with running stalking operations on a private estate.

As noted above, Ulva's close proximity to Mull means that there will be continuous repopulation of Ulva with deer swimming from Mull, particularly if reduced numbers lead to better grazing on Ulva. This presents the community with both a challenge and an opportunity. The challenge lies in continuing culling at relatively high numbers to keep the population down. The opportunity involves maintaining income from its stalking lease even though total headage numbers have been reduced.

The North Harris Trust (NHT) has developed a community-led model of deer management that may be replicable on Ulva on a smaller scale. NHT leases out the stag stalking and has established a stalking club to allow local people to stalk hinds. The stalking club manages itself with a minimum of 2 people in any stalking group and members are allowed to take 1-2 hinds each for a nominal sum for personal use only. A target number is set each year by the Trust and can include the culling of a number of deer whose carcasses are left on the hill to provide carrion for golden eagles. NHT has also sought to raise the skill level of members of the club by supporting training and hosting Deer Commission (now SNH) events. NWMCWC will explore whether there is significant community interest on Mull to develop a similar approach.

### **Woodland Management**

The Sales Particulars state that there are 432.81ha (1069.52 acres) of woodland on Ulva. The woodland consists of a mixture of mature woodland associated with the policies near Ulva House and the farm, together with newly planted schemes on hill ground on the northern side of the island. A community buyout of Ulva will result in the acquisition of a considerable area of mature woodland and the assuming of responsibilities for contract delivery of recently planted woodland with Forestry Commission Scotland (FCS). These will therefore need to take priority with an indicative strategic approach being as follows:

1. Form a forestry working group to address all woodland-related issues.
2. Identify and quantify liabilities arising from existing woodland contracts and formulate a plan to address these following consultation with Forestry Commission Scotland (FCS).
3. Assess the state and value of the mature woodlands using information provided by the seller or by carrying out a new survey (with professional input as required). Develop a plan for these woodlands through a community consultation process.
4. Consider whether and to what extent new plantings would be beneficial, taking into account community and visitor views, nature conservation issues and potential alternative uses such as livestock grazing, deer stalking etc. Draft and consult on a plan before adoption.
5. Consider how woodland management activities can be undertaken to maximise employment opportunities for new residents trying to develop a portfolio of income sources from agriculture/crofting/ tourism and other industries.

Some of these activities could potentially receive additional financial support through being part of a Heritage Lottery Fund (HLF) Landscape Partnership Scheme. NWMCCW has approached the Woodland Trust (Scotland) with a view to working together on Ulva. The Trust's expertise in managing mature and ancient deciduous woodland could complement the existing woodland skills of NWMCCW. Collaborative working could also offer the opportunity to bring additional funds in the form of lease income or project-based support.

Proposed land management actions, together with indicative development costs, funding sources and start dates are detailed as appropriate in Table 6 below.

<b>Table 6 : Land Management Action Plan</b>			
<b>Action</b>	<b>Development Cost</b>	<b>Potential Funding Sources</b>	<b>Indicative Start Date</b>
<b>Agriculture</b>			
Establish working group to decide on letting strategy			2018
Short-term grazing let for 1 <sup>st</sup> summer			2018
Advertise for potential farm/croft tenants			2018
Let to long-term tenant(s)	Lease/legal fees		2019
<b>Deer Management</b>			
Negotiate stag stalking lease with increased cull targets			2018
Investigate, and if feasible, establish a local hind stalking club			2018
Carry out a deer count to establish current population and set cull targets	Nil if volunteers are used		2019
<b>Woodlands Management</b>			
Review opportunities for new plantings & develop strategy		Woodland Trust	2018
Explore partnership opportunities for long-term management of mature woodlands		Woodland Trust Forestry Commission Scotland	2018
Carry out additional plantings to meet establishment targets in new woodlands	Variable	Woodland Trust Forestry Commission Scotland	2019

#### **8.4 Protecting and Promoting Ulva’s Natural, Cultural and Built Heritage**

Ulva does not have any nationally or internationally recognised wildlife designations. However, the island lies at the heart of a heavily designated area and is home to a range of iconic protected species. It is also in a prime position in the Loch na Keal National Scenic Area (NSA) which gives people excellent views of the remainder of the NSA. The island’s built heritage is relatively modest with three buildings – Ulva House, Ulva Kirk and Ulva Manse - being ‘B’ listed; signifying that they are buildings of regional importance. Both the Kirk and Manse are also notable for having been designed by Thomas Telford. Ulva does have a rich cultural history dating back to

the Viking period and beyond, as well as incorporating close links to the Clan MacQuarrie and the Highland Clearances of the 18<sup>th</sup> and 19<sup>th</sup> centuries. There is therefore considerable scope to develop a co-ordinated strategy to both protect and promote the island in relation to its natural, cultural and built assets in ways that enhance the sustainable development of Ulva. In so doing, the aim is to develop an integrated approach to the development of conservation and visitor activities that are complementary to other land management activities. The overall objective for protecting and promoting Ulva’s natural, cultural and built heritage is as follows.

