

BUSINESS PLAN

For

THE OLD FORGE CBS Steering Group



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DRAFT

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1. Introduction

The purpose of this business plan is to support the The Old Forge Community Benefit Society Ltd steering group to purchase the Old Forge Pub in Inverie, Knoydart. The business plan arises from a feasibility study which explored the potential for a community purchase of the Old Forge. The business plan should therefore be considered in conjunction with the feasibility study.

The Old Forge is a public house and restaurant which historically served the needs of the community and visitors to the remote Knoydart peninsula. A wide range of food and drink was served to cater for the needs of its diverse clientele ranging from local families to yachtsmen, to hillwalkers to day trippers from Mallaig. To the local community it was much more than a pub; it was a social centre where news was shared, disagreements resolved, and community bonds strengthened. It was also a place where people from the remotest mainland community in the UK could meet with people from all over the world, thereby preventing physical isolation from becoming social isolation.

- Following a change of ownership in 2012 the Old Forge changed to becoming a more narrowly focussed business aiming at the fine dining market. It operates for fewer hours and fewer days in the summer and closes for the winter. Locals no longer feel welcome and do not find the offer appropriate for their needs. There has been a falling away in visitor numbers which has affected the wider local economy. The pub was placed on the market in spring 2021 creating further uncertainty for the local community and the risk that it could be bought and turned into a private residence or holiday let and has been advertised as both a business and 'potentially suitable for conversion into an extensive family home'.

All of these changes have led to the community to want to purchase and operate the business to a model that will create more social and economic opportunity locally.

The group's vision is:

"A vibrant and environmentally conscious community-owned pub, welcoming to all and investing in the regeneration and stability of Knoydart."

This business plan arises from a feasibility study that was commissioned to enable the group to achieve its vision and to attain its aims for the Old Forge which are:

- Create a friendly and inclusive social hub that is welcoming to all residents and visitors
- Create an environmentally conscious business model that takes direct action to tackle climate change
- Offer year-round employment
- Offer training and career development opportunities
- Actively collaborate with local businesses and organisations to offer complementary services to the community and visitors
- Operate a sustainable, robust business that invests profits back into the community,
- Concerted effort to support local producers, in turn improving the circular economy

2. The Old Forge

The Old Forge is a traditional stone building with an external render and slate roof. Additional extensions have been added to the side and rear of the original building with monopitch profile metal sheeting roofs. It has a floor area of approximately 220m². The accommodation comprises Bar Restaurant Area, Cellar, Ladies/Gents/Disabled WC, Shower, Hallway, Kitchen, Store x 3, Boiler Room, Office, Owner's Cottage, Owner's Bathroom, Hallway 2.

There is a timber structured staff accommodation unit to the rear of 28m². It comprises an entrance vestibule, shower room, WC, and 2 bedrooms. There are also 4 sheds/storage units on the feu with a combined floor area of approximately 37m². (Full details are available in the Valuation Report).

In addition to the land on the north side of the public road on which the property sits there is a strip of land on the south side of the road used for some outdoor seating. Vehicular parking by visitors to the property is on the Highland Council adopted road outside the property.

The Structural Survey prepared by Allied Surveyors noted that the property is in a sound structural condition although there is a need for some significant repairs including rewiring and replacing the monopitch roofs.

Prior to 2012 the property was operated as a pub restaurant catering to a wide range of visitors. Opening at 12 noon it served lunches to many day visitors coming from Mallaig as well as visitors staying in Knoydart and walkers and yachtsmen passing through. It continued to serve meals until late at night and given the remote nature of the location would endeavour to provide a meal to even the latest of arrivals.

Following its sale to a new owner in late 2012 the pub has gone more upmarket to a Gastro pub format, narrowing its market. The pub now opens at 3pm¹ and has a much narrower and more expensive menu. There is no longer an ethos of serving all and the quality of service has attracted a lot of negative comment on Trip Advisor². Many of the entries comment on the rudeness of the proprietor.

In May 2019 the pub and peninsula received a lot of press interest³ when locals set up a rival 'table' near to the Old Forge where they could socialise following some of them being banned from the building by its owner.

¹ The website states opening is from 11.30am which is contrary to all reports from local interviewees. This is not good business practice.

² [THE OLD FORGE, Knoydart - Updated 2021 Restaurant Reviews, Menu & Prices - Tripadvisor](#)

³ [Remotest pub in Scotland now has a rival as local hostilities erupt \(pressandjournal.co.uk\)](#)

3. Background and Development Context

Knoydart is a remote part of the Scottish mainland which is accessible only by passenger ferry from Mallaig or by walking in from Kinlochourn (1 day) or Glenfinnan (2-3 days). The community of approximately 100 people lives mainly in and around Inverie but there is a single-track road that connects to Airor, 6 miles away.

The economy is mainly based on tourism but there is also employment in land management activities such as stalking and forestry. There are a number of holiday lets, B&B providers and a campsite. The peninsula is attractive to people who want a holiday in a remote location and is a particular draw to hillwalkers looking to cover the Munros in the area or to walk the Cape Wrath trail, the most challenging long-distance route in Scotland.

Knoydart plays a significant part in the history of land reform in Scotland. In the mid 1800's more than 1000 people lived in the area but this declined until the 1990's. In 1948 seven men, desperate for land on which to make a living, conducted a land raid and staked out crofts on the estate. Ultimately their action was unsuccessful and over subsequent decades the population continued to decline as the estate declined and parts of it were sold off. In 1997 the Knoydart Foundation was formed and successfully purchased the remnants of the original estate in 1999 when the population had fallen to just over 70, and the private hydro scheme that provided local power was near to failing.

The assets of the community are now managed through the Knoydart Foundation, Knoydart Forest Trust, Knoydart Renewables and Knoydart Trading. The benefits flowing from community ownership and management have been significant: the hydro scheme has been revitalised; houses have been repaired; new houses built; the forest managed; invasive rhododendrons eradicated; and the population increased to c. 110-120 people.

4. Community & Stakeholder Consultations

The development of this report has been informed by an extensive programme of community engagement which was initiated by the group prior to appointing consultants and continued through the study process. An initial community consultation arranged to gauge interest in a potential community purchase produced an “overwhelming”⁴ mandate to form a steering group tasked with taking forward a community buyout. The group secured 26 letters of support from local businesses and organisations which were shared with the consultants on appointment. A community consultation event was held via Zoom and one to one interviews were carried out with selected steering group members and local business owners to get a broader and deeper understanding of the issues that were important to the local community and which community ownership could address.

The key elements researched by the consultancy team are each considered in turn.

Community Consultations

An initial community consultation event open to all community members was held via Zoom on 22nd April 2021 and was attended by 35-40 individuals. The consultants gave a short presentation covering examples of other community owned pubs and shops prior to the meeting being divided into 3 breakout rooms for discussion on the potential opportunities and challenges of community ownership of the Old Forge. The discussions were wide ranging but were based on several key themes:

- The Food and Drink offering
- Activities and ambience within the building
- Drawbacks of the building
- The use of the outdoor space

Food and Drink Offering

Community members were clear that a priority was to have a wider range of food on the menu to cater for a variety of tastes and budgets from wealthy ‘Yachties’ seeking high end seafood to local families wanting typical bar food, including chips. The current menu was considered to be very restrictive and too expensive. One person commented that they had been visiting for several years before buying a house and that the menu had not changed in that time. People want to see “good pub grub” and “local, honest food”. There was strong support for a menu based on local produce with venison and seafood being specifically mentioned. In two of the group’s requests were made for vegetarian/vegan options and one also noted the need for options for those with dietary issues e.g. coeliac disease. It was also suggested that the menu could be environmentally conscious with “good food miles” i.e. short transport distances involved.

Activities and Ambience

It was suggested that the ambience would be further improved by comfortable seating and a “roaring fire in the winter”. There was a desire that the pub should be opened throughout the winter. One group suggested the existing wood burner needed to be replaced by a better one. Theme nights and music sessions were also proposed.

⁴ Quote from the project brief

One group had a discussion on the need for family friendly eating with a desire that customers would not have to walk through the crowd at the bar to get to the restaurant, especially if they were with children.

It was suggested that the pool table might be better in another location, perhaps in the 'Cottage' room as a type of snug, giving a typical public bar experience. It was noted that it is not a problem at the moment because the pub is not busy.

Drawbacks of and aspirations for the building

The **front entrance** needs consideration. The high steps were thought not to be safe with the risk of tripping and falling onto the road. It was noted that cars tend to park on the seaward side of the road leaving only 1-2ft between the steps and passing vehicles. Concerns were expressed about the dangers of children running out from between the parked cars and being hit by a moving vehicle.

The **bar area** attracted a number of comments that it was too narrow and short and the current layout created a bottleneck at the front door. People are met with a door as soon as they enter the building and then have to squeeze past the bar and pool table to get to the restaurant. It was considered to be not very welcoming to families.

One group discussed whether the '**cottage**' could be repurposed, perhaps by becoming a further bar. It was suggested it could be used as a smaller bar in winter to save on heating a larger space. It was wondered whether a serving hatch could be installed from the existing bar if the cellar was removed.

The **toilets** were considered to be in very poor condition and unhygienic and should therefore be treated as a top priority for improvement. Any replacement facilities should be robust to withstand the very heavy use they were likely to experience. Baby changing and a disabled toilet up to modern standards would be required. One person suggested in their group, and another in the later open discussion that gender neutral toilets should be considered.

The **cellar** was considered to be too small and not fit for purpose. Questions were raised about its safety, being positioned close to the front door.

It was noted that the **septic tank** had been having problems for a few years with descriptions given of the current owner's technique for addressing blockages. The **ventilation** was also considered inadequate.

It was noted that there is a need for **office space** and **staff accommodation**. It was stated that accommodation would be essential if the community wants to raise staff levels and run the pub properly. This would not have to be on-site and could be in a joint venture with other community organisations.

Use of Outdoor Space

It was noted that outside eating due to COVID-19 restrictions may have to continue for a while. It was suggested that a roofed, windproof structure may increase this potential, although the downside would be exposure to midges and spoiling the view from the windows. It was suggested that the grass strip on the seaward side of the road could be useful for exterior dining but that titles would need to be checked.

One group wondered whether 'The Table'⁵ could be incorporated at the front of the building.

⁵ See page 15

It was pointed out that there is a lot of space to the rear of the building and that a culvert over the burn could open up other opportunities for accommodation and social space. It was suggested that the area to the rear of the pub is “in a state and needs sorted”. One suggestion was to remove the caravan from this area.

Group Discussion

The meeting ended with a group discussion where various questions were raised and discussed. Some thought that a tenanted model of operation should be considered as opposed to the community overseeing a manager and staff. Other issues included the need for till security and how profits might be split under various models.

Letters of Support

An analysis of the 26 letters of support for a potential purchase identified a useful range of themes that informed the one to one calls that were to follow. The issues raised in the letters highlighted important key themes which were:

- 16 identified social benefits arising from community ownership
- 11 considered that community ownership would boost the local economy
- 6 businesses saw the Old Forge as a potential outlet for their own goods and services
- 6 mentioned year-round opening

Other identified community ownership of the Old Forge as a means of:

- increasing tourism to the whole peninsula
- increasing direct and indirect employment
- providing a more varied food and drink offering
- providing shelter to visitors
- encouraging musicianship and entertainment
- promoting collaboration between businesses

It is striking that a number of businesses that in other communities might be considered as competitors submitted letters of support recognising that a successful Old Forge would bring more visitors to enhance their own business opportunities as well.

Comments included:

“...return the pub to its central role”

“Historically, the Old Forge has served as a catalyst for other Knoydart businesses.”

“ [The Old Forge] could be sold with an intention of a change of usage and turned into either a private residence or a holiday home, which would be extremely detrimental to the whole economy of Knoydart.”

“...exciting to have a food business to work along side and cooperate with...”

