

DADCA

New Build Project - Big Lottery Bid -

Business Plan

October 2013

DORNOCH & DISTRICT COMMUNITY ASSOCIATION

Scottish Charity No. SC013716 - Company Limited by Guarantee registered in Scotland No. 375856 - Registered Office: Rubhan Beag, Hilton, Dornoch, Sutherland, IV25 3PW

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1. INTRODUCTION

The purpose of this document is to outline the state of the current business and to forecast the way the business would evolve in a new building (using projected income and expenditure forecasts based on existing known values) and an overview of possible capital funding streams.

Dornoch and District Community Association (DADCA) is a registered Scottish Charity (No SC013716) which changed its legal status to a Charitable Company Limited by Guarantee on 1st April 2010. A copy of the Articles of Association is included in *Appendix A*.

The current Board has been in place since 2008 (then a committee), and from a standing start the business has grown to reach a turnover of over £36k with total cash reserves of £25k (some of which are reserved funds for our sub-committees) at 31st March 2013.

The Company is run by a Board of 14 volunteers, with an appointed Treasurer who has been in place for almost 3 years. We do have a contract for the caretaking of the Hall, but there are no paid employees and the administration of the Hall is handled by a Board sub-committee currently comprising two volunteer directors (Secretary Judi Sutherland and Bookings Secretary Pat Murray).

An explanation of the Company legal structures and governance is available in the Feasibility Study (Update) accompanying this document.

2. CURRENT BUSINESS ACTIVITY

In its present form DADCA has been running profitably since the current Board took over in 2008. Income is derived from three main areas: hire of the hall; fund-raising activities; and grants & donations. DADCA has six volunteer-run sub-committees who are involved in arranging functions and events, and whose finances are included within the DADCA accounts.

Expenditure is consistent with the normal running of a village hall, with the largest single items being Costs of Fund-raising, Repairs and Maintenance, Caretaking Contract, and Electricity (Heat & Light). DADCA and its various sub-committees also invest a significant amount of money on advertising the various events and functions they organise.

A copy of the latest approved Accounts (2012/13) is included in *Appendix B*.

2.1 Space Hire

When the present committee took over in 2008 the building was virtually derelict and the total income from hires in FY 2006 & 2007 was £75 - representing 3 paid events in 2 years! In 2008 this increased to £755 and since then it has progressed steadily to over £9,500 in the last full year. Figures and charts showing Revenue & Usage for 2006-12 are included in *Appendix C*.

The number of events held in the hall has now increased to over 800 per year, and we operate at something close to full capacity as we continually have to decline bookings owing to lack of space. Reaching near-capacity (particularly at popular times (e.g. Tuesday - Thursday evenings) has resulted in the annual increases in income tailing-off, but this is not due to lack of demand, merely a lack of available space. A table showing the regular bookings for the latest quarter is included in *Appendix D* of this document.

We also started to keep a record of the number of hours let per annum (now required to obtain lower rate VAT charges on our electricity) and we exceeded 1,500 hours let for the first time in 2012/13, which represents a footfall of approximately 15,000 people per year through the hall.

The income from hires covers our expenditure on electricity, caretaking and general expenses (postage, etc.).

2.2 Fund Raising

The DADCA Board does not consider its role as an events organiser, but we quickly recognised that the hall would not be sustainable just with the income generated by the hire of the hall, and therefore decided to organise a few events specifically to raise funds for the Hall.

One of the suggestions which came out of the original survey conducted in 2008 was a Car Boot Sale, and so we decided to try this in the hall. From humble beginnings we now hold monthly Car Boot Sales in the summer months which raise in excess of £1,200 per year.

In addition to these sales the Board also directly organises an annual Book Fair in June (now expanded to 3 days). This idea came about as a result of receiving a donation of a complete book collection following the death of the father-in-law of one of our Directors. This was quickly added to by other generous donations and the event now raises about £600 per year towards our running costs.

Other events which have been held to raise funds for the hall include dances, ceilidhs and raffles.

Our fund-raising income nominally covers our repair & maintenance bills, with money from some events being specifically ring-fenced for the new-build fund.