**Objective:**

- A natural, cultural and built heritage that is valued, enjoyed and cared for by the local community.

Proposed actions to meet that objective are detailed in Table 7 below.

<b>Action</b>	<b>Development Cost</b>	<b>Potential Funding Sources</b>	<b>Indicative Start Date</b>
Work with conservation partners and private businesses to promote Ulva as a “must-visit” destination	£2000	HIE/LEADER/Argyll & Bute Council/Conservation partners/Own resources	2019
Refurbish Sheila’s Cottage as Interpretative Centre	£10,000	HIE/LEADER/Argyll & Bute Council/Conservation partners/Own resources	2019
Create trail leaflet for self-guided exploration	£3000	HIE/LEADER/Argyll & Bute Council/Conservation partners/Own resources	2019
Organise community and visitor guided walk events in conjunction with Mull Ranger service		Mull Ranger Service	2019
Explore option to maintain a bothy with Mountain Bothy Association			2019
Create wildlife viewing points to enhance visitor experience	£10,000	SNH	2020
Work with Butterfly Conservation Scotland and local volunteers to record and conserve protected species			2019
Work with local volunteers, tenants and conservation bodies to control bracken		SNH	2019
Explore Heritage Lottery Fund Landscape Partnership programme as a means to preserve important buildings and develop heritage assets	£1m+	HLF SNH AICCT	2021

## **9. Economics of the Business**

### **Fixed, Variable and Semi-Variable Costs**

NWMCWC aims to manage its responsibilities as Community Landlord on as low a cost basis as is feasible. The key cost elements are described below.

- *Fixed-Staff Costs* (Full-time Development Manager for 2 years and part-time thereafter, as well as a part-time Administrator post) including National Insurance Contributions and pension, Insurance, IT equipment purchase, overhead payment for home working or using existing available premises;
- *Semi-Variable Costs* - These largely relate to operating costs such as T&S, office costs etc. Such costs will vary with in relation to specific development activities.
- *Fixed Costs* are generally low due to the continued input of Directors and volunteers.

### **Medium Term Financial Forecasts**

The development of small-scale tourist accommodation projects will make a contribution towards future developments. External funding will be sought for the core development areas of tourism and developing business/craft units; both of which should produce additional income generation initiatives in the longer term.

### **Longer Term Financial Strategy**

The development of Ulva's housing assets is a high priority under community ownership. There will therefore be significant future costs to meet in terms of maintenance and loan repayments for renovations costs. Cashflow projections assume that 20% of all rental income will be set aside in a property maintenance fund for future work required to the properties. In addition, the cost of loan funding, assuming 15 year loans (although longer term loans could be accessed) is shown in the cashflow projections with capital and interest repayments both included as expenditure in these projections. The cashflow projections demonstrate that Ulva will be financially sustainable within the first 5 years of operating with careful management and an appropriate balance of grant and loan funding.

### **Overall 5-Year Financial Projection**

An overall 5-year financial projection for the Estate's Integrated Development Strategy, based on the costed options contained in this Business Plan, is provided in Financial Appendix 9. This projection consolidates the various elements from pre-buyout to the end of the fifth year of community ownership, and provides a list of assumptions supporting the income and expenditure lines in the projections. Appendix 9 also considers illustrative capital expenditure requirements and what mix

of grant and loan funding could be required to enable this work to be carried out. Table 8 summarises the 5-year cashflow projections and Table 9 outlines 5-year capital expenditure requirements.

<b>Table 8: Summary of illustrative financial position over first 5 years of community ownership</b>						
	Pre-Buyout	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Total income (incl. grants)</b>	<b>24,500</b>	<b>181,864</b>	<b>121,094</b>	<b>105,057</b>	<b>102,314</b>	<b>113,502</b>
Less: Expenditure	24,500	175,498	103,261	77,369	86,781	96,460
<b>Net income</b>	<b>-</b>	<b>6,366</b>	<b>17,833</b>	<b>27,688</b>	<b>15,533</b>	<b>17,043</b>

<b>Table 9: Five-year Capital Expenditure Requirements</b>						
	Pre-Buyout	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Capital expenditure</b>						
Housing			75,000	150,000		200,000
Business Development		50,000	40,000		300,000	25,000
		<b>50,000</b>	<b>115,000</b>	<b>150,000</b>	<b>300,000</b>	<b>225,000</b>
<b>Funded by:</b>						
Housing grant			45,000	90,000		140,000
Other grant			10,000		225,000	
Own funds		30,000				
Housing loan			30,000	60,000		60,000
Business loan		20,000	30,000		75,000	25,000
		<b>50,000</b>	<b>115,000</b>	<b>150,000</b>	<b>300,000</b>	<b>225,000</b>

## VAT

It is assumed that the Estate operation will not be VAT registered for the purposes of preparing these financial projections. However, NWMCCW's Directors will need to consider the most effective position for the company in relation to its entire group of companies before concluding whether to be VAT registered. The existence of exempt housing means that VAT costs on renovating existing houses will not be recoverable and, in a VAT-registered situation, that is likely to incur partial exemption VAT. Bringing empty properties back into use may attract reduced rate 5% VAT without the need to be VAT registered.