“I have a guest house business which has been hugely impacted with reduced numbers visiting to constant pub closures and negative press from the pub as it is run today”

“On many occasions we arrived with guests to visit the Old Forge to see it was closed. This looks bad for our small business and for Knoydart.”

“The Old Forge has a USP – ‘Remotest Pub in Mainland Britain’.”

“If there were several pubs, then visitors could choose to visit the best one, but because of its small size, there is only a market for one on Knoydart. So, there must be one pub, and it has to be good. There can be no risk that it is otherwise, or that individuals are excluded at the whim of a landlord.”

These comments highlight the dissatisfaction that there is locally with the way that pub is being run, and its perceived impact, not only on the business itself, but on other businesses and the wider community.

One to One Consultations

Interviews were held with steering group members and business owners in order to develop a deeper understanding of the historical impact of the Old Forge, the impact of it under current ownership and to identify potential opportunities under community ownership. A total of 9 interviews were conducted with a former owner and former manager of the business, owners of three food and drink businesses, previous and current ferry businesses, a restaurant with rooms and the Knoydart Foundation.

Business Approach

Interviewees were unanimous in stating that the Old Forge had declined significantly as a business under current ownership. The owners prior to 2012 opened the doors at noon and would carry on serving food until as late as 10.30pm for stragglers coming off the hill. Anyone who came looking for food would be served, no matter how late they arrived. The business employed 12-15 staff including those who job shared with other local businesses.

Under the current owner the doors do not open until 3pm, the menu is more restricted and is aimed at a fine dining experience. The pub does not open at all on Wednesdays. It now also closes over winter. Employment is now a maximum of 4 at the start of the season and declines to the owner and chef later on in the season. People reported strongly varying experiences from the proprietor. One business owner said that the proprietor had only ever been extremely friendly to him but had been abusive towards a friend who was visiting him and gone out for a meal. An accommodation provider had guests reporting back very bad experiences while others reported very good ones.

Economic Impacts

The former ferry service operator reported that he ran the normal ferry from Mallaig at 1030 but then 1130 and 1230 runs as well to take over visitors going for a day trip to Knoydart and lunch in the Old Forge. The owner of Arisaig House used to book a special boat to take all her clients over for the day. This business was all lost with the move to 3pm opening.

Another interviewee recalled how the paddle steamer Waverley used to call each May with 2-3 sailings. Under the prior owners four hundred people would arrive and the staff would literally have drinks lined up for them. The new owner said that they were not his type of clientele and refused to open.

The reduction in day trippers has had a negative impact upon other businesses as well. The Knoydart Tearoom opened in 2008 and did very well for a number of years. They would need to employ 4 people on a Monday morning to provide bacon rolls and coffee for people leaving after staying for the weekend in Knoydart. That is no longer the case. Business turnover has fallen by a significant sum since 2012 with the big reduction in visitor numbers.

The Knoydart Foundation used to supply 1.5 deer carcasses a week (1/3 of their production) to the Old Forge but this has dwindled. Other business owners stated that the current owner of the Old Forge was not favourably disposed to buying from local suppliers.

Accommodation providers have struggled as demand for B&B provision has fallen due to bad experiences being reported on social media and with limited options elsewhere for evening meals. One provider felt compelled to invest a large sum in their business to provide evening meals in order to protect the core business.

Economic Opportunities of Community Ownership

Nobody reported a fear of competition from the Old Forge if it came into community ownership. This accords with the information previously noted in the letters of support. On the contrary interviewees anticipated that a return to a more expansive business model under community ownership would offer new opportunities for all as the market would be greatly increased with a large increase in visitor numbers. One interviewee said the Old Forge “provides a shop window to Knoydart”.

Several businesses could see benefit in working with the Old Forge to increase their turnover and collectively market the Knoydart brand. The Knoydart Foundation recently upgraded their larder to a game dealer facility and are about to employ a butcher and open an online shop. They could supply venison in carcase form and as burgers and sausages. There would be an expectation of follow-on sales after people had eaten their produce in the Old Forge. This could apply to other businesses as well. Recent start-up Coffee Knoydart would be happy to provide its locally roasted coffee beans to the pub. Knoydart Brewery similarly could provide barrels of beer. Prior to COVID it had been negotiating to sell through a pub in Fort William but was reluctant to try locally because the management of casks by the current owner left much to be desired.

Social Impacts of Current Ownership

“The pub was always more than a pub.”

Interviewees were unanimous that there had been a major loss of social opportunity and community wellbeing as a result of the change in management style. One noted that her father loved to go 5 times a week and tell of folk he met and had conversations with. The visitors loved the interaction and would send postcards to him at “his” seat in the Old Forge. If someone died it would be the place where the community went to grieve together. If a baby was born it would be brought into the pub to meet the community as a first stop after the ferry arrived on return from the hospital.

Another interviewee noted that it was the place where problems were discussed and resolved. Now the building is shut for 6 months of the year and *“the heart has been torn out of the community”*.

As a community owned estate Knoydart has lots of meetings. People would meet in the hall then retire to the pub where issues arising from the meeting could be clarified and problems addressed and solved there and then. The social atmosphere of the pub would provide opportunities to pick one another’s brains and for folk who did not have the confidence to speak in the formal meeting to become involved in discussion. This no longer occurs.

Some interviewees commented on the negative reports on social media regarding the running of the Old Forge and the feeling that this reflected badly on the whole community. The Knoydart

Foundation noted that visitors do not know that the Old Forge is *not* owned by the community and therefore there is the risk of guilt by association.

2nd Community Consultation

A second event to report on the findings of the study was held on Tuesday 15th June via Zoom. Approximately 25 local people attended the meeting. The team reported their findings that there was broad community support for a purchase and that there was the potential for a viable business which would have significant positive impacts on the local economy. Potential alterations to the building were highlighted and the need to provide long-term accommodation for workers was emphasised.

Questions were asked regarding the financial model and staffing requirements of the business. The former owner commented on the assumption in the model that the pub would only be open 3 days per week in the winter months. He considered that seasons did not really exist previously as people would visit all year round and gave examples of people turning up on Christmas Day (the one day that the pub was normally shut) and of 35 musicians turning up another winter's day because of the reputation for live music. He stressed that this should be an important part of the pub under community ownership. The team noted that the model was deliberately cautious in its assumptions and that the community could well outperform its expectations, in which case the pub could be open for longer each week. However, it was also pointed out that self-employed people often worked hours much longer than the working time directive allows, which would not be an option open to a community employer. Others supported the aspiration for the pub being open daily if financial circumstances allowed.

5. The Old Forge, Knoydart Economy & Knoydart Society

The views of local residents and businesses expressed in Section 3 raise important questions about the place of the Old Forge in the local economy and its influence upon local society. Can a single business really have such an impact that the whole of the wider economy depends upon it? Can it also have such a social impact that when it is run in a much more restricted manner that a previously growing community becomes a declining one? These questions are explored in more detail in this section.

The question of whether one business occupying a tiny area of land can have a severe negative impact upon a whole peninsula significantly owned by the local community is an intriguing one. The Scottish Land Commission published a report⁶ in 2019 that considered the potential for negative impacts upon local communities where one large landowner owned most of the land in the area. In this case there is one large landowner, but it is the community landowner the Knoydart Foundation and not the owner of the Old Forge. Therefore, in theory, the risks associated with the SLC report do not apply.

In the case of the Old Forge and the local community however there are some important features to consider. Developable land in Inverie has historically been at a premium. The Foundation owns a large area of land but most of it is in areas that are not suitable for construction development. The Old Forge on the other hand occupies a prime location close to the old pier and by the only road through the village. As the established pub/restaurant in a small community and with the entry costs for competitors high, there is not so much pressure on the business owner to provide a high-quality service to prevent other start-ups. A potential competitor would struggle to find a similarly visible location. Those wishing to start up a new business in remote areas of the Highlands & Islands can seek support from Highlands & Islands Enterprise. However, HIE has to take concerns of displacement into account and therefore would be unlikely to support a competing business. The combination of lack of alternative suitable sites, high entry costs and lack of public support would therefore effectively block the risk of competition.

Visitor Numbers

In trying to understand the impact of the current management approach of the Old Forge visitor numbers can be used as a measure of how well the Knoydart peninsula is faring in comparison to other parts of Scotland. Highland Council data for the Knoydart Seabridge is only available from 2014 so the following comparison is therefore limited to this period.

The number of domestic and international overnight visits spent in the Highlands rose by 35.7%⁷ from 2014-19, boosted by a large rise in the Staycation market in 2019. Over the same period numbers using the Mallaig Armadale ferry rose by 27.6%. In comparison user numbers on the Mallaig-Inverie ferry declined by 14% (Table 1).

⁶ Glenn, S., MacKessack-Leitch, J., Pollard, K., Glass, J., and McMorran, R., (2019), Investigation into the Issues Associated with Large scale and Concentrated Landownership in Scotland, Scottish Land Commission.

⁷ Sources: Office for National Statistics International Passenger Survey (IPS), and The Great British Tourism Survey (GBTS) quoted in Insight Department: Highland Factsheet 2019, VisitScotland, December 2020

Table 1: Comparative Visitor Numbers

	2014	2015	2016	2017	2018	2019	Change
Mallaig-Knoydart	30,260	30,142	27,916	27,985	26,335	26,026	-14.0%
	239,45	247,61	250,76	285,48	283,41	305,43	
Mallaig-Armadale (Passenger numbers)	3	3	4	3	8	9	27.6%
Highland Visitor Overnight Stays (000s)	2,143	2,246	2,089	2,273	2,228	2,907	35.7%

It is difficult to attribute the underperformance of the Knoydart peninsula relative to the rest of the Highlands by excluding the Old Forge as a principal driver. It is the main provider of meals and alcohol on the peninsula and (was historically) the largest employer. Furthermore, it is the main port of call for day trippers and a combination of bad reviews on tripadvisor and discontinuation of lunch provision would be the best explanation for the recorded poor performance of ferry numbers in comparison to ferry and visitor numbers elsewhere in the Highlands.

Economic Impacts

Under previous ownership the business employed 6-7 fte in addition to the 2 owners taking a living from the business. In the context of Knoydart that was 8-10 jobs from a population of 120. Allowing for 1/3 of the population either being under 16 or over 65 this would be indicative of 1 in 8 to 1 in 10 jobs being reliant upon a single business. Noting that a total of 12-15 were employed in the business up to 1 in 6 people on the peninsula (during the summer season) depended for at least part of their income upon the Old Forge. The decline in this from 2014 will have removed a significant portion of the employment potential on the peninsula. As a remote location with limited job prospects and low paid jobs the loss of the supplementary income to whatever other earnings people had would have had a significant impact upon the economic opportunities of specific individuals and families.

It is possible to make a rough estimate of the economic impact of the reduced nature of this business without having access to published accounts. A rough rule of thumb for estimating turnover in a catering business is to multiply the wages attributable to the employment provided by a factor of three. It is understood that the current business provides work for a maximum of 4 people (including the owner) for a period of 6 months from April to September. Applying industry standard wage rates to the roles and hours of labour we estimate that turnover of the current business is likely to be in the region of a maximum of £200,000/annum (and possibly significantly less). In Section 6 we outline a business turnover for a revitalised business of c. £515,000/annum. Assuming a population of 110 people that marks a loss of c.£3000/person/annum in output.

To place the figure of £3000 in context, the Gross Domestic Product (GDP) of Scotland is c. £166.8bn for a population of 5.46 million people, which equates to a GDP of £30,530/person. In practice the GDP of the Knoydart peninsula prior to considering any impacts of the Old Forge is likely to be significantly lower than £30, 530 per person due to the lack of high value manufacturing and financial services sectors for example. A value of £20,000/person would be a reasonable estimate and would be in line with the output of the Outer Hebrides for example. Looking at the spread between these two figures the underperformance of the Old Forge can be considered to be having an impact upon the local economy of -10% to -15%.