2.3 Grants & Donations

The Board prefers not to rely on grant income to cover general running costs, and the only regular income of this type is an annual revenue grant of £1,000 awarded to all village halls by Highland Council. Whilst this is a welcome addition to our funds (which covers our insurance bill - arranged through Highland Council!), given the current economic climate it is not an income stream which we rely on.

DADCA and its various sub-committees have been fortunate in the past to receive regular donations in the order of £370 from our local Charity Shop (run by St. Finnbar's Episcopal Church). Again this is not budgeted for and last year this money was used to purchase Sports Drinks Bottles to give away at the children's sports in Festival Week.

Over the past 5 years major grants have been secured for a number of specific capital projects to cover maintenance and upgrading of the hall. We have been successful in securing two £10k Awards for All grants which were used to :-

- ◆ Refurbish the kitchen (£3.5k), re-floor the coffee lounge (£3k) & external painting (£3.5k)
- ◆ Re-floor the Struie Room and fully refurbish the upstairs rooms (for additional storage)

Our philosophy is to use volunteer labour as much as possible on these projects; as an example the kitchen refurbishment was completed in 2009/10 using all volunteer labour.

Other grants have been secured from Hi-Arts (£5k for Cinema equipment), Beinn Tharsuinn wind farm fund (£2k for new chairs and tables), LEADER (£2.5k towards new-build Feasibility Study in 2009) and a number of smaller awards from our local Common Good Fund and Ward Managers Discretionary Budget to help with survey work, purchase of computers (for Youth Cafe) etc..

2.4 Administration & Caretaking

DADCA administration is done on a volunteer basis by the Board-appointed Secretary, Judi Sutherland. Her role includes correspondence, minutes and supervising the caretaking contract. Bookings are also dealt with on a voluntary basis by Pat Murray, and recorded on our website www.dadca.org.uk to allow users to see what is on and when the hall is available. The website is jointly maintained by a number of volunteers, some Board members and others not.

The hall was originally cleaned by the same volunteers, but this quickly became unsustainable and so a caretaking contract was drawn up and eventually awarded to a local company. The cleaning part of the contract has since been extended to cope with the additional demands placed on the hall by its heavy usage. The cost of caretaking is now approaching £5k per annum and is the largest single component of our regular expenditure, but the feedback from users regarding the state of the hall is generally very favourable.

As noted above, this expenditure is more than covered by income from hires.

2.5 Building Maintenance

The Social Club building is over 150 years old and as noted in the Options Appraisal, and evidenced by its forced closure in 2007, it is not in a great state of repair. Significant neglect over many years (as highlighted by the original building survey in 2008), the absence of any planned maintenance schedule and some fundamental design flaws have resulted in a building which will require a great deal of investment in the short to medium term.

The DADCA Board made an early decision to address any cosmetic problems which were easily fixed (e.g. painting & decorating) but not to spend time, effort and money (of which there was none) on major items until such time as further professional surveys could be undertaken.

Once the results of the surveys were known and the decision to press ahead with the new build options was taken by the Board, it then followed that any major restoration and renovation work would be a waste of DADCA money.

Accordingly, following the upgrades made possible by the Awards for All grants (which got the building into a usable state) finance continues to be allocated for cosmetic work (painting, window blinds, etc.) and essential maintenance (electric and fire safety checks, etc.) but not for any of the identified major defects or building shortcomings.

3. ADDITIONAL EXPECTED INCOME FROM NEW COMMUNITY CENTRE

DADCA's aim is to build on the existing solid financial base in a new Community Centre. We plan to maintain high levels of usage and community involvement, keeping a careful control on budgets whilst at the same time providing as many additional services and facilities as possible for our local community.

The financial record over the past 5½ years and the current levels of usage of the existing hall are good evidence of the base from which DADCA will be working. However, we recognise that additional revenues will be required to run and maintain a new building, and to finance our plan to employ a staff member to run the hall.

We are confident that with the continued support of our existing users and groups (as shown in the various recent surveys), and with the implementation of the following plans to generate more revenue, the new building will be more than sustainable - economically, socially and environmentally.