## PART 3 IMPLEMENTING THE BUSINESS PLAN

### 10. Financial Cost of Implementing the Business Plan

#### Pre-Buyout Costs

Considerable work will be required prior to the buyout in preparation for assuming responsibility for the operation of the Isle of Ulva Estate. Legal costs will be incurred in ensuring that the purchase agreement for Ulva minimises potential liabilities and maximises value for the agreed purchase price from the community's perspective. In addition, an administrative post should be created to assist in pre-buyout liaising with legal advisors and to begin the process of implementing the Isle of Ulva Business Plan. That is likely to involve preparatory work for taking on the role of landlord in relation to Ulva's existing tenants, as well in relation to developing affordable housing on the island. NWMCWC's Directors will also wish to visit other community landlords in preparation for the purchase of the Isle of Ulva and there will be some costs associated with these visits. Pre-Buyout costs have been estimated as follows in Table 10 and are included in Appendix 7 along with related assumptions.

<b>Pre-Buyout Costs</b>	<b>£</b>
Visit to other Buy-out Estates - directors	1,500
Mentoring - travel & subsistence	2,500
Manager/Administrator - wage & related costs	16,500
Manager/Administrator - travel & subsistence	3,000
Governance/Director training	1,000
<b>Total costs</b>	<b>24,500</b>

#### Development Costs

It is anticipated that a Development Manager post will be required during the first two years of Ulva being in community ownership to help the community to implement its development plans. That development activity will initially focus on bringing the existing properties back to a good standard of accommodation and work will be required to source finance for such development through a mix of grants and loans. In addition, the Development Manager will also be required to bring to fruition other business activities such as a community-run campsite and hostel operated from Ardalum House. These business opportunities can be brought forward without significant capital investment and can generate income for the Estate relatively quickly. It is anticipated that the Development Manager will manage implementation of the Housing Action Plan while also overseeing the operation of the hostel and campsite, thereby ensuring that the post is a full-time

role. Appendix 8 provides details of the assumptions related to the development costs contained in Table 11 below:

<b>Table 11: Development Costs</b>				
			<b>Year 1</b>	<b>Year 2</b>
	Development Manager		33,000	16,500
	Admin Support		10,000	5,000
	Surveys and design work on housing		30,000	
	Feasibility study into new housing		20,000	
	Feasibility study into new business units			10,000
	Land use study on island		15,000	5,000
	Legal fees		5,000	5,000
	Marketing support		7,500	7,500
			<b>120,500</b>	<b>49,000</b>

## 11. Estate Management and Governance Structures

NWMCWC has a critical role to play in managing the Island of Ulva to provide sustainable community benefits in its capacity as the Community Landlord of the island. The Company has an impressive track-record as a community landowner in delivering community benefits in relation to its current sphere of activity regarding community woodlands and associated initiatives in North West Mull. Moreover, the Board of Directors collectively possess a range of skills and business experience which will be invaluable in relation to enabling community ownership of Ulva to contribute to the sustainable development of the island, Ulva Ferry and the wider North West Mull community. These skills and experience relate to business and financial management, woodlands management, local development and tourism.

The Feasibility Study noted several management and governance issues that require consideration so as to maximise the prospects of successfully pursuing the overall community ownership objective of providing sustainable benefits for the community in the short to medium term and in the longer term for future generations. These issues are summarised as follows:

- Recruiting additional Directors to NWMCWC's Board to augment and reinforce its existing skills and experience still further;
- Continue exploring ways to have a more gender-balanced and more demographically diverse Board;
- Establishing an appropriate governance structure for managing the Isle of Ulva, potentially by retaining the Ulva Steering Group as a formal sub-committee of NWMCWC.

NWMCWC will consider ways to address the above issues as appropriate in its capacity as the Community Landlord.

## 12. Funding for Purchase and Development of Ulva

The main source of funding for purchase of the Isle of Ulva 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. A potentially significant funding gap between the amount of money that the Scottish Land Fund will grant and the overall purchase price of Ulva means that the NWMCWC will have to explore alternative sources of financial support to bridge that gap. The company has proven itself adept at raising finance for existing initiatives and is already engaged in an appeal to generate funding from the public in support of the buyout. Such a crowdfunding initiative, underpinned by a coordinated media campaign, offers one important way

to help secure the additional funds required for the buyout. The issuing of community shares may also provide a potential additional mechanism for generating funds in support of purchase; 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.

Alternative funding sources such as sponsorship or commercial partnership arrangements are being investigated by the directors. NWMCWC aims to maintain the Isle of Ulva as a complete community buyout and to retain and utilise all the existing assets. However, there may be opportunities to generate income to contribute towards funding the purchase through the sale of surplus assets in the event of a funding shortfall materialise. This would necessitate a significant revision to the current business plan.

### **Development Funding**

The purchase of the Isle of Ulva 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 enable the development of the island. 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. Funding may be available for employing a Development Manager, training, running community consultations and getting specialist support, in addition to initial development costs post purchase. The term of the SLF's current iteration is due to end in March 2020. Therefore contracts for revenue assistance currently do not extend beyond that date.