The level of decline is akin to the fall in UK GDP caused by the COVID-19 pandemic. However, it is important to note that this is the decline caused by the failure of a single business and does not take into account the negative impacts on associated businesses from reduced footfall. It is important to note also that, traumatic though the economic shock of COVID has been, this has been alleviated at

a UK level by massive government fiscal support. No equivalent support has been available to the Knoydart peninsula to cope with the unseen impact of the economic shock it has suffered.

Social Impacts

In remote communities without the normal entertainment options available to larger settlements the role of community interaction becomes all the more important. The very idea of community is strengthened and cemented by being able to meet in appropriate social settings. Typical places for these interactions are:

- Village halls
- Pubs
- Churches
- Public parks
- Sports facilities

In Knoydart, the latter 3 are not present so the first two are of greater importance. The change in the nature of the Old Forge has meant that the Old Forge no longer performs this function, leaving only the village hall. The nature of the hall itself and the limitations on the free time of local people (who already have significant voluntary commitments with the companies associated with the community owned estate) means that as an alternative venue it can only reasonably host occasional events. The hall itself is also handicapped to a degree over its previous operation in that a lot of visitors would come over on the ferry for events and eat at the Old Forge, which has been more problematic since 2014.

Individuals and families can partially offset this loss of an important social venue by socialising in one another's homes. However, this cannot replace the informality of a neutral venue and the chance encounter with others whom one would not normally visit in their homes. Meeting in homes will strengthen links between families, but not the bonds that glue communities together. Furthermore, as noted in Section 3 the remoteness of Knoydart was overcome by the opportunities for interaction with strangers from across the world. If the visitors stop coming, nothing that the local population do on the peninsula could replace this global engagement.

In this context it should not therefore be seen as surprising that members of the community would spontaneously create a 'table' at which they can have a drink and social banter and that very quickly this should be converted into a small shelter complete with decorations. This should not be seen as a comic outcome of a fallout between pub landlord and some locals (although even locals can laugh at the absurdity of the situation). Rather, in the context of Inverie it should be seen as the desperate actions of a community trying to recreate an arena for proper community social interaction.

There has been a significant recent drop in the local population that mirrors the decline in the business of the Old Forge. One member of the steering group calculated that 49 people have left the peninsula in recent years with only 28 moving in. She calculated that the population is now only 99, with only 3 children in the primary school. When asked whether the departures could be attributed to a normal pattern or social decline the response was "Definitely social decline".

It has been pointed out to the researchers that the Old Forge has historically played an important part in bringing new blood into the peninsula. People who came for a season were attracted to the place and decided to stay. In some cases, they would meet up, settle down, and start a family with local people. This important role has now largely been lost and is having a detrimental impact upon the stability of the local community.

Conclusion

The combined effects of the loss of employment opportunities and reduced social opportunities in a community where both of these were already limited can be considered as major contributory factors in encouraging people to leave the peninsula. If there are a lack of opportunities people can feel compelled to move elsewhere. For some even the loss of a part-time job could have been sufficient to make their lives in Knoydart untenable, particularly if they were also deprived of adequate social interaction. It is not unusual in island situations to report population losses of over 10% in a decade. However, it is distinctly unusual for this to be the case in Knoydart where the population had risen from 70 to 120 during the period of community ownership of the estate. It is more unusual when it is considered that tourism has been on a constant upward trend. For a tourism dependent economy, it could have been expected that at the least the economy and society would have remained reasonably stable. A full economic analysis is not possible as part of this study, but it is not unreasonable to state that the reduced turnover and employment offered by the Old Forge are at least key factors in the recent population decline.

6. Strategy for Business Redevelopment

In order to develop a successful and sustainable business a clear strategy is required to move the business from its current mode of operation to one which has a much greater turnover, provides much more employment and which contributes much more to the Knoydart economy. This section states the vision and aims of the community and details the actions that will be taken to achieve the aims and deliver the vision.

Existing & Historical Business Operation

The current owner of The Old Forge is running the business on a scaled back model to the way in which it was run by its previous owners who sold the business in 2012. Financial accounts were not provided by the current owner for the feasibility study, but the business is only open for approximately 6 months of the year and operates with a Chef, kitchen assistance and two waiting staff with the owner also assisting. These 5 posts amount to no more than 3 FTE staff. On the basis of this scale of operation, it is expected that the turnover is no more than £200,000 serving around 6,000 restaurant customers per year linked to the high price point for the food offering at The Old Forge.

Under these circumstances, the lack of financial data is not too much of a difficulty as at best they would simply confirm the above assessment. To provide a robust set of financial projections for the Knoydart community, it is therefore necessary to look at other successful bar and restaurant models which do work well in rural locations and serve the outdoor enthusiast market such as the Applecross Inn in Applecross and Sligachan Hotel on the Isle of Skye. The food offering at these locations is the sort of offering that would work well at The Old Forge.

The prior owners have been able to provide financial information on the operation of the business when it was in their ownership and the operating model was very different with significantly higher turnover and far higher customer numbers being served. At that time 12-15 employees were provided jobs equating to around 6-7 FTE. The food offering was a mix of fresh local produce, including seafood, but also a bar meal type offering to cater for more budget conscious travellers, and similar to the type of menus provided at the two establishments mentioned above.

Vision

The group's vision is:

"A vibrant and environmentally conscious community-owned pub, welcoming to all and investing in the regeneration and stability of Knoydart."

Aims

Underpinning this vision, the aims for the Old Forge are:

- Create a friendly and inclusive social hub that is welcoming to all residents and visitors
- Create an environmentally conscious business model that takes direct action to tackle climate change
- Offer year-round employment
- Offer training and career development opportunities

- Actively collaborate with local businesses and organisations to offer complementary services to the community and visitors
- Operate a sustainable, robust business that invests profits back into the community,
- Concerted effort to support local producers, in turn improving the circular economy

Each of these aims will be considered in turn:

I. Create a friendly and inclusive social hub that is welcoming to all residents and visitors

In some ways this is the least tangible of outcomes but in hospitality the atmosphere of a business is fundamental to its success. In the context of Knoydart it is also fundamental to the wellbeing of the community because the Old Forge was and will be “much more than a pub”. It is therefore important that this ethos is embedded from day one of community ownership.

This will be done by:

- welcoming all types of people and groups to the Old Forge
- providing a more diverse menu which caters to a wider range of taste and budgets
- providing live music on regular occasions
- working with the village hall to support one another’s activities

The individual in charge of the day-to-day operation of the business will be vital to its success. To avoid the risk of repeating the situation of having someone in place long-term who does not understand this need a manager will be employed in preference to renting the operation to a tenant.

II. Offer year-round employment

The provision of employment to local people in the Old Forge is an essential factor in providing sufficient income for some people to remain in the community. The community has an aspiration to see the Old Forge open all year round once again, although the initial plan (outlined further below) is to be open for only 3 days per week during the winter. If the business outperforms the cautious projections in the winter months opening hours will be extended. Even without continuous opening it will be possible to offer year-round employment through:

- Offering annualised contracts to specific employees e.g. chef which would involve working 47 hours/week in the summer and having a long winter break. This is becoming more common in hospitality businesses. It offers the employee the security of year-round income and the employer avoids having to rehire each year.
- Offering part-time posts to local people to complement other employment opportunities and work patterns they may have.

An important element of employment provision and bringing new people into the community will be to recruit seasonal labour from outside Knoydart. Historically people have come to work for a season and returned or stayed much longer. The Old Forge CBS Steering Group is under no illusion that recruitment is going to be more challenging in the post-Brexit era and notes that many tourism businesses are currently struggling to fill posts. However, the previous owners of the Old Forge found that there was a strong interest in working in Knoydart due to its cachet as being the only

mainland community that did not have road access. It is also relatively easy to get to via public transport with a train service all the way to Mallaig.

The steering group will seek to enhance its recruitment and retention of staff through:

- Rebuilding the reputation of the Old Forge as a unique place to work with the community at its heart
- Using the social media channels and associated support generated by the potential for community ownership to spread the news on recruitment opportunities
- Creating continuing opportunities for present and former staff to post their stories of life on Knoydart
- Providing excellent accommodation for staff (see below) so as not to be disadvantaged in the recruitment market

III. Offer training and career development opportunities

It will be extremely important to the success of The Old Forge under community ownership to deliver excellent customer service and there are training programmes available to help businesses support staff in achieving a consistent standard such as the WorldHost programme delivered by People 1st ([People 1st - WorldHost Customer Service Training Programmes](#)). Much of this training can be delivered online, or there are also Train the Trainer programmes too which would enable in-house delivery of customer services training.

There will also be basic training requirements on an ongoing basis in terms of Food Hygiene certification and alcohol licensing training for example.

There are also more formal training opportunities that The Old Forge could offer to staff through organisations such as the West Highland College which offers a wide range of courses covering all aspects of the hospitality industry such as cookery, service delivery and management. A greater emphasis is being placed on the hospitality industry as a significant economic driver in Scotland and therefore raising the training levels and opportunities for rewarding careers in this sector is vital, particularly as the tourist season lengthens and it becomes possible to offer year round employment in the sector. Offering training and opportunities for career development is an important factor in recruitment and can make the difference in being able to recruit over a similar role where there are not training opportunities provided.

The Old Forge steering group will develop a training programme for the business which will include:

- Training required by law to be provided annually
- A skills assessment for each employee to ensure that any gaps are identified and training provided where appropriate
- Work with training providers to ensure that employees are provided with the opportunity to obtain formal training and qualifications and where appropriate apprenticeships
- Gain a reputation for being a support employer providing training as a benefit during the recruitment process
- Gain accredited status as an employer delivering excellent customer service

IV. Operate a sustainable, robust business that invests profits back into the community,

Long term sustainability is key to the future success of the Old Forge and the local economy. Therefore, it is important that the business is managed well and has a viable business model.

The The Old Forge CBS Steering Group will employ a full-time manager to run the business and a full-time development manager for the first 2 years to market and develop needed renovation and construction works (see below). These employees will be supported by a board which has members with experience of hospitality and the licensed trade. In the longer term the board may consider offering a tenancy of the Old Forge to a manager who proves to be very competent, has the right character for dealing with people, and who wants to make a long-term commitment to living on the Knoydart peninsula.

The business will commence operations and have opening hours in line with the financial projections. It will only extend these hours if there is sufficient business to justify the additional overhead costs of opening. The business will therefore be open 7 days per week in summer and 3 days per week in winter. It will open at noon in summer in order to cater to the day visitor looking to have lunch, which will be a significant improvement on the current 3pm opening. This will automatically generate significantly more revenue and footfall than the model operated by the current owner. In winter time opening will be restricted to 3 days per week and it will be open in the evenings only.

The financial projections are based on knowledge of the consultants of other rural bar and restaurant establishments and then tailored for the particular scale of the operation anticipated at the Old Forge. Campbell Stewart MacLennan & Co are accountants to approximately 600 businesses in the Highlands and Islands with a significant number of these operating in the hospitality sector. This industry knowledge has been used to inform the financial projections for The Old Forge.

There is a desire in the community to deliver more service in the winter which can be experimented by the local community once operational, but close monitoring will be required to ensure that in the winter when the business is operating that it is at least covering the variable operating costs and that it makes economic sense to be open.

Financial Projections

5 year financial projections have been prepared for the operation of The Old Forge as a bar and restaurant. The projections demonstrate that the operation of The Old Forge run as a bar and restaurant could be successfully run as a financially viable operation. The projections can be summarised as follows:

Table 2: Income & Expenditure projections

		Year 1	Year 2	Year 3	Year 4	Year 5
Turnover		515,393	545,163	572,421	601,042	631,094
Other Income		45076	45977	8720	8547	8378
Less: Costs		515863	540648	525692	544502	563997
Less: Taxation		8,921	10,098	11,090	13,017	15,096
Profit		£35,686	£40,393	£44,360	£52,070	£60,379
Cumulative 5 year profit						£232,889

This is based on serving almost 20,000 meals and almost 6,000 bar customers who would not be eating. This results in a significant increase in the level of service provided to customers of The Old Forge and would significantly enhance services in the area. Increasing the operation to this level would restore the business to its former glory and would be welcomed by accommodation providers and boat trip operators in the areas as it would help enhance the attraction to coming to Knoydart. To increase the turnover by 150% for a remote location such as Knoydart would be a transformational economic boost for the peninsula. Full details are provided in Appendix 3.