3.1 Additional Space to Let

One of the main drawbacks of the Social Club, as identified by a number of user groups, is the size of the main hall, the restrictive layout of the building (which makes access to the toilets and kitchen difficult/impossible if there is more than one event on) and the sheer volume of lets currently attracted.

For these reasons we are confident that we will secure even more bookings than the present 800 per year, although we are mindful that our regular Sunday let, the Dornoch Christian Fellowship, may well be lost as they have shown great interest in purchasing the Social Club should it ever become available.

However, this particular booking was the subject of much discussion by the Board when we were initially approached about it, as it adversely affects our ability to offer weekend bookings (apart from the four occasions per year we reserved the rights for, to accommodate Fibre Fest and the Book Fair, etc.) and their early start on a Sunday morning means that wedding reception bookings are faced with either a late night or a very early Sunday morning clean-up!

Notwithstanding any of the above, we are confident of maintaining a level of events at around 800 per year, and with a 20% increase in rates (which our user survey appeared to have no problem with) we are confident to predict £11,500 income into our projected profit & loss calculations.

3.2 Fitness Suite

The demand for a Fitness Suite in Dornoch is overwhelming, as shown by the results of the recent public survey (*see separate Consultation Document - Appendix C*). The provision of such a fitness suite would not only be used by the individual respondents, but there is also confirmed demand from Julie Brown - a qualified fitness instructor and an existing hall user - for provision of both private and Medical Centre referred fitness programmes, particularly for our over-represented elderly residents. Julie has agreed to act as an advisor to the Board with regard to the Fitness Suite layout and design.

The plan is to build a small self-contained fitness room equipped with a range of equipment and machines and with attached changing facilities. All of this will be part of the main building but will be accessed by suitably inducted individuals by means of an electronic door entry system and monitored by a security camera, thus allowing use of the facility at all times of the day (e.g. early morning before commute to Inverness, or late at night when kids are in bed).

Our budget plans are based on a conservative estimate of securing 50 individual members paying £15 per month (the mean value response from our survey) and a further 50 families paying £25 per month. For a local resident currently travelling out of Dornoch to use a fitness suite (148 respondents in our survey said they were) who could walk or cycle to the fitness suite in a new Community Centre, the cost of the monthly membership equates to less than the real cost of 3 car journeys.

We believe that there will be additional benefits accrued from people being able to use the fitness suite more regularly.

For budget purposes we have decided to ignore the likely additional revenue which could come from selling memberships to hotels for their guests, from the local UHI students (who were not surveyed specifically) or from temporary memberships for visitors (specifically Golf tourists).

We would use the revenue generated by the fitness suite to pay for one full-time employee (or equivalent) to manage the Community Centre, with specific responsibility for overseeing the Fitness Suite. This would be an additional full-time year-round job suitable for a young person.

Any additional revenues generated would be used to fund part-time positions to supplement the manager's post, and so reduce the onus on volunteer staff.

3.3 Weddings

Dornoch is a well established and popular wedding venue, both in the Dornoch Cathedral (thanks to the Madonna influence) and civil ceremonies conducted by the local Registrars in the Council Chambers. There are approximately 60 weddings per year in Dornoch (2012 figures).

However, the choice of venue for wedding receptions is now very limited. Traditionally the Burghfield House Hotel was the most popular choice (particularly for 'local' weddings), but its function room was demolished as part of its renaissance as the University of Highland & Islands (UHI) training hotel in 2006, and it is no longer capable of holding large group functions.

Most of the business was transferred from the Burghfield House Hotel to the volunteer-run Carnegie Hall at Clashmore, about 3 miles out of Dornoch. Although its location is not ideal, the hall is well suited to weddings, being of a good size with adequate parking. However, the hall committee have recently decided to stop taking wedding bookings owing to a lack of capacity on their committee. This decision has placed more pressure on the remaining locations within Dornoch itself.

Most of the wedding receptions now take place at the Castle Hotel, which is able to offer facilities for up to 90 in their Garden Restaurant (although this does affect their dining room at peak times) or up to a maximum 150 by erecting a temporary Marquee in their grounds. However, their pricing structure is not to all tastes.