**Highlands and Islands Enterprise (HIE)** supports community groups through its community account management approach. Groups become account managed through a process whereby HIE and the local group agree a set of economic and community development projects that the community will aim to deliver over a 3-year period. The group can receive additional assistance in developing projects and expected capital requests are entered into HIE's system for future years, giving a greater degree of likelihood that a project can be funded when it is ready. HIE's contribution to capital funding can be significant but it is also often the "last brick in the wall".

Other current key funding sources include:

**Big Lottery Fund.** The Community Assets stream offers funds, ranging from £10,000 to £1m, for projects that create or improve community assets. This stream is for larger projects and requires a strong business case for success and is an extremely competitive funding source. *'Awards for All'* offers funding ranging from £300 to

£10,000 for smaller projects. It has a straightforward and quick application process that can be a fruitful source of funds for small projects.

**Coastal Communities Fund.** This fund disburses 50% of the profits from the Crown Estate's coastal revenues. Its £4.3 million budget was allocated across Scotland for the 2017 round in support of projects in coastal areas that focus on economic development and job creation.

**Scottish Government Regeneration Capital Grant Fund.** £25 million is disbursed annually to local authorities for projects with a strong community element. This can include community-led projects.

**Rural and Islands Housing Funds.** These funds have £25 million per annum available until 2019 for building new and renovating existing housing.

**LEADER.** An EU funding stream that supports innovation in rural development. The current programme is due to run until 2020, although it is unclear if this will be the case with a planned Brexit date in 2019. It can offer up to 50% support on projects, up to a maximum of £125,000. It is a useful source of funding but has an extremely onerous and bureaucratic application and claims process.

### **Heritage Lottery Fund**

A range of Heritage Lottery Grant Funds exist from £3,000 to £5,000,000 which can range from recording people's stories to rescuing an historical building with the specific funding stream depending on the specific project being put forward.

### 13. Risk Analysis and Management

There are a number of potential risk factors associated with purchase and management of the Estate. Table 12 contains an assessment of these factors, their potential impacts and mitigation strategies.

Table 12: Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Owner decides to withdraw Ulva from the market.	Low/Medium	High	<ul style="list-style-type: none"> <li>Unable to proceed with community buyout as planned</li> </ul>	
NWMCWC unable to secure funding to complete purchase of Ulva	Low/Medium	High	<ul style="list-style-type: none"> <li>Unable to proceed with community buyout as planned</li> </ul>	
Unable to secure development funding for first 3-5 years	Medium	High	<ul style="list-style-type: none"> <li>Unable to progress with proposals as currently stand – will require new business planning process.</li> </ul>	<ul style="list-style-type: none"> <li>Early discussions with key potential funders.</li> <li>Approach more funders than may be necessary to spread risk.</li> <li>May have to revise initial proposals.</li> </ul>
Delay in securing development funding for first 3-5 years.	Medium	High	<ul style="list-style-type: none"> <li>Unable to recruit development staff within timescale.</li> <li>Will affect proposed budgets and ability to deliver on original targets.</li> </ul>	<ul style="list-style-type: none"> <li>Submit applications/proposals at earliest opportunity.</li> <li>Greater activity undertaken by voluntary directors.</li> <li>Develop fall back plans in order to meet key deadlines</li> </ul>

**Table 12: Risk Factors and Mitigation**

<b>Risk Factor</b>	<b>Likelihood</b>	<b>Scale of Impact</b>	<b>Description of Impact</b>	<b>Mitigation</b>
Inability to secure high calibre staff.	Medium	High	<ul style="list-style-type: none"> <li>• May impact on development initiatives required to meet objectives.</li> </ul>	<ul style="list-style-type: none"> <li>• Use networks and contacts to encourage applications.</li> <li>• Offer flexibility in contract – employed or self-employed.</li> <li>• Use contracts with existing community landowners with known expertise to pool development staff resources.</li> </ul>
Inability to recruit within planned timescale.	Medium	Medium	<ul style="list-style-type: none"> <li>• Delays in delivering key activities.</li> <li>• Knock-on impact on management of Estate.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare recruitment documentation in advance of securing funding.</li> <li>• Liaise with partner organisations in advance of securing funding.</li> <li>• Ensure high calibre candidates attracted to posts avoiding need for re-advertisements</li> <li>• Use contracts with existing community landowners with known expertise to pool development staff resources.</li> </ul>
Lack of local support for income generating activities	Low	High	<ul style="list-style-type: none"> <li>• Reduces credibility of NWMCWC as community landlord</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to engage and communicate with community on activities.</li> </ul>