The staffing structure required to operate at the above level is as follows:

Role		FTE
Experienced cook - dinner	FT	1.00
Assistant cook - lunch	FT	1.00
KP	FT	1.00
KP	Seasonal	0.75
KP	Seasonal	0.75
Waiting staff/supervisor	FT	1.00
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Manager	FT	1.00
Development manager	FT	1.00
Total		10.5

The provision of 12 jobs resulting in 10.5 FTE posts will have a significant positive impact on Knoydart. It is also possible that more jobs could be created with some of these posts being carried out by locals on a more part time basis (closer to 0.3-0.5 FTE) to work around other part-time jobs.

The main assumptions included in the projections are as follows:

	General		
1	The projected expenditure figures are based on the general cost levels seen for other comparable businesses.		
2	It is assumed that a full time business development manager to undertake two pieces of work, 1) part of the post will be required to help re-establish the bar and restaurant operation who will also look to liaise with other businesses in the area, to put Knoydart, and in particular The Old Forge, back on the map as the UK's remotest pub with a sustained marketing effort, and 2) the other part of the job will be to develop a longer-term solution for The Old Forge's staff accommodation needs, and likely working with another community organisation. In addition, this post should have an additional It is assumed that a grant will be available to help cover the costs of this salary in the first 2 years of operation, but that thereafter the operation should grow to support this salary cost.		
	Bar & Restaurant Income		
3	Income is a mix of lunches, dinners and non-food bar customers with only bar sales in the 4 winter months. The average spend per person in year 1 is assumed to be £16 per person for lunch and £32 per person for dinner with the average non-food bar customer spending £20 per head. Customer numbers are assumed to increase up to 100-120 food customers in the summer and 20 bar customers with an assumption that in the winter season only 10 bar non-food customers will be served across the 3 days per week that the bar is open. It is assumed that sales will increase by 5% per annum reflecting the increased marketing activity and renewed interest in the business.		
4	Sales are based on aiming to achieve a gross profit percentage of 65% on food and bar sales - the ultimate target should be 70% gross profit, but the business is unlikely to operate at this ideal level of efficiency due to keeping prices attractive to locals and location resulting in higher delivery costs and increased amounts of stock spoilage. Many kitchen operations in the highlands and islands are not monitored closely enough by the owners/management with kitchen staff not being made responsible for profitability, therefore many operations only achieve 50% gross profit.		
	Merchandise Income		
5	The business can take advantage of its USP of being the remotest pub in Britain by selling good quality merchandise, and in particular t-shirts and good quality branded jackets. In the projections a modest level of sales are shown assuming the sale of 150 (equivalent to 5% of restaurant customer numbers in the summer) t-shirts per month at £20 each and 4 jackets at £150 each. It is assumed that the mark up on merchandise will be around 50%. The industry norm for clothing is around 44%, but it is assumed that there may be additional delivery costs that may result in the costs being slightly higher than achievable in other areas of the country.		
	Purchases		
6	Normal credit terms will be taken from suppliers which are payment terms of 28 days. Purchases are therefore recognised in the cash flow as being 80% unpaid at the end of the month incurred and settled in the following month and recognised as creditors balance for cash flow purposes.		
	VAT		
7	It is assumed that a VAT rate of 20% is applicable and returns will be made on a quarterly basis and this is reflected in the cash flow projections.		
	Overheads		
8	It is assumed that utilities and overheads will be spread across the year on a monthly basis by taking advantage of direct debit payment arrangements where available.		
	Wages		
9	Wages will be paid at the end of each month in which the costs have been incurred. For cash flow purposes related PAYE liabilities are also accounted for as paid at the end of each month.		

	Grants received		
10	It is assumed that the grant funding to assist with the Development Manager's post will be claimable quarterly in arrears and this is reflected in the cash flow projections.		
	Stock		
11	It is assumed that a stock level of approximately £10,000 will need to be purchased ahead of opening. This will be payable in the subsequent month on normal credit terms.		
	Start up costs		
12	There will be a need to incur costs in the period from before the Bar opens. It is anticipated that additional costs will include Advertising/ Marketing of £8,000, recruitment and training of £2,700. These costs have been included in month 1 of the projections.		
	Depreciation		
13	Depreciation has been included at the following annual rates on the straight line method:		
	Property	2%	

Property Development

Long term sustainability also depends upon a building that is fit for purpose. Architectural input to the feasibility study demonstrated that there are options to deliver these desired outcomes. (See Appendix 1) The works would involve a number of relatively low-key measures to improve the function of the premises and upgrade the building fabric.

Prior to opening The Old Forge CBS Steering Group will:

- Undertake essential repairs prior to opening, for example to the ventilation system, the rainwater goods, the external render and paintwork and the electrics to bring the building fabric up to a good standard.

During the winter, following the first season of operation the building will undergo significant renovation works in order to make it fully accessible to modern standards, improve its functionality and maximise the space available to customers.

- The various rear extensions will be rationalised and re-roofed with a new single ply membrane system suitable for the low roof pitch. This will also allow for an improvement to the insulation levels.
- The toilets will be refurbished and the capacity increased to allow for 3 female cubicles, while the accessible toilet will be upgraded to current standards. There will be new finishes to these toilets, throughout.
- At present the cottage area provides accommodation for the owner. This will be opened up to the main bar space to provide additional covers and also offers the opportunity to form a snug bar out of season when demand is reduced. There is space for 2 additional toilets to serve this area.
- Relocated the cellar and move the bar to form a new and welcoming entrance which avoids the current pinch-point for people entering the building. It also allows a few additional covers in the bar/restaurant.
- Refurbish existing staff accommodation

Rural Design have prepared outline drawings demonstrating how these improvements could look within the context of The Old Forge which are appended to this business plan along with a QS estimate of the cost of the work.

Project Capital Expenditure and Funding

PROPERTY PURCHASE	
Building valuation & goodwill	500,000
LBTT	25,000
Legal & conveyancing costs	10,000
Remedial work	70,000
Office equipment	5,000
Stock	10,000
Working capital	42,500
	662,500
SUBSEQUENT PHASE	
Building improvement work	325,000
It is planned to fund the project as follows:	
PROPERTY PURCHASE	
Grant funding for building purchase (assume 95%, excluding goodwill)	413,250
Grant funding for building remedial work (10% of building value)	40,000
Grant funding for office equipment etc (assume 95%)	4,750
Share offer & fundraising	204,500
	662,500
SUBSEQUENT PHASE	
Grant funding (assume 50%)	162,500
Crowdfunding & fundraising	162,500
	325,000

- V. Create an environmentally conscious business model that takes direct action to tackle climate change

The Knoydart peninsula is already a relatively low carbon area thanks to energy supplied by a hydro scheme and low levels of vehicle ownership and use compared to other parts of Scotland and the UK. However, further improvements can be made and the Old Forge will look to contribute to this. Improvements will be made in the 3 areas of building management, supply chains, and food waste management.

Building Management

The building currently has an energy performance certificate rating of G, the lowest rating possible. This is principally due to its traditional method of construction. The impacts of its energy use are

mitigated to some degree by its use of a ground source heat pump and low carbon electricity but there is considerable room for improvement. The Old Forge CBS Steering Group will therefore:

- Commission a free study by Zero Waste Scotland⁸ of how to improve energy use of the building. We would expect this study to include recommendations to:
- Improve the insulation in the roof space when the rear of the building is reroofed
- Improve draughtproofing
- Improve the quality of the ventilation system including the potential use of heat recovery
- Install LED lighting throughout the building

Supply Chains

In order to minimise food miles the steering group will:

- Purchase locally where availability and quality make it possible e.g. fish, venison, beer, coffee (See more below)
- Use seasonally available produce
- Encourage suppliers to provide goods with the minimum necessary amount of packaging

Food Waste Management

Food waste contributes significantly to emissions through methane production in decay and wasted food miles in transport. The steering group will seek to minimise food waste through:

- Maintaining refrigeration equipment at optimum temperatures in order to prolong shelf life
- Monitoring volumes and types of unused food thrown out in order to adjust purchase orders accordingly

VI. Concerted effort to support local producers, in turn improving the circular economy
The current ownership model has shown how significant an impact an individual local business can have on the local economy. The Old Forge CBS Steering Group will seek to turn the current situation around and make as big a positive impact it can upon the local economy. It will therefore:

- Seek to buy from local producers: venison from the Knoydart Foundation, fish and shellfish from local fishermen; beer from Knoydart Brewery and coffee from Coffee Knoydart
- Seek to buy other products from Skye and Lochaber

VII. Actively collaborate with local businesses and organisations to offer complementary services to the community and visitors

The feasibility study demonstrated the interdependence of local businesses on the Knoydart peninsula and The Old Forge CBS Steering Group will work with other businesses to support one another and enable one another to thrive. The aim will be to maximise the collaborative economy while existing in a competitive market economy. The steering group will:

- Identify local producers input on its menus
- Instruct staff to encourage visitors to visit local producers on their stay

⁸ [Support for Scottish businesses | Energy Efficiency Business Support \(zerowastescotland.org.uk\)](https://zerowastescotland.org.uk)

- Promote other food and drink venues and businesses in order to encourage visitors to stay longer and benefit all businesses in the local economy

Summary

The strategy outlined above is a comprehensive one designed to fulfil the aims and achieve the vision of The Old Forge CBS Steering Group. In carrying it out the Old Forge as a business will be revitalised and the wider economy will benefit. New employment opportunities will be created, training opportunities realised and new people will be encouraged to come to Knoydart to settle. However, most importantly of all, the Old Forge will be re-established as the key social hub of the peninsula, contributing hugely to the well-being of the community.

Marketing/Development

Ordinarily with a community purchase of an asset such as the Old Forge, it would be a case of the community stepping in to take over an existing business as a going concern to ensure succession/continuity of service, however due to the particular circumstances in relation to the Old Forge, there will be a significant challenge to take on a business that has been effectively run into the ground. The business will have a significant amount of marketing work to carry out to work towards reversing the negative reviews and bad PR that the Old Forge has generated in the last 9 years. This has not only impacted on this business itself, but on all the other businesses in Knoydart and therefore it is anticipated that unusually a development post will be required for a two year period on a part-time basis to focus on turning around the poor public image that the business currently has in order to develop a much better image for the business and all the other related businesses on Knoydart.

The Old Forge has in the past been able to use the somewhat clichéd 'Remotest Pub in Britain' tag as a Unique Selling Point, and this must be re-established to maximise and capitalise on the tourist market that is always looking to tick such locations off their 'bucket list'. The ability for the 'Remotest Pub in Britain' to attract attention has been very much in evidence recently with the national media interest in the potential community buy-out resulting in headlines referencing the 'Remotest Pub in Britain'. Interestingly, there have been 3 community pub buy-outs in Scotland in recent years but at best they have been able to attract local media interest and not national headlines.

Skills Survey

A skills and capacity survey has been carried out as part of the feasibility study on the steering group and wider community. The results are reported in detail in section 9 of this report.

The skills survey indicates that The Old Forge CBS Steering Group is willing to make a substantial time commitment to taking a community buyout of The Old Forge pub forward. Both they and the wider community in Knoydart are also very well positioned in terms of specialist and generic skills regarding managing and further developing the pub under community ownership. It is particularly notable that a significant number of respondents include '*managing a business*' and '*managing staff*' amongst their primary skills areas.

The highlighted experience of a significant number of respondents in relation to managing hospitality businesses in general, and to the pub industry in particular, is encouraging in terms of capacity that the community may be able to utilise to manage the pub effectively and profitably.