The Dornoch Social Club is not an ideal venue for a wedding reception - the hall is not really big enough, the toilets are not really adequate (either in quantity or quality), the available parking is limited and the kitchen is not industrial quality. Having said all this we have hosted a number of receptions in the past and have even more bookings already for 2014.

The market for wedding receptions is already established and a larger, modern, well decorated hall (with an option of a marquee attached) will enable us to fulfil this demand, particularly if we are free to offer a full weekend let in the absence of our regular Sunday booking.

Our plan is based on doubling the existing average 2 events a year to a modest 4 events per year, although with a significant increase in price to reflect the new facilities. We are confident of not only meeting but comfortably exceeding this target.

3.4 Commercial Lets

As with the wedding market, our ability to offer space for commercial lets is severely hampered by the current facilities. During the day the bulk of our events are based in the Main Hall (e.g. Pilates, Tai Chi, Fitness Classes, etc.) and with the layout of the hall we cannot accept commercial lets for the meeting rooms (Struie & Coffee Lounge) because of the compromised access to the toilets.

A new building will be designed in such a way that we can have 3 different events on at the same time - in the main hall, meeting room and activity room - all having unhindered access to the toilets and kitchen.

We have hosted some commercial lets, specifically from Highland Council, HIE and the Social Work Department for access visits. However our booking secretary turns down enquiries for small meeting and exhibition space on a regular basis, but this is incremental business and revenue which we would be able to accept in a new building.

We are budgeting for just one additional commercial 1 day let every month in our income & expenditure forecast (*see Page 13*).

3.5 Dornoch Gallery

During the summers of 2010 and 2011 the Struie Room in the Social Club was transformed into the Dornoch Gallery - originally a separate venture run by members of the Board, but subsequently amalgamated into DADCA itself. The Gallery was an exhibition space and retail outlet for local craft products which was staffed entirely by volunteers. The business plan was to offer space free of charge in exchange for a 20% commission on sales.

Overall the venture was a great success, generating around £850 profit in the 8 weeks it was open in 2010, and slightly more the next year with £964 nett profit.

The benefits of the Gallery were not only the profit accrued, which is retained as a ring-fenced sum in the DADCA accounts, but also that our thriving local Arts & Crafts community had the chance to display and sell their work locally. The downsides were that the Struie Room was not available for the duration of the Gallery opening and making sure that the volunteers were in place at the right time became a chore (volunteer fatigue?).

Notwithstanding the above problems, a new organiser (local artist) has come forward and is looking to reopen the Gallery in 2014.

With the experience gained from running the Gallery for 2 summers, we know that there is a market for local craft products in Dornoch, particularly from the summer tourists, and a Community Centre with a paid manager would be an ideal location to relocate the Gallery to - selling craft items would become part of the manager's duties.

Our plan is to stock a small area of the new Community Centre - possibly in the foyer - with local craft products (rotated on a regular basis) offered for sale at a slightly higher commission rate of 25% (still less than the industry norm of 30% or more). Our experiences lead us to believe that we can generate a minimum of £1,000 profit per annum from this venture (after expenses).

4. ADDITIONAL EXPENDITURE

After over 5½ years of successfully running the Social Club, the DADCA Board believes it has a good understanding of the costs involved in running a community hall. However, a move to a new building will entail some additional (and different) expenses. Following are some of the main additions that we have considered.

4.1 Caretaker

At present we contract out our caretaking service, which includes all the cleaning, janitorial supplies (hand towels, etc.), room setup, fire alarm test procedures and general health and safety compliance, and our plan would be to transfer this contract to the new building.

Given that the building will be more than 50% larger than our existing one then we will need to provide for additional cleaning time. Also, there will be more toilets and new showers to be kept clean and so more time again will be required to complete the tasks. However, we plan to transfer some of the existing tasks, specifically room setups, fire test and health and safety responsibility to the Centre Manager, and so this time element can be removed from the caretaking contract.