**Table 12: Risk Factors and Mitigation**

<b>Risk Factor</b>	<b>Likelihood</b>	<b>Scale of Impact</b>	<b>Description of Impact</b>	<b>Mitigation</b>
Erosion of support from partner organisations	Low	High	<ul style="list-style-type: none"> <li>• Inability to deliver identified benefits.</li> <li>• Loss of local credibility and support will impact on fundraising and other activities.</li> </ul>	<ul style="list-style-type: none"> <li>• Continue to work closely and ensure benefits accrue to all parties.</li> </ul>
Lack of skills/ capacity to deliver	Low/Medium	High	<ul style="list-style-type: none"> <li>• Inability to manage Ulva</li> <li>• Loss of credibility in community</li> <li>• Inability to access development funding</li> </ul>	<ul style="list-style-type: none"> <li>• Mentoring</li> <li>• Recruitment of new Directors.</li> <li>• Training for Directors &amp; Others</li> <li>• Use of Working Groups to draw in wider talent pool</li> <li>• Use contracts to buy in expertise from existing Community Landlord Organisations</li> </ul>
Volunteer fatigue means reduced ability to deliver.	Medium	Medium	<ul style="list-style-type: none"> <li>• Inability to achieve self-financing Estate able to deliver wider community benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Aim to secure higher numbers of volunteers via Working Groups to spread workload.</li> <li>• Recruitment of staff for key activities should reduce overall workload.</li> </ul>

## 14. Conclusions

The Feasibility Study Report concludes that community ownership of Ulva represents a unique opportunity to enhance the sustainable development of the island, Ulva Ferry and the wider North West Mull community as a whole. As such, community ownership of the Isle of Ulva resonates very clearly with the Scottish Government's strategic objective of using community ownership of land and assets to make *"stronger, more resilient, and independent communities which have an even greater stake in their development"*.

The Feasibility Study Report also indicates that community ownership of Ulva will contribute positively to addressing social welfare issues, particularly in relation to housing need and will help to safeguard vital local services, most critically the primary school at Ulva Ferry. Community ownership will serve as a vital catalyst for local economic development by stimulating business opportunities, especially but not exclusively in relation to tourism. Community ownership will also promote environmental sustainability through careful management of the island's extensive built and natural heritage.

Placing Ulva in community ownership therefore offers the prospect of adding considerable value – in economic, social and environmental terms - to current and future development initiatives in Ulva Ferry and elsewhere in North West Mull that will contribute to the common good of the entire community that NWMCWC serves.

NWMCWC has placed increasing the resident population of Ulva at the centre of its development proposals for the island. The Feasibility Study Report indicates that the focus on increasing population is crucial to enabling many of the anticipated benefits of community ownership outlined above to occur. The Report's analysis further indicates that there is scope for a significantly more ambitious increase in the resident population over the medium to longer term in support of these benefits than was originally proposed in NWMCWC's Community Right to Buy application.

This Business Plan's development proposals in relation to *Housing*, *Business Development*, *Land Management* and *Protecting and Promoting Ulva's Natural, Cultural and Built Assets* are both viable and sustainable in the longer term within the context of an Integrated Development Strategy informed by the criteria discussed in section 7. Adopting a strategic approach to implementing these development proposals will therefore yield significant community benefits for Ulva under community ownership and for the wider North West Mull area as a whole.

## APPENDICES <sup>27</sup>

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<sup>27</sup> It should be noted that all calculations and estimates in the accompanying financial appendices have been prepared on the basis of information available when the Feasibility Study was conducted. They are based on the assumptions outlined in this Business Plan and are included to establish whether each identified project/business activity could help to contribute towards the financial sustainability of Ulva in the event of a community buy-out. Further detailed work will be required by NWMCWC and its future Ulva Development Manager on projections contained in the Business Plan. That will involve updating the figures to take account of any subsequent changes to the original assumptions and to factor in the impact of various sources of funding and actual capital costs.

## Appendix 1 - Base Case Financial Position for the Isle of Ulva Estate

Income information extracted from Sale Particulars					
Expenditure information provided by email by Bell Ingram (no supporting evidence provided)					
<b>Summary of annual income:</b>					
The Ferryhouse			3,780		
The Boathouse Restaurant			1,200		
3 Bracadale			4,410		
Garage @ Ulva Ferry			225		
Farm BPS			3,369		
Stalking			2,500		
Farmland premium			4,238		
Pier Users agreement			6,750		
PV renewables			2,000		
Fisherman's cottage			6,600		
<b>Total income</b>			<b>35,073</b>		
			<b>Current Estate</b>		<b>Assuming only</b>
			<b>Running Costs</b>		<b>Essential Costs</b>
Repairs	1	18,000		7,000	
Insurance		15,000		15,000	
Vehicle repairs, small tool etc	1	11,000		3,000	
Cyclical woodland maintainance		2,000		2,000	
Labour costs	2	40,000			
Unexplained costs	3	42,000			
Other costs (land management, legal etc)				10,000	
			128,000	37,000	
Additional costs anticipated in next year:					
Woodland maintainance		11,000		11,000	
<b>Total costs</b>			<b>139,000</b>	<b>48,000</b>	
<b>Net (deficit)/surplus</b>			<b>(103,927)</b>	<b>(12,927)</b>	

### NOTES

1. Buildings on Ulva require substantial renovation work.
2. The Estate does not appear to have any employees. The sum of £40,000 may possibly therefore relate to remuneration for the owner.
3. It may be that the landowner's housing costs and other non-commercial costs are included in the Estate's accounting records. If so, these may possibly be included in the sum of £42,000 of unexplained costs.