Similarly, the willingness, in principle, of respondents with relevant experience to mentor new staff is a positive finding. So too is the willingness of a significant number of respondents to support The Old Forge on a voluntary basis. There is also some clear interest expressed by some respondents in working in various capacities within the business on a part-time basis. On the basis of the survey findings, we therefore conclude that the Steering Group and wider community possesses significant capacity regarding completing a community purchase of The Old Forge and managing it successfully under community ownership.

7. Strategy for Accommodation Provision

Context

As detailed in Section 6 the business strategy is to return to a more expansive model of operation of the Old Forge so that it opens for longer periods and serves all types of customers. This is in keeping with the needs of a small, remote, community welcoming significant numbers of visitors who stay for a while, for short periods, or are merely passing through.

The financial analysis has shown that this model is viable and that it would sustain 10 FTE posts. Such an operation would bring significant numbers of new people to the peninsula to work once again, with the expectation that at least some would stay, become part of the community and support its long-term viability.

The greatest challenge to delivering a successful business and a revitalised community is that of providing sufficient appropriate accommodation. As with many communities across Scotland, Inverie faces a perennial problem of providing affordable housing for its residents. It also has a particular problem of being able to provide appropriate accommodation for temporary workers. In other communities, workers can stay at a distance and drive daily to their work site, but as with most island communities this is not practical in Knoydart.

The previous owners of the Old Forge were constantly looking for suitable accommodation for their workers, which included hiring vacant space in Inverie House at one time. The reduction in labour usage by the current owner means that there are no existing arrangements to tap into, and therefore new arrangements will have to be found.

The Foundation is at the point of starting its own investigation into providing suitable accommodation for visiting workers, in order to improve project delivery and improve conditions for workers. The Foundation has locations that could be suitable for the siting of temporary workers' accommodation. Potential sites could include: across the burn behind the Old Forge, the site of the old net shed adjacent to the hostel and the Millburn site (although this is slightly further away from the Old Forge). Any site would need to be subject to community consultation but thought that there would be local support for a well-planned project.

The feasibility study identified three options available for developing a project:

1. Old Forge Owned and Operated.

The Old Forge would raise funds, construct a property, and operate it for its own personnel, with workers charged a rent to cover the costs of management and maintenance of the building. Initial discussions with Highlands and Islands Enterprise (HIE) have indicated that support may be available but there is no commitment at this stage. The planned crowdfunding appeal for the purchase of the Old Forge could include an element for constructing accommodation as this is essential to the

business. If a combination of HIE support and Crowdfunder do not provide sufficient funds, there would be the potential to finalise a funding package with a mortgage or loan.

The key benefit of this approach would be that the Old Forge group would be in total control of project development, but the main risk is that all the liability would lie with the group as well.

II. Partnership Approach.

The Old Forge, Knoydart Foundation (and potentially others) could work together to deliver workers' accommodation that would suit the needs of both organisations. A larger project would potentially deliver lower costs per unit of accommodation and provide a larger number of spaces in total. There is a risk that the project could take longer to deliver if other partners were to take a greater length of time in their decision-making and fundraising processes.

The partnership approach could deliver the project in different ways. First, the partners could simply agree to a joint construction project that would result in each owning separate facilities. For example, if one required 6 units and another 4 the 2 groups could pay 60% and 40% of costs respectively and then each own 6 units and 4 units which they managed separately. Alternatively, they could form a joint company in which one owned 60% and the other 40% of the shares. The building(s) would be operated as one entity with a 6/4 split of available units but greater flexibility could occur if one needed less space and the other more. Any surpluses could be retained for the maintenance of the building or potentially shared between the parent companies for alternative community benefit.

III. Knoydart Foundation Owned and Operated

The Old Forge CBS Steering Group could ask the Foundation to build sufficient accommodation for both bodies and enter into an agreement to place its workers in a completed facility. The Foundation would charge rental to the Old Forge's workers and would be responsible for managing the building. This would remove the responsibility from the Old Forge but would carry a greater risk of the project taking longer, and possibly not being delivered at all within a reasonable timescale.

Approach

The steering group has decided to pursue the partnership approach for a number of reasons. The provision of accommodation for workers is a fundamental requirement for the Old Forge to be a successful business under community control. Therefore, it needs to be given priority status. The Old Forge **must** have additional accommodation provision available by April 2022, which can be provided by creating or identifying local short-term provision. Beyond that it needs a long-term solution which ideally would be created within no more than 2-3 years.

The urgency of the need for a solution would indicate that it would not be wise for the Old Forge to leave the creation of workers' accommodation to another party (albeit another community owned company). KF previously indicated that it would not pursue a purchase of the Old Forge due to its commitment to other projects and its lack of additional capacity. KF's full workload is likely to continue after the purchase of the Old Forge. Funders (in particular, the Scottish Land Fund) will also want to see that the group has a clear strategy for delivering accommodation as part of its application for purchase funding. Therefore, the third option of asking KF to deliver an accommodation project in its entirety has been discounted.

Alternatively, the Old Forge could seek to create its own provision through a standalone project. However, the fact that there is a wider accommodation problem than that pertaining to the Old Forge, and that the Old Forge will probably require land from the Foundation has indicated that a partnership approach offers the opportunity to maximise the benefit of available resources.

Vision

The group's vision for its workers accommodation is:

Ample, high quality accommodation for all Old Forge workers needs

Aims

To deliver that vision The Old Forge CBS Steering Group has the following aims:

- Provide the best quality short-term provision within available resources
- Provide long-term high-quality spaces suitable for seasonal living for each worker
- Work with partners to provide suitable accommodation for all worker's need in Knoydart

Provide the best quality short-term provision within available resources

It will not be possible for the Old Forge to provide adequate accommodation of its own immediately and therefore short-term solutions will have to be found. It is anticipated that 4-5fte local staff will be employed, meaning there will be a requirement for accommodation for 6 incoming staff for the summer season. The Old Forge will provide this by:

- Accommodating 2 staff in the current snug and 1 the accommodation to the rear of the main building
- Lodging 4 staff with local families (hosts have already been identified)

Provide long-term high-quality spaces suitable for seasonal living for each worker

Lodging staff with local people is not an ideal long-term solution and it is the intention of the Old Forge to redevelop the snug for business use. Therefore, the Old Forge will:

- Design suitable accommodation for single people/couples that provides them with private cooking/eating/sleeping/bathroom facilities

Work with partners to provide suitable accommodation for all worker's need in Knoydart

The Old Forge will work with the Knoydart Foundation, the Knoydart Forest Trust and potentially private businesses to develop a project that delivers for all needs. The partners will:

- Assess the total demand in terms of numbers and seasonality of workers needed
- Identify and assess potential sites for workers' accommodation
- Commission a design team to provide a suitable design or designs to meet partners' needs and site conditions
- Research different delivery models to assess fully the benefits and disadvantages of different model types e.g separate buildings built and owned by individual partners vs joint accommodation in a single block
- Seek to commission a single build project (even if different partner pay for and own different elements) in order to minimise unit build costs

As the need for accommodation is integral to the successful outcome of the Old Forge project it is intended that this will be a core aspect of a Development Manager's role to be supported by the Scottish Land Fund for a 2-year period. This would provide the needed employee who could develop the project on behalf of both parties.

8. Operating Model

These projections focus on the operation of the business as a stand-alone business, and the projections do demonstrate that it could be a financially sustainable business if managed and run well. The community have considered management options for the Old Forge, and have opted for a direct delivery model by the community with a manager taking day to day responsibility for the business. The Direct Operation model is outlined below.

Direct Operation

Steering group successor (Asset Owning body) to own and manage the Old Forge. The Asset Owning body would have to directly employ staff and would be responsible for the management and operation of the Old Forge, albeit with the employed manager taking on a significant amount of the day to day responsibility. Any profits would go into the Asset Owning body's funds. A Community Benefit Society is currently being registered with the FCA for the ownership and operation of The Old Forge.

- **A new Community Benefit Society (CBS) is constituted**
 - *What is a CBS?*

A CBS is administered by the Mutual Societies Registration Section of the Financial Conduct Authority and an annual fee is charged for this. Annual return and accounts are submitted to the FCA. A CBS can be registered as a charity. A CBS requires a minimum of 3 directors over 16 years of age. A CBS must be carrying out industry, business or trade.

A CBS can be set up using bespoke rules or model rules. Bespoke rules are novel governing docs not previously accepted by the FCA, these are more cost and time consuming than model rules but may be necessary where your business does not fit a standardised governing document.

Model rules are standardised governing documents previously accepted by the FCA, these are less cost and time consuming but must be presented through a sponsoring body and may not fit the requirements of your business. The FCA must approve any amendments to the governing documents and this provides greater protection to the principles upon which the CBS has been set up.

CBS are appropriate for organisations wishing to raise capital from the public and are different from companies as

- It has to be one member one vote regardless of number of shares owned.
 - There is the option of withdrawable share capital.
 - There are limits on shareholding – every member must have one share but no individual can hold greater than >100000. Another CBS can hold unlimited shares.
 - There are limits on share interest and it is limited to what is necessary to obtain and retain enough capital to run the business.
 - There is the option of an asset lock.
- *How would this work for The Old Forge?*

The CBS will require a board of directors to be appointed and governing documents produced. An asset transfer would ensure the CBS had ownership of the Old Forge with an asset lock providing reassurance that the ownership of the Old Forge would remain with a community group if the CBS folded. The CBS could offer community shares in the Old Forge as a fundraising measure.

The CBS directors would directly employ staff and any profits would be used for community benefit and to pay share dividends.

○

Accommodation

These projections are for the operation of the Old Forge as a business, but there is a potential consequence of returning the Old Forge to the former scale of operation which is that in some instances there may not be sufficient local staffing capacity from existing residents which will require employees to be brought in from outwith the Knoydart area and these individuals will require accommodation. There is a limited amount of accommodation provided to the rear of the property that could accommodate 1 or 2 staff members, but the redevelopment of the existing building to provide additional public space will result in the current owners' accommodation being removed, therefore it is likely that demand for staff accommodation will arise within a short space of time.

The Old Forge business itself may need to look at delivering staff accommodation in the future or may need to work with the Knoydart Foundation to deliver solutions that would help in this situation.

9. Skills Survey

Skills and Capacity Survey of Steering Group and Wider Community

This section presents and discusses findings from the online skills and capacity survey that was conducted as part of the feasibility study. The purpose of the survey was to analyse what skills exist within the steering group and wider community to manage and develop The Old Forge under community ownership and to assess the level of local interest in being employed in the pub under community ownership.

The survey was sent to all 10 steering group members and the wider community in Knoydart. The total number of responses was 30, including 9 responses from steering group members and 21 from the wider community.

Time Commitment to Support the Steering Group's Work regarding the Asset

Steering group members were asked to indicate what time commitment they would be willing to give regarding the community purchase of The Old Forge. Table 3 below shows survey responses in that regard.

Table 3: Time commitment over next 6-12 months (N=9)		
	N	%
Attend some meetings	1	11.11
Attend all meetings	8	88.89
+ less than 1 hour per week	0	0
+ 1-3 hours per week	3	33.33
+ 3-6 hours per week	3	33.33
+ more than 6 hours per week	1	11.11
Unable to give any time commitment at all	0	0

As the table shows, there is a high degree of willingness on the part of steering group members to make substantial time commitments to assist in taking a buyout of the pub forward over the next 6 to 12 months. 8 members are prepared to attend all meetings. 3 respondents indicate they would be prepared to commit an additional 1-3 hours per week. 3 respondents indicate they would be prepared to commit an additional 3-6 hours per week and 1 respondent is willing to commit more than 6 hours per week to the buyout. The availability of childcare was highlighted by two respondents as a factor in determining their levels of availability to attend meetings.