Overall, we plan to increase the caretaking contract hours from a nominal 15 hours per week to 18 hours per week (20%).

4.2 Heat & Light

Our current hall is heated by a mixture of wall-mounted electric ceramic and panel heaters and supplemented by portable electric fan heaters. None of these are particularly energy efficient, and given the age of the building our heating costs are proportionally very high.

Following the energy audit report (*see separate Options Appraisal - Appendix B*) we systematically replaced all our lights with low energy bulbs and received a grant to fit additional loft insulation over the main hall and draft excluders to the entrance doors. However our electricity bills remain high at over £3,000 per annum, despite recently joining the Scottish Government procurement scheme.

One of the major benefits of moving to a new building will be its thermal efficiency and the opportunity to take advantage of renewable energy systems. One of our plans would be to heat the new building using a biomass boiler powered by easily handled wood pellets manufactured locally in Invergordon. This system could also be the heat source for the hot water system, which would be supplemented by south facing solar (thermal) panels.

We envisage that the building will be fitted with low-energy light fittings throughout, with movement sensors for toilets and other communal areas to reduce costs and increase efficiency.

Overall, we believe that the increased energy required to provide heat and light over a larger floor area will be more than offset by the better thermal insulation properties of a new building, the advantages of passive solar gain through the design process, the greater efficiency offered by modern renewable energy heating systems and the rebates offered by the Renewable Heat Incentive scheme.

For these reasons we are happy to keep our projected total energy spend at the 2013/14 level, with allowances for fuel inflation of 8% per annum.

4.3 Administration

At the moment all the administration for DADCA and the Social Club is done on a voluntary basis by the committee (and now Board) members, and whilst this has been sustainable for the past 5½ years there is no guarantee that it will continue to be so in the future.

Central to the plan for a new Community Centre is the creation of a minimum of one full time (equivalent) job for a manager to take care of both running the centre on a day to day basis (including the Fitness Suite) and also take on a part of the DADCA administration (i.e. take bookings & payments, prepare invoices, update the website/Facebook pages, report to Board, etc.).

This step will not only involve finding additional finance to cover the position, but will also require DADCA to become an employer and run a payroll system (or at least buy in this service) and provide a pension scheme.

The required income to pay for a Centre Manager will come mainly from the subscriptions to the Fitness Suite, but also from the additional income accruing from increased hire charges, weddings, commercial lets and the Gallery.

4.4 Building Maintenance

Historically DADCA have spent approximately £2,500 per annum on non project-related building maintenance (i.e. general repairs, maintenance and decorating).

A new building will hopefully require little or no maintenance in its early years, but the Board think it is important to create a planned maintenance schedule from day one and budget accordingly, building up a maintenance fund in the early years to make sure finance is available as and when work is required.

The sums used for the purposes of the income & expenditure figures are best-guess estimates based on our experiences at the Social Club. We have allocated £1,000 per year every year for miscellaneous maintenance costs (replacement light bulbs, touch-up decorating, machinery maintenance, etc.).

In addition to the building maintenance, we have allocated a similar figure for depreciation and maintenance of the fitness machinery, based on sample quotations for actual replacement costs and annual maintenance.

Finally, we propose to create a specific Building Maintenance Fund for larger planned maintenance work (e.g. exterior painting) of £2,500 per annum.

5. CAPITAL FUNDING

The new build project is heavily reliant on a successful bid to the Big Lottery Growing Community Assets funding stream. However, the limit of this funding is £1,000,000 and our total estimated project cost (including contingencies) is £1,773,000. The funding gap will have to be met by a combination of the following sources.

5.1 Assets

In 2012 DADCA successfully negotiated the purchase of the Dornoch Social Club building from the Trustees, from whom it had been leased for many years. The building is now an asset of the company and the plan is to sell the building on the open market and put the proceeds towards the new-build cost.

The building has not been valued recently, but in its dilapidated state in 2008 it was valued at £150,000 by our local surveyor (*see separate Building Surveys document - Appendix A*). Although the building is in need of structural work, its location in the heart of the town and the plot size add to its value, and we already have a noted interest in the building from one of our user groups if/when it is placed on the market.