## Appendix 2 - Income Generation Potential and Asset Information Extracted from Sale Particulars

Property	Proposed Use	Category	Bedrooms Occupied Year round	Scenario 1			Scenario 2		
				Potential Income	Estimated Cap ex	Cap Ex	Potential Income	Estimated Cap ex	
Ulva House	Offer property for rent as a business initially, consider sale of property as back up plan and to possibly release funds for development of other projects	Business	2	9,000			9,000		
Ardalum House **	Offer property for rent as a business	Business	1	2,000		Year1	12,904	50,000	
Land at Ardalum House	Develop site as a campsite facility	Business	0	2,000		Year1	6,295	20,000	
The Boathouse Restaurant	Longer term tenancy	Business	0	1,200		Year2	3,600	30,000	
Fisherman's Cottage	Self catering business	Business	0	6,600		Year1	9,460	30,000	
Cracraig Bothy	Self catering business	Business	0	2,000	25,000	Year4	2,000	25,000	
Bernais Cottage	Self catering business	Business	0	2,000	25,000	Year5	2,000	25,000	
Ulva Manse	House rental (£500 pcm)	Residential	3	6,000	75,000	Year3	6,000	75,000	
The Ferryhouse	Provide secured tenancy (£450 pcm)	Residential	2	5,400	75,000	Year2	5,400	75,000	
1 Bracadale	Renovation of cottages for occupation (£400 pcm each)	Residential	1	4,800	200,000	Year5	4,800	200,000	
2 Bracadale	Renovation of cottages for occupation (£450 pcm each)	Residential	2	5,400	200,000	Year5	5,400	200,000	
3 Bracadale	Provide secured tenancy (£450 pcm)	Residential	3	5,400	75,000	Year3	5,400	75,000	
Sheila's Cottage	Interpretative Centre		0		2,500	Year2	1,000	10,000	
Former coachhouse	Hill Steading - previous consent for Bunkhouse (expired) - consider longer term redevelopment								
			<b>14</b>	<b>51,800</b>	<b>677,500</b>		<b>73,259</b>	<b>815,000</b>	
	<b>No of full time residents on island assuming 1.5 people per bedroom</b>		<b>21</b>						

\*\* Ardalum House is considered in these projections as part of the Isle of Ulva but as Ardalum House has different ownership to the Isle of Ulva, it is subject to a separate Community Right to Buy application.

### Appendix 3 - Isle of Ulva Fisherman's Cottage Holiday Letting

Current scenario - assume 26 weeks let @ £450 per week			
Renovation scenario - assume 30 weeks let @ £600 per week			
		Current	Renovation
<b>Income</b>		11,700	18,000
Cleaning costs (£50 per week)		1,300	1,500
Heat & light		1,300	1,500
Repairs		1,500	1,500
Advertising		600	1,000
Insurance (Estate policy)			
Subscriptions		400	400
Loan interest			2,640
<b>Expenses</b>		5,100	8,540
<b>Net profit</b>		<b>6,600</b>	<b>9,460</b>

## Appendix 4 - Isle of Ulva Hostel Accommodation

Ardalum House would be suited to the operation of a Hostel. The figures below are an illustration of the potential operation of the hostel.

<b>Assumptions:</b>									
1 Average rate per person per night is £15									
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, with adjustment for summer period in Ulva									
4 Cleaning wage costs are based on 1 person working 2 hour per day									
5 It is assumed that the business will operate seasonally from April to October each year									
	Income	26,356							
	Cleaning wages	4,002							
	Rent	1,200							
	Insurance	1,200							
	H&L	2,400							
	Telephone	500							
	Advertising	500							
	Repairs & renewals	2,400							
	Cleaning	250							
	Sundry	500							
	Bank charges	500							
		13,452							
	<b>Net income</b>	<b>12,904</b>							

## Appendix 5 - Isle of Ulva Campsite

The area of ground in front of Ardalum House would be suited to the operation of a campsite. The intention is to offer the opportunity to operate a campsite to the tenant of Ardalum House. The figures below are an illustration of the potential operation of a campsite.

<b>Assumptions:</b>									
1	Average rate per pitch per night is £15								
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	Clearing wage costs are based on 2 hour per day required for the toilet/shower/laundry block								
5	An attendant would be employed for 4 hours per day during the summer season to supervise the campsite and deal with maintenance issues.								
6	It is assumed that the business will operate seasonally from April to October each year								
	Income	20,797							
	Attendant	8,004							
	Cleaning wages	4,002							
	Rent	2,000							
	Rates	1,200							
	Insurance	400							
	H&L	2,800							
	Telephone	500							
	Advertising	500							
	Repairs & renewals	1,500							
	Cleaning	500							
	Sundry	500							
	Bank charges	600							
		14,502							
		6,295							