Profile of Respondents' Skills

A core part of the survey focused on identifying respondents' strengths and gaps regarding a range of generic and specific management and development skills of relevance to community ownership of The Old Forge. The survey results in that regard are presented in table 4 and discussed below.

The table uses a 'traffic light' coding system to illustrate the level of skills regarding each category depending on responses. Categories marked in **green** have been identified by two or more

respondents as one of their primary skills areas. Categories marked in **amber** have been identified by one respondent one of their primary skills areas

These colour-coding classifications are basic and the sample size of respondents is small. Nevertheless, they provide a clear indication of where collective strengths and gaps lie in terms of relevant skills for managing and developing The Old Forge, should the community decide to purchase it.

Table 4: Skills Survey Responses			
Skills Area	No expertise N (%)	Basic knowledge N (%)	A primary skills area N (%)
Managing staff	2 (8.70)	7 (30.43)	14 (60.87)
Managing a business	4 (16.67)	10 (41.67)	10 (41.67)
Use of computer packages (Word, Excel etc)	1 (4.35)	12 (52.17)	10 (43.48)
Organising fundraising events	6 (27.27)	10 (45.45)	6 (27.27)
Book-keeping and financial reporting	11 (47.83)	7 (30.43)	5 (21.74)
Marketing/PR on behalf of a business organisation	8 (34.78)	10 (43.48)	5 (21.74)
Using social media	4 (17.59)	14 (60.87)	5 (21.74)
Chairing/Facilitating meetings	7 (30.43)	12 (52.17)	4 (17.39)
Managing volunteers	5 (21.74)	14 (60.87)	4 (17.39)
Community consultation and engagement	10 (43.48)	9 (39.13)	4 (17.39)
Project development	10 (43.48)	9 (39.13)	4 (17.39)
Project management	6 (26.09)	13 (56.52)	4 (17.39)
Preparing financial accounts	15 (65.22)	5 (21.74)	3 (13.04)
Preparing and submitting funding applications	14 (60.87)	6 (26.09)	3 (13.04)
Preparing and submitting grant claims	16 (69.57)	4 (17.39)	3 (13.04)
Running a campaign	15 (65.22)	5 (21.74)	3 (13.04)
Buildings' construction	17 (77.27)	3 (13.64)	2 (9.09)
Preparing business plans and strategies	11 (47.83)	10 (43.48)	2 (8.70)
HR issues (employment law, employment contracts, recruitment etc)	11 (50.00)	9 (40.91)	2 (9.09)
Managing consultants	16 (72.73)	4 (18.18)	2 (9.09)
Designing websites	15 (65.22)	7 (30.43)	1 (4.35)
Charities and Companies House Returns	19 (82.61)	3 (13.04)	1 (4.35)
Using and running IT systems above the level of a single PC	12 (52.17)	10 (43.48)	1 (4.35)
Buildings' maintenance	15 (65.22)	7 (30.43)	1 (4.35)
Conveyancing/legal aspects of Land and/or Asset Purchase	20 (86.96)	2 (8.70)	1 (4.35)

The survey results indicate that respondents identify themselves as having a high level of capacity in relation to a number of specialist and generic skills categories of relevance to the management and development of The Old Forge. It is particularly notable that 14 respondents include 'managing staff' as a primary skill and 10 respondents include 'managing a business' as a primary skill; both are

core skills areas in relation to the asset the community is seeking to purchase. There also appears to be a significant level of expertise amongst survey respondents in relation to other highly relevant skills areas including: *'book-keeping and financial reporting'*, *'marketing and public relations'* and *'organising fund-raising events'* and *'managing volunteers'*.

Only two respondents for each of the following categories identified these as primary skills areas: *'buildings' construction'*; *'preparing business plans and strategies'*, *'HR issues'*; and *'managing consultants'*. Nevertheless, and as is the case for all categories, a substantial number of respondents self-classify as having basic knowledge of several of these areas.

In addition, several respondents made the following comments which indicate specialist expertise and experience of direct relevance to management of The Old Forge under community ownership.

- *"My skillset lies in the kitchen, menu planning, new kitchen layout/design, kitchen equipment, suppliers, training, etc".*
- *"I have managed Kilchoan Estate on Knoydart for around 20 years which has fishing, stalking, cattle, tenants and holiday lets. Recruiting staff, marketing 5 x self catering cottages, taking bookings, deposits, balances, organising the guests arrival and departure, dealing with any problems or queries, book-keeping for the Estate, vat returns and handing figures and paperwork over to the accountant for end of year.*
- *"Customer service"*
- *"In addition to my work experience, my folks owned a rural pub/small hotel whilst growing up. This has given me awareness of some of the challenges and risks of owning and managing a pub."*
- *"I used to work in the Old Forge as waitress and behind the bar. I still work in hospitality and if there was the occasion where the pub was short staffed i'd be confident to step in and do a shift although I wouldn't be seeking employment there."*
- *"I have no available time to input to CBS/pub as I am in full-time employment. I would be willing to support as a volunteer as required."*
- *"Have 30 years experience of running a business, managing staff, and making a profit. Owned, ran Lochaber Construction Works, buying and developing land and organising the building of many houses, including all ground works, planning permissions etc."*
- *"I am a manufacturer of beer based 5 minutes from pub in Inverie. Low delivery carbon footprint. Approved by the HMRC Alcohol Wholesaler Registration Scheme."*
- *"I used to work there as a bar manager."*

Respondents were asked if they are aware of any skills or resources that the steering group or wider community currently lacks in relation to developing and managing The Old Forge pub under community ownership. Only two respondents stated that they were aware of specific skills and resource gaps. Their responses were as follows:

- *“Staff resource likely to be an issue and finding appropriate accommodation for anyone brought in.”*
- *“Time! Many of the people on the steering group are the ones with the skills at this stage driving it forward but also work full time.”*

Experience of the Hospitality Industry and Employment at The Old Forge

The survey also covered issues relating to respondents’ experience of the hospitality industry generally and their potential interest in future employment at The Old Forge.

As table 5 shows, 75% of respondents indicated that they had experience of running a hospitality business.

Table 5: Do you have previous experience of running a hospitality business?		
	%	N
Yes	75.00	15
No	15.00	5
Total	100.00	20

Examples of such experience highlighted by respondents includes:

- *“Bed and breakfast, evening meals, bunkhouse, 20 years, hands on owner”*
- *“Partner at Knoydart pottery and tearoom, 13 years”*
- *“Kilchoan Estate holiday cottages.”*
- *“Running a catering business once a week pizza nights”*
- *“Worked as bar manager in the halt bar in Glasgow for five years.”*
- *“Manager Old Forge 12 Years. Accounts, payroll, stock taking, ordering, managing staff, dealing with customers”*
- *“Parents owned a small hotel for 13 years. I managed the bar for a couple of these years.”*

- *“Knoydart pottery and tearoom, essentially its a cafe with a pottery workshop and I’ve owned and ran it with my sister for 13 years. I’m front of house but on occasion I’m in the kitchen. This year we’ve adapted our business model to be take away/sit outside which is working well as we can serve more customers, we’re also open one evening a week serving fish and chips take away. I’m jointly responsible for its day to day running, staff recruitment training and rotas. Also business ideas development such as selling our pottery in the craft shop and adapting to doing the fish and chips. Finances isn’t one of our strengths so employ a book keeper to organise and keep a record of our takings and spending.”*
- *“Managed a holiday accommodation property for three years including all management of bookings, banking, organising additional staff when required, marketing of the business and customer service. Worked in the pub for two years - one as barmaid and second as bar manager. 8-9 years experience in busy Glasgow city-centre restaurant where I often was put in charge of managing shift rotas, training new staff and dealing with customer complaints.”*
- *“Manager Old Forge. 12 years. book-keeping - payroll staff rota’s - stock control - managing staff - ordering - Organising staff training.”*

Respondents who indicated that they had experience of running a hospitality business were asked if they would be willing to initially mentor new employees at The Old Forge to help establish the business under community ownership. Table 6 shows that 7 respondents would be willing to do so.

Table 6: Would you be willing to initially mentor new employees at The Old Forge to help establish the business under community ownership?		
	%	N
Yes	58.33%	7
No	8.33%	1
Don’t know	33.33%	4
Total	100.00	12

Respondents were asked if they would be interested in being employed at The Old Forge if it was community owned. Table 6 shows that 4 respondents expressed such in interest and 5 do not know if they are interested in such employment or not.

Table 6: Would you be interested in being employed at The Old Forge if it was community owned?		
	%	N
Yes	22.22%	4
No	50.00%	9
Don’t know	27.78%	5
Total	100.00	18

Table 7 shows that, for those that did express an interest in employment at The Old Forge, their preferences were for part-time working or casual shifts with bar staff and pub management role being the most favoured options, followed by building maintenance and cleaning services.

Table 7: In what capacity might you be interested in being employed at The Old Forge?									
	Full-time		Part-time		Seasonal		Casual shifts		Total
	%	N	%	N	%	N	%	N	
Bar staff	0	0	75.00	3	0	0	25.00	1	4
Cleaning services	0	0	100.00	1	0	0	0	0	1
Pub management	0	0	100.00	5	0	0	0	0	5
Chef	0	0	0	0	0	0	0	0	0
Kitchen assistant	0	0	0	0	0	0	0	0	0
Building maintenance	0	0	100.00	2	0	0	0	0	2

A related 'open' survey question about preferred roles elicited the following comments:

- *"Project development/management."*
- *"I wouldn't do as many as casual shifts but I'd be there for if someone was sick or maybe doing a few shifts for holiday cover in the off-season."*
- *"Would be interested in part time initially, possibly moving to full time in future."*
- *"Office/admin/book-keeping."*

Respondents who expressed an interest in part-time work were also asked to indicate how many hours a week they would be available to work in The Old Forge. As table 8 shows, several respondents indicated they would be available to work for substantial time-periods per week.

Table 8: Please give an indication of how many hours a week you would be available to work in The Old Forge?		
	%	N
1-6 hours	37.50	3
12-14 hours	12.50	1
15 or more hours	50.00	4
Total	100.00	8

Aside from indicating their interest in working at The Old Forge, respondents were also asked if they would be willing, in principle, to support the pub as volunteers to help provide a service to the community. Table 9 shows that a significant number of respondents (14) would be willing to do so.

Table 9: In principle, would you be willing to support The Old Forge as a volunteer to help provide a service to the community?		
	%	N
Yes	73.68	14
No	15.79	3
Don't Know	10.53	2

Total	100.00	19
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It may be necessary to supplement local staffing for The Old Forge with staff from outwith the area. Therefore, the survey sought to establish local capacity to provide accommodation by asking respondents if they own or manage any local accommodation that may be available for staff being recruited by The Old Forge under community ownership. No respondents indicated that they owned or managed any such accommodation.

Additional Comments

Respondents were also invited to provide any further comments in relation to a possible community buyout of The Old Forge. The following three supportive comments were submitted:

- *"I think many of the locals want to see this happen and there may be a lot of efforts put into it."*
- *"I support the community buy out."*
- *"Looking forward to a successful conclusion to the community purchase. Well done to all involved and good luck."*

Engagement Map

The Society will make a continued effort to engage with members, and utilise the skills identified above when appropriate. Below outlines various methods to maintain ongoing communication and constructive engagement and feedback.