It will be essential to keep the existing building running during the new build phase, and so some bridging finance will be required to allow the asset to be realised at the end of the build process.

5.2 Grants

In addition to the Big Lottery Growing Community Assets grant, we would look to apply to the following grant funders for financial assistance with our project :-

LEADER	Robertson Trust
Highland Council	Sport Scotland
Highland & Islands Enterprise	Dornoch Common Good Fund
Beinn Tharsuinn Wind Farm Fund	Tudor Trust
Lloyds TSB Foundation	People & Communities Fund
Scottish Community Foundation	Climate Change Fund

We would also seek assistance from CVSO and VG-ES in helping identify other potential funding bodies via their Highland Council GRANTnet service.

The Board are mindful that some grant funders will only release funds on production of receipts or even on completion of the project, and so additional short-term bridging finance may well be required on top of the grants themselves. Applications for funding to Social Investment Scotland Loan Fund or similar organisation will need to be considered.

5.3 Fund Raising

The DADCA Board is under no illusion that there will need to be a significant amount of money raised locally if the project is to succeed.

We already have a small (c. £2,500) new build fund ring-fenced in our accounts, and regularly add to this with the proceeds from specific events. However, as can be seen from the surveys, DADCA enjoys vast support from within the community and the Board is confident that once the final build cost is known and our plan nears reality we will be able to motivate our various sub-committees and groups into fund-raising action.

Likewise, once the scope of the project is clearer we also plan to launch a fund raising appeal amongst local residents and visitors for donations to our new-build fund, and are confident that we will raise a significant amount from this source.

6. INCOME & EXPENDITURE FORECAST

Based on what we already know from running the Social Club and with the assumptions shown, following is an estimate of an Income & Expenditure account for a new building opening in March 2016, with actual figures from 2012 & 2013 (excluding sub-committees) for comparison.

	2012	2013	2016	Assumptions
Income				
Donations	£570	£733	£652	+0% (2 year average)
Grants	£1,000	£3,800	£1,370	HC + St Finnbar's
Fundraising	£6,694	£8,194	£7,444	+ 0% (2 year average)
Hire of Hall	£8,686	£9,572	£11,486	+ 20% increase
Gallery	£1,524			
New Gallery			£1,500	25% of £6,000
Weddings			£1,200	4 per annum at £300 each
Commercial Lets			£2,080	26 lets x 4hrs @ £20 per hour
Fitness Suite: Personal			£9,000	50 members @ £15 per month
Fitness Suite: Family			£15,000	50 members @ £25 per month
Fitness Suite: Corporate			£0	Assumed no income
Fitness Suite: Visitors			£0	Assumed no income
Feed in Tariff payments			£0	Assumed no income
Total Income	£18,474	£22,299	£49,732	
Expenditure				
Fundraising	£2,811	£3,571	£3,191	+0% (2 year average)
Repairs & Maintenance	£2,200	£4,704	£1,000	£1,000 repairs per annum
Heat & Light	£2,285	£3,111	£3,919	8% pa compound increase
Caretaking	£2,918	£4,993	£6,240	16 hours @ £7.50
Insurance	£686	£767	£1,151	50% increase
Performing Rights	£153	£440	£528	20% increase
Advertising	£1,092	£1,108	£1,769	+10% on current actual
Accounting	£720	£720	£864	20% increase
General Expenses	£406	£929	£1,115	20% increase
Wages			£21,000	1 FTE job @ £21k
National Insurance			£2,116	Wages x13.8% on balance
Pension			£490	Wages x3% on balance
Cost of Payroll			£600	£50/month – bought in
Building Maintenance Fund			£2,500	£10k per 4 year cycle
Equipment Maintenance			£1,000	Annual maintenance contract
Equipment Depreciation			£1,000	£16k / 4 years – 75% funded
Total Expenditure	£13,271	£20,343	£48,482	
Annual Surplus (Deficit)	£5,203	£1,956	£1,250	

The DADCA Board are happy that the above income projections are deliberately conservative as opposed to the expenditure figures, which are at the high end of what may be expected.