## Appendix 6 - Isle of Ulva Pod Accommodation

<b>Assumptions:</b>					
1	Average rate per unit per night is £35				
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				
		<b>Annual</b>			
		<b>(1 pod)</b>			
	Income	3,235			
		-			
	Cleaning wages	864			
	Rates	-			
	Insurance	200			
	H&L	240			
	Telephone	-			
	Advertising	240			
	Repairs & renewals	240			
	Cleaning	60			
	Sundry	240			
	Bank charges	200			
		2,284			
	<b>Net profit</b>	<b>951</b>			

## Appendix 7 - Isle of Ulva Pre-Buyout Costs

	Notes			
<b>Pre-Buyout Costs</b>		<b>£</b>		
Visit to other Buy-out Estates - directors	1	1,500		
Mentoring - travel & subsistence	2	2,500		
Manager/Administrator - wage & related costs	3	16,500		
Manager/Administrator - travel & subsistence	3	3,000		
Governance/Director training	4	1,000		
<b>Total costs</b>		<b>24,500</b>		
1	Travel costs for directors to visit other comparable community buy-out estates to learn from the experience of other community buy-outs			
2	A system of mentoring is planned from others who have experienced pre and post buyout Estate management.			
3	A paid post will be implemented pre-buyout for a period of up to 6 months. Salary of up to £30,000 per annum pro-rata.			
4	Director training and development is planned which will be open to members of the community to join to potentially encourage new directors to join.			

## Appendix 8 - Isle of Ulva Development Costs

Funding will be sought to establish a development post in order to bring the Isle of Ulva'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.

	Notes	Year 1	Year 2
Development Manager	1	33,000	16,500
Admin Support	2	10,000	5,000
Surveys and design work on housing		30,000	
Feasibility study into new housing		20,000	
Feasibility study into new business units			10,000
Land use study on island		15,000	5,000
Legal fees		5,000	5,000
Marketing support		7,500	7,500
		<b>120,500</b>	<b>49,000</b>
<p>1 Development manager 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.</p>			

## Appendix 9 - Overall projections for Isle of Ulva Buyout - Cashflow forecast

	Pre-Buyout	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Income</b>	Notes					
<b>Rental income:</b>	2					
Ulva House		9,000	9,000	9,000	9,000	9,000
The Boathouse Restaurant		2,400	2,400	3,600	3,600	3,600
Craic Bothy		2,000	2,000	2,000	2,000	2,000
Bernais Cottage		2,000	2,000	2,000	2,000	2,000
Ulva Manse			-		6,000	6,000
The Ferryhouse		3,780	3,780	3,780	3,780	5,400
1 Bracadale			-	4,800	4,800	4,800
2 Bracadale				5,400	5,400	5,400
3 Bracadale		4,410	4,410	4,410	4,410	5,400
Fisherman's Cottage		6,600	9,460	9,460	9,460	9,460
<b>Other income:</b>	2					
Garage @ Ulva Ferry		225	225	225	225	225
Stalking		2,500	2,500	2,500	2,500	2,500
Pier Users agreement		6,750	6,750	6,750	6,750	6,750
PV renewables		2,000	2,000	2,000	2,000	2,000
Land rental (farm/crofts)	3	3,000	3,000	3,000	3,000	3,000
<b>New sources of income:</b>						
Ardalum House	4	12,904	14,194	15,614	16,394	19,673
Campsite	4	6,295	6,924	7,617	7,998	8,398
Glamping pods - profit	5		951	1,902	1,997	2,097
Sheila's Cottage	6			1,000	1,000	1,000
Business units	7					4,800
Sale of house plot	8			10,000		
Development grant	9	24,500	118,000	51,500	10,000	10,000
<b>Total income</b>		<b>24,500</b>	<b>181,864</b>	<b>121,094</b>	<b>105,057</b>	<b>102,314</b>
<b>Expenses</b>						
Administration	a	10,000	10,000	10,300	10,609	10,927
Development Manager	d	33,000	16,500	17,325	18,191	19,101
Development operating budget	e	77,500	27,500	-	-	-
Training - directors & staff	f	7,500	7,500	-	-	-
Office running costs	g	4,000	4,120	4,244	4,371	4,502
Insurance	h	9,700	9,991	10,291	10,599	10,917
Repairs	i	7,000	7,000	7,000	7,000	7,000
Woodland maintenance	i	13,000	2,000	2,000	2,000	2,000
Other costs	j	2,000	2,000	2,000	2,000	2,000
Property maintenance fund	k	6,038	6,610	8,890	10,090	10,612
Loan repayments	l	1,760	7,040	12,320	18,920	26,400
Boat replacement fund	m	3,000	3,000	3,000	3,000	3,000
Office equipment	n	1,000				
Pre-Buyout costs	o	24,500				
<b>Total expenditure</b>		<b>24,500</b>	<b>175,498</b>	<b>103,261</b>	<b>77,369</b>	<b>86,781</b>
<b>Net cashflow position</b>		<b>-</b>	<b>6,366</b>	<b>17,833</b>	<b>27,688</b>	<b>17,043</b>