- Members surgeries (online and in person) to be held at regular intervals as defined by the management committee where members can raise any issues or queries
- Suggestions box situated prominently in the pub
- Online presence including social media pages and website to be updated regularly
- Members newsletters and updates distributed on a regular basis (online and hard copy where required) which includes details on how to contact the management committee with feedback
- Volunteer days to be held where appropriate, to provide an opportunity for members to engage with the management committee in person and take part in organising and running events
- Members events at the pub to provide an opportunity for members to get together

10. Risk Analysis

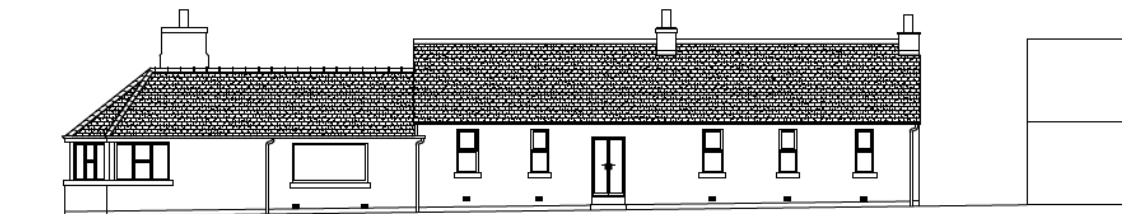
Table 10 below provides an assessment of risk factors associated with community ownership of the Old Forge including the likelihood of such risks being realized, a description of their impacts and recommended actions to mitigate these impacts.

Table 10: Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Unable to secure funding for purchase	Medium	High	<ul style="list-style-type: none"> • Unable to purchase Old Forge • Unable to redevelop • Potential loss of Old Forge to second home/holiday let • Continued loss of population in Knoydart 	<ul style="list-style-type: none"> • Initiate discussions/applications with redevelopment funders prior to proposed purchase • Engage with SLF throughout process • Maximise use of social media/personal networks/mainstream media to publicise public appeal
Unable to secure development funding for first 3 years.	Low/Medium	Medium	<ul style="list-style-type: none"> • Harder to progress with proposals for accommodation provision as currently stand • Delayed build timescale • Potential recruitment difficulties 	<ul style="list-style-type: none"> • Engage with SLF/HIE to demonstrate importance of development post • May have to revise initial proposals.
Delay in securing funding for first 3 years.	Low/Medium	High	<ul style="list-style-type: none"> • Unable to recruit staff within timescale. • Will affect proposed budgets and ability to deliver on original targets. 	<ul style="list-style-type: none"> • Submit applications/proposals at earliest opportunity. • Greater activity undertaken by voluntary directors. • Develop fall back plans in order to meet key deadlines
Current owner refuses to sell Old Forge to the community	Medium	High	<ul style="list-style-type: none"> • Unable to proceed with community buyout as planned • 	<ul style="list-style-type: none"> • Continue dialogue with owner to facilitate sale. • Consider undertaking buyout using Land Reform Act (2016) Right to Buy Land to Further Sustainable Development provision

Table 10: Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Low early Community Benefit Society membership uptake.	Low	Medium	<ul style="list-style-type: none"> Reduced credibility for Trust in community 	<ul style="list-style-type: none"> Co-ordinated communications campaign and recruitment drive
Inability to secure high calibre staff.	Medium	High	<ul style="list-style-type: none"> May impact on ability to open for hours set out in business plan 	<ul style="list-style-type: none"> Use social media, networks and contacts to encourage applications. Offer flexibility in contracts – full-time, part-time, job share Maintain register of locals willing to fill in shifts on an occasional basis Secure short-term accommodation locally Develop quality accommodation for long-term
Inability to recruit within planned timescale.	Medium	Medium	<ul style="list-style-type: none"> Delays in delivering key tasks – initial opening/planned redevelopment/accommodation provision 	<ul style="list-style-type: none"> Prepare recruitment documentation in advance of securing funding. Liaise with partner organisations in advance of securing funding. Ensure high calibre candidates attracted to posts avoiding need for re-advertisements.
Failure to meet business plan trading predictions	Low - Medium	Medium-High	<ul style="list-style-type: none"> Underperformance could lead to losses Reduction in operating hours 	<ul style="list-style-type: none"> Maximise publicity on opening Work with ferry operator to promote OF availability for lunches Ensure all staff are trained in excellent customer service skills
Inability to deliver permanent accommodation solution	Medium	Medium - High	<ul style="list-style-type: none"> Make recruitment of seasonal personnel more difficult 	<ul style="list-style-type: none"> Work with Knoydart Foundation and Knoydart Forest Trust to deliver project Include accommodation provision in public funding appeal

Table 10: Risk Factors and Mitigation				
Risk Factor	Likelihood	Scale of Impact	Description of Impact	Mitigation
Loss of support from within community	Low	Medium-High	<ul style="list-style-type: none"> Loss of confidence in CBS management of site 	<ul style="list-style-type: none"> Engage community with regular culturally relevant events Keep community informed on trading position
Erosion of support from partner organisations	Low	High	<ul style="list-style-type: none"> Inability to deliver identified benefits. Loss of local credibility and support will impact on fundraising and other activities. 	<ul style="list-style-type: none"> Continue to work closely and ensure benefits accrue to all parties.
Lack of skills/ capacity to deliver	Low	High	<ul style="list-style-type: none"> Inability to manage business and developments therein. Loss of credibility in community Inability to access development funding 	<ul style="list-style-type: none"> Mentoring Recruitment of new directors. Training for Directors & Others Use of Working Groups to draw in wider talent pool
Volunteer fatigue means reduced ability to deliver.	Medium	Medium	<ul style="list-style-type: none"> Inability to achieve self-financing building able to deliver wider community benefits 	<ul style="list-style-type: none"> Aim to secure higher numbers of volunteers via Working Groups to spread workload. Recruitment of staff for key activities should reduce overall workload.
Manager leaves position unexpectedly	Medium	High	<ul style="list-style-type: none"> Inability to manage the day-to-day running of the business effectively 	<ul style="list-style-type: none"> Thorough recruitment/ interview and induction process to ensure the candidate knows what is involved A selection of the management committee will hold personal licenses A relief manager will be sought for interim period Continued staff training and succession plan in place

Appendix 1 – Architectural Drawings



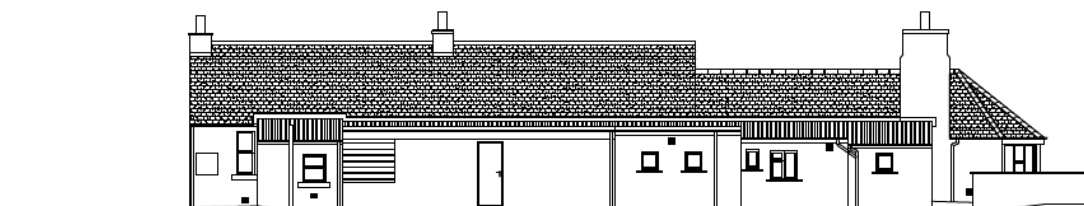
South West Elevation



North West Elevation



South East Elevation



North East Elevation

RURAL DESIGN

Bill Stiles
Rural Design
20-21 Station Road
Barnstaple, Devon PL4 8AP
Tel: 01323 834444
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Project: Old Forge Inn

Client:

Drawing: Existing elevations

Date	By	Check
1/10	MS	MS
1/10	MS	MS
1/10	MS	MS

Design: June 2021

4/18 /103

Appendix 2 – Indicative Renovation Costs

Samuel & Partners Chartered Surveyors



First Floor, 20 High Street
FORT WILLIAM
PH33 6AT

Tel: 01397 702686
e-mail: info@samuelandpartners.co.uk

Our Ref: 2049/JS/PMI

Your Ref:

Date: 10 June 2021

Nick Thomson
Rural Design
Mill Studio
Struan Road
Portree
Isle of Skye
IV51 9EG

Dear Nick

OLD FORGE INN, INVERIE, KNOYDART

We refer to our recent email correspondence in respect of the above. Due to pending holiday commitment we are unable to provide you with a detailed cost plan prior to Friday 18th June but can provide some indicative budget costings as follows:

a) Re-roofing and minor rear extensions	50,000
b) Refurbishment of toilets	30,000
c) Formation of new snug bar	40,000
d) Relocate cellar, enlarge existing bar	25,000
e) Miscellaneous repairs and refurbishment (as per building survey by Allied Surveyors)	35,000
f) Refurbishment of staff accommodation block	20,000
	Sub total £ 200,000
Contingency, design changes, etc - 10%	20,000
Preliminaries, approx. 1	30,000
Location factor - approx 30%	75,000
	Total £ <u>325,000</u>

The above figure excludes VAT, professional or statutory consents.

We would be pleased to provide a detailed cost plan once the proposals/specification has been developed further.

Yours sincerely
for SAMUEL & PARTNERS

John Strachan, M.R.I.C.S.



FIRST SURVEYORS SCOTLAND
National Valuation & Property Service

The Old Forge

**Report and
Projected Financial Statements**

**For the 5 Year Period ending
31 December 2026**

Campbell Stewart MacLennan & Co
Chartered Accountants
Portree, Isle of Skye

The Old Forge

PRINCIPAL ASSUMPTIONS

General

- 1 The projected expenditure figures are based on the general cost levels seen for other comparable businesses.
- 2 It is assumed that a full time business development manager to undertake two pieces of work, 1) part of the post will be required to help re-establish the bar and restaurant operation who will also look to liaise with other businesses in the area, to put Knoydart, and in particular The Old Forge, back on the map as the UK's remotest pub with a sustained marketing effort, and 2) the other part of the job will be to develop a longer-term solution for The Old Forge's staff accommodation needs, and likely working with another community organisation. In addition, this post should have an additional It is assumed that a grant will be available to help cover the costs of this salary in the first 2 years of operation, but that thereafter the operation should grow to support this salary cost.

Bar & Restaurant Income

- 3 Income is a mix of lunches, dinners and non-food bar customers with only bar sales in the 4 winter months. The average spend per person in year 1 is assumed to be £16 per person for lunch and £32 per person for dinner with the average non-food bar customer spending £20 per head. Customer numbers are assumed to increase up to 100-120 food customers in the summer and 20 bar customers with an assumption that in the winter season only 10 bar non-food customers will be served across the 3 days per week that the bar is open. It is assumed that sales will increase by 5% per annum reflecting the increased marketing activity and renewed interest in the business.
- 4 Sales are based on aiming to achieve a gross profit percentage of 65% on food and bar sales - the ultimate target should be 70% gross profit, but the business is unlikely to operate at this ideal level of efficiency due to keeping prices attractive to locals and location resulting in higher delivery costs and increased amounts of stock spoilage. Many kitchen operations in the highlands and islands are not monitored closely enough by the owners/management with kitchen staff not being made responsible for profitability, therefore many operations only achieve 50% gross profit.

Merchandise Income

- 5 The business can take advantage of it's USP of being the remotest pub in Britain by selling good quality merchandise, and in particular t-shirts and good quality branded jackets. In the projections a modest level of sales are shown assuming the sale of 150 (equivalent to 5% of restaurant customer numbers in the summer) t-shirts per month at £20 each and 4 jackets at £150 each. It is assumed that the mark up on merchandise will be around 50%. The industry norm for clothing is around 44%, but it is assumed that there may be additional delivery costs that may result in the costs being slightly higher than achievable in other areas of the country.

Purchases

- 6 Normal credit terms will be taken from suppliers which are payment terms of 28 days. Purchases are therefore recognised in the cash flow as being 80% unpaid at the end of the month incurred and settled in the following month and recognised as creditors balance for cash flow purposes.

VAT

- 7 It is assumed that a VAT rate of 20% is applicable and returns will be made on a quarterly basis and this is reflected in the cash flow projections.

Overheads

- 8 It is assumed that utilities and overheads will be spread across the year on a monthly basis by taking advantage of direct debit payment arrangements where available.

Wages

- 9 Wages will be paid at the end of each month in which the costs have been incurred. For cash flow purposes related PAYE liabilities are also accounted for as paid at the end of each month.

Assumed staffing structure:

Role		FTE
Experienced cook - dinner	FT	1.00
Assistant cook - lunch	FT	1.00
KP	FT	1.00
KP	Seasonal	0.75
KP	Seasonal	0.75
Waiting staff/supervisor	FT	1.00
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Waiting staff	Seasonal	0.75
Manager	FT	1.00
Development manager	FT	1.00
Total		10.5

Grants received

- 10 It is assumed that the grant funding to assist with the Development Manager's post will be claimable quarterly in arrears and this is reflected in the cash flow projections.

Stock

- 11 It is assumed that a stock level of approximately £10,000 will need to be purchased ahead of opening. This will be payable in the subsequent month on normal credit terms.

Start up costs

- 12 There will be a need to incur costs in the period from before the Bar opens. It is anticipated that additional costs will include Advertising/ Marketing of £8,000, recruitment and training of £2,700. These costs have been included in month 1 of the projections.

Depreciation

- 13 Depreciation has been included at the following annual rates on the straight line method:

Property	2%
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PROJECT EXPENDITURE AND FUNDING

¹⁴ Project expenditure, excluding VAT, is estimated as follows:

PROPERTY PURCHASE	
Building valuation & goodwill	500,000
LBTT	25,000
Legal & conveyancing costs	10,000
Remedial work	70,000
Office equipment	5,000
Stock	10,000
Working capital	42,500
	<hr/>
	662,500

¹⁵ It is planned to fund the project as follows:

PROPERTY PURCHASE	
Grant funding for building purchase (assume 95%, excluding goodwill)	413,250
Grant funding for building remedial work (10% of building value)	40,000
Grant funding for office equipment etc (assume 95%)	4,750
Share offer, crowdfunding & fundraising	204,500
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	662,500

The Old Forge
Projected Trading and Profit and Loss Account
For the 5 Year Period ending 31 December 2026

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total year ended 31/12/2022	Total year ended 31/12/2023	Total year ended 31/12/2024	Total year ended 31/12/2025	Total year ended 31/12/2026
Turnover																	
Bar & Restaurant	-	-	13,950	48,000	72,333	70,000	84,733	84,733	64,000	35,133	8,200	12,710	493,793	522,483	548,607	576,038	604,839
Merchandise	-	-	-	3,600	3,600	3,600	3,600	3,600	3,600	-	-	-	21,600	22,680	23,814	25,005	26,255
	-	-	13,950	51,600	75,933	73,600	88,333	88,333	67,600	35,133	8,200	12,710	515,393	545,163	572,421	601,042	631,094
Cost of Sales																	
Bar & Restaurant purchase	-	-	4,883	16,800	25,317	24,500	29,657	29,657	22,400	12,297	2,870	4,449	172,828	182,869	192,013	201,613	211,694
Wages	4,667	4,667	17,299	23,066	23,066	23,066	23,066	23,066	23,066	23,066	9,823	9,823	207,739	224,005	230,725	237,647	244,776
Merchandise costs	-	-	-	1,800	1,800	1,800	1,800	1,800	1,800	-	-	-	10,800	11,340	11,907	12,502	13,127
	4,667	4,667	22,182	41,666	50,182	49,366	54,522	54,522	47,266	35,362	12,693	14,272	391,367	418,214	434,645	451,762	469,598
	(4,667)	(4,667)	(8,232)	9,934	25,751	24,234	33,811	33,811	20,334	(229)	(4,493)	(1,562)	124,026	126,949	137,777	149,280	161,497
Gross Profit																	
Other Income																	
Development grant	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	37,080	-	-	-
Interest receivable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred grants	763	762	761	760	758	757	756	754	753	752	751	749	9,076	8,897	8,720	8,547	8,378
	3,763	3,762	3,761	3,760	3,758	3,757	3,756	3,754	3,753	3,752	3,751	3,749	45,076	45,977	45,440	45,094	43,756
	(903)	(905)	(4,471)	13,694	29,509	27,991	37,567	37,565	24,087	3,523	(743)	2,188	169,103	172,926	146,497	157,827	169,875
Overheads																	
Development manager	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	36,000	37,080	-	-	-
Administrator	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Rates and water	-	-	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000	12,300	12,669	13,049	13,441
Insurance	200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,472	2,546	2,623	2,701
Light & heat	400	400	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,800	12,300	12,669	13,049	13,441
Telephone	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,090	3,183	3,278	3,377
Post & stationery	200	200	200	200	200	200	200	200	200	200	200	200	2,400	2,472	2,546	2,623	2,701
Advertising	8,000	200	200	200	200	200	200	200	200	200	200	200	10,200	6,386	6,578	6,775	6,978
Repairs & renewals	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,000	12,360	12,731	13,113	13,506
Sundry expenses	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,090	3,183	3,278	3,377
Training	2,700	100	100	100	100	100	100	100	100	100	100	100	3,800	1,236	1,273	1,311	1,351
Licences	1,500	-	-	-	-	-	-	-	-	-	-	-	1,500	500	515	530	546
Leasing	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,090	3,183	3,278	3,377
Accountancy	300	300	300	300	300	300	300	300	300	300	300	300	3,600	3,708	3,819	3,934	4,052
Bank charges	250	250	250	250	250	250	250	250	250	250	250	250	3,000	3,090	3,183	3,278	3,377
Travel & expenses	350	350	350	350	350	350	350	350	350	350	350	350	4,200	4,200	4,326	4,456	4,589
Depreciation	1,321	1,317	1,313	1,309	1,305	1,301	1,298	1,294	1,290	1,286	1,282	1,279	15,595	15,060	14,554	14,075	13,620
Loan interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest payable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest paid Share Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,090	4,090	3,967
	19,971	8,067	9,663	9,659	9,655	9,651	9,648	9,644	9,640	9,636	9,632	9,629	124,495	122,434	91,047	92,740	94,400
Profit/(Loss) before Tax	(20,874)	(8,972)	(14,134)	4,035	19,854	18,340	27,919	27,922	14,447	(6,113)	(10,375)	(7,441)	44,607	50,491	55,450	65,087	75,475
Taxation	-	-	-	-	-	-	(5,234)	(5,584)	(2,889)	1,222	2,075	1,489	(8,921)	(10,098)	(11,090)	(13,017)	(15,096)
Profit/(Loss) after Tax	(20,874)	(8,972)	(14,134)	4,035	19,854	18,340	22,685	22,338	11,558	(4,891)	(8,300)	(5,952)	35,686	40,393	44,360	52,070	60,379

The Old Forge
Projected Cash Flow
For the 5 Year Period ending 31 December 2026

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total 31/12/2022	Total 31/12/2023	Total 31/12/2024	Total 31/12/2025	Total 31/12/2026
Net Profit/(Loss) per Profit & Loss																	
Account before Tax	(20,874)	(8,972)	(14,134)	4,035	19,854	18,340	27,919	27,922	14,447	(6,113)	(10,375)	(7,441)	44,607	50,491	55,450	65,087	75,475
Items not involving Cash Funds																	
Depreciation	1,321	1,317	1,313	1,309	1,305	1,301	1,298	1,294	1,290	1,286	1,282	1,279	15,595	15,060	14,554	14,075	13,620
Deferred Grants - Income	(763)	(762)	(761)	(760)	(758)	(757)	(756)	(754)	(753)	(752)	(751)	(749)	(9,076)	(8,897)	(8,720)	(8,547)	(8,378)
	(20,317)	(8,417)	(13,582)	4,584	20,401	18,884	28,461	28,461	14,984	(5,579)	(9,843)	(6,912)	51,126	56,655	61,284	70,615	80,717
Working Capital Movements																	
Stocks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Creditors	-	-	3,906	10,974	6,813	(653)	4,125	-	(5,805)	(9,523)	(7,541)	1,263	3,559	178	187	196	206
VAT	(1,510)	50	2,720	8,990	15,117	14,650	(22,420)	17,597	13,450	(41,687)	1,570	2,472	10,999	560	(1,327)	554	583
	(1,510)	50	6,626	19,964	21,930	13,997	(18,295)	17,597	7,645	(51,209)	(5,971)	3,735	14,557	738	(1,141)	750	789
	(21,827)	(8,367)	(6,956)	24,548	42,331	32,881	10,166	46,058	22,629	(56,788)	(15,815)	(3,177)	65,684	57,393	60,143	71,365	81,506
Taxation Paid	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,921)	(10,098)	(11,090)	(13,017)
Net Increase/(Decrease)	(21,827)	(8,367)	(6,956)	24,548	42,331	32,881	10,166	46,058	22,629	(56,788)	(15,815)	(3,177)	65,684	48,472	50,045	60,275	68,489
Bank Balance B/Fwd	42,500	20,673	12,307	5,351	29,899	72,230	105,111	115,277	161,335	183,964	127,175	111,361	42,500	108,184	156,656	206,701	266,976
Bank Balance C/Fwd	20,673	12,307	5,351	29,899	72,230	105,111	115,277	161,335	183,964	127,175	111,361	108,184	108,184	156,656	206,701	266,976	335,466

The Old Forge
Projected Balance Sheet
For the 5 Year Period ending 31 December 2026

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Total 31/12/2023	Total 31/12/2024	Total 31/12/2025	Total 31/12/2026	
Fixed Assets at WDV																	
Building	504,158	503,318	502,479	501,642	500,806	499,971	499,138	498,306	497,475	496,646	495,818	494,992	494,992	485,182	475,567	466,143	456,905
Goodwill	99,583	99,168	98,755	98,344	97,934	97,526	97,120	96,715	96,312	95,911	95,511	95,113	95,113	90,465	86,044	81,839	77,839
Fixtures & fittings	4,938	4,876	4,815	4,755	4,695	4,637	4,579	4,521	4,465	4,409	4,354	4,299	4,299	3,697	3,179	2,734	2,351
Cap Exp class 4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	608,679	607,362	606,049	604,740	603,435	602,133	600,836	599,542	598,252	596,966	595,683	594,405	594,405	579,344	564,790	550,715	537,095
Current Assets																	
Stocks	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VAT Receivable	1,510	1,460	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Account	20,673	12,307	5,351	29,899	72,230	105,111	115,277	161,335	183,964	127,175	111,361	108,184	108,184	156,656	206,701	266,976	329,331
	32,183	23,767	15,351	39,899	82,230	115,111	125,277	171,335	193,964	137,175	121,361	118,184	118,184	166,656	216,701	276,976	339,331
Current Liabilities																	
Creditors	-	-	3,906	14,880	21,693	21,040	25,165	25,165	19,360	9,837	2,296	3,559	3,559	3,737	3,924	4,120	4,326
VAT	-	-	1,260	10,250	25,367	40,017	17,597	35,193	48,643	6,957	8,527	10,999	10,999	11,559	10,232	10,786	11,369
Bank Overdraft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Grants	457,237	456,475	455,714	454,954	454,196	453,439	452,683	451,929	451,176	450,424	449,673	448,924	448,924	440,027	431,307	422,759	414,381
Corporation Tax payable	-	-	-	-	-	-	5,234	10,818	13,707	12,485	10,410	8,921	8,921	10,098	11,090	13,017	15,096
	457,237	456,475	460,880	480,084	501,256	514,496	500,679	523,106	532,886	479,703	470,906	472,402	472,402	465,421	456,552	450,682	445,172
	183,626	174,654	160,520	164,555	184,409	202,749	225,434	247,771	259,330	254,438	246,138	240,186	240,186	280,580	324,940	377,010	431,254
Financed by Capital Account																	
Share Capital	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	204,500	198,365
Other Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Profit & Loss Account:																	
Brought Forward	-	(20,874)	(29,846)	(43,980)	(39,945)	(20,091)	(1,751)	20,934	43,271	54,830	49,938	41,638	-	35,686	76,080	120,440	172,510
Profit/(loss) for period	(20,874)	(8,972)	(14,134)	4,035	19,854	18,340	22,685	22,338	11,558	(4,891)	(8,300)	(5,952)	35,686	40,393	44,360	52,070	60,379
	(20,874)	(29,846)	(43,980)	(39,945)	(20,091)	(1,751)	20,934	43,271	54,830	49,938	41,638	35,686	35,686	76,080	120,440	172,510	232,889
	183,626	174,654	160,520	164,555	184,409	202,749	225,434	247,771	259,330	254,438	246,138	240,186	240,186	280,580	324,940	377,010	431,254