**Appendix 9 - Overall projections for Isle of Ulva Buyout - Cashflow forecast (cont.)**

		<b>Pre-Buyout</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Year 4</b>	<b>Year 5</b>
<b>Capital expenditure:</b>							
Housing				75,000	150,000		200,000
Business Development			50,000	40,000		300,000	25,000
			<b>50,000</b>	<b>115,000</b>	<b>150,000</b>	<b>300,000</b>	<b>225,000</b>
<b>Funded by:</b>							
Housing grant				45,000	90,000		140,000
Other grant				10,000		225,000	
Own funds			30,000				
Housing loan				30,000	60,000		60,000
Business loan			20,000	30,000	-	75,000	25,000
			<b>50,000</b>	<b>115,000</b>	<b>150,000</b>	<b>300,000</b>	<b>225,000</b>

## Appendix 9 - Overall projections for Isle of Ulva Buyout - Cashflow forecast assumptions (cont.)

	<b>Assumptions:</b>								
1	The Estate business is assumed to not be VAT registered for the purposes of these projections. NWMCWC can decide at a later point if VAT registration is required for this operation depending on the development options to be taken forward.								
	<b>Income</b>								
2	Income projections are based around renting properties to third parties. They represent relatively low estimates of potential income. Higher rent levels could be charged, but a lower rent figure make allowance for properties potentially being empty for short periods of time. The figures are conservative to ensure that the feasibility study considers the basic level of work required to operate at least at 'break even' position. Over the first 5 years some properties will be renovated, thereby increasing income once renovations are completed. The figures here illustrate the campsite and hostel being run 'in-house' with a development manager working part time on development initiatives for Ulva and also overseeing the hostel and campsite. Projections demonstrate that this would be more profitable than the rental model in relation to the campsite and hostel.								
3	Assume that farm/crofts will be offered for rent but at a low level with the incoming tenant undertaking all development work and benefiting from any subsidy income.								
4	See separate projections prepared for hostel and campsite operations.								
5	It is assumed that one pod will be installed initially, with a second installation in the subsequent year. Any further pod installations would be dependent upon the success and impact of the first 2 units.								
6	Some basic work is projected to provide an upgraded visitor information facility at the Interpretative Centre based within Sheila's Cottage. It is expected that this will generate increased donation income for future development of Sheila's Cottage and the Isle of Ulva in general.								
7	Creation of business units with assumption that 3 of the 4 will be let and generating rental income by year 5.								
8	Assume sale of house plot for self-build approximately every 3 years.								
9	Development grant to cover development costs. Initially expected to be funded 100% from SLF with part funding then sought from HIE or other funding sources available.								
	<b>Wages costs</b>								
a	Administrator post will be created in the year 2 to help with the administration of development projects. Administrator will be employed on a part-time basis (14 hours a week at approximately £10 per hour).								
b	For the purposes of these projections, a 10% provision of salary has been included for National Insurance and pension.								
c	Annual inflationary salary increases of approx. 3% assumed in these projections.								
	<b>Other costs</b>								
d	Development Manager post assumed to be full-time for a period of 18 months with salary of £30,000, and then part-time thereafter.								
e	An operational budget will be required for the development staff to use.								
f	Director training and development is planned which will be open to members of the community to participate.								
g	Office running costs include insurance, heat & light, telephone, maintenance.								
h	An insurance quote has been obtained for the Isle of Ulva Estate of £9,700. However, the insurers have indicated that this premium may increase significantly if the buildings are not maintained to a good standard and occupied.								
i	This level of repairs is based upon maintaining the Estate assets in good condition but a cyclical maintenance schedule will be required to ensure that a rolling maintenance programme is established and followed.								
j	Provision for other costs that may arise such as accountancy, legal, land management etc.								
k	It is planned to set aside up to 20% of all rental income in a separate property maintenance fund to be able to fund future maintenance costs for the properties.								
l	Loan funding will be necessary alongside grant funding to finance the capital expenditure required on Ulva. The projections assume 15 year loans and include repayment of capital and interest.								
m	It will be necessary to replace the ferry in the future. Therefore a replacement fund should be established to set aside finance for this purpose.								
n	It is expected that IT equipment (for example, a laptop) will be required for the Development Officer for the Isle of Ulva.								
o	See separate projections prepared for pre-buyout costs.								

## **Appendix 10 – Potential Additional Business Development Opportunities**

Additional development opportunities were either suggested by community members at public meetings in Ulva Ferry and Dervaig or subsequently arose during the Feasibility Study process. These opportunities may be investigated further under community ownership of Ulva. They include:

- Developing Bed & Breakfast accommodation.
- Establishing a pony trekking facility.
- Developing mountain bike tracks.
- Developing new water sports businesses centring on sailing, kayaking and rowing
- Developing potential new tourism niches focusing on climbing and bothies.
- Developing Ulva House as a conference centre/team building centre.
- Investigating scope for marine business development, for example via oyster/mussel, seaweed farming.
- Establishing a boatyard.
- Establishing a recording studio/space.
- Pursuing 'Dark Skies' status for Ulva.
- Establishing a coastal water taxi service.
- Introducing electric vehicles to Ulva.