

FEASIBILITY STUDY WITH OPTIONS APPRAISAL
FOR
COMMUNITY PURCHASE OF DORNOCH POLICE STATION
ON BEHALF OF
THE DORNOCH AREA COMMUNITY INTEREST COMPANY

A report by Impact Hub Inverness with CH Architecture



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Executive Summary:

- This study was commissioned by the Dornoch Area Community Interest Company (DACIC) which has lodged an asset transfer request to Police Scotland to acquire the police station in Argyll Street, Dornoch and redevelop it as a community-owned building.
- DACIC was established in 2007 as a voluntary organisation to enhance and develop the economy and community of Dornoch. Membership of the company, which currently stands at 225, is available to residents aged 18 and over within the IV25 Postcode. It has a board of 9 directors and its work to date has involved a range of projects primarily around enhancing the town centre for the benefit of visitors and local people.
- DACIC has spearheaded VisitDornoch which, amongst other things, has created a distinct Dornoch brand and provided destination marketing, pedestrian signage, A9 signage, a mobile app and business training. The group's income is via a VisitDornoch business group levy which in 2018 brought in revenue of £24,292.
- Dornoch has a population of 2,476 (2011 Census) and the town functions as a service centre for the local area providing schools, retail and employment.
- The police station is now mostly unused and is one of 53 properties which Police Scotland has identified for potential disposal subject to consultation with local communities, partners and stakeholders.
- Built in the 1980s the building occupies two floors, with an area of 641 square meters and has been independently valued at £375,000 (July 2018). There is a surfaced private car parking area to the side of the property. There is also an area of land adjoining the station which is included in the sale and, potentially, suitable for housing. An independent valuation of this suggests it could achieve a sale price of up to £140,000 the proceeds of which would be fully utilised by DACIC for the redevelopment of the station itself.
- The size and layout of the building combined with its subdivision into three distinctly separate areas would lend itself to multi-tenancy ideally from occupants who would benefit from being located close to a diverse range of tenants.
- Discussion with Dornoch's three community groups - DACIC itself, Dornoch Community Council and Dornoch and District Community Association and backed by a site visit by the study team and architect - identified four potential uses for the various areas of the building; a business hub, studios, storage and workshop areas for artists, a child day centre and gym.
- These potential uses were put out for consultation with the wider community within the IV25 postcode area via a postal and online survey. There were also a range of interviews with stakeholders, potential users of the building and other interested parties.
- The survey attracted 451 responses with 92% of respondents supporting the proposal to acquire the police station for community use. Other main findings were: 75% of respondents believed Dornoch would benefit from serviced office space; 325 respondents thought Dornoch would benefit from a creative hub and with the most popular uses being workshops (78%) and studios (71%). There was overwhelming support for the provision of a gym with 93% (415 people answered this question) while 82% (335 people answered this question) supported the idea for a child daycare centre.
- The business model is for DACIC to own the building and lease it to a mix of tenants. Two established businesses have indicated a strong interest in being operators for two of the proposed uses; Silverback Gym (which runs a gym in Tain) to run the gym and Ankerville Nurseries (also in Tain) to operate the child daycare centre.

- In researching the market and making the case for need it was clear that the project would meet some areas of unmet demand locally; there is no serviced office space of the type envisaged for this project; storage, studio and workshop spaces for artists, designers and makers are also in short supply; there is a lack of gym provision in both the local and wider Sutherland area with larger chains limiting the opening of new sites to areas with populations of 100,000 or over. And while there is local nursery provision for 3-5-year-olds at the Dornoch Firth Campus and two private businesses, the Highland Council's view is that there is a gap in private nursery provision for 0-3 year olds and funded 2-year olds. The council's view is that any additional provision should focus on this age group.
- Ankerville Nurseries propose to offer year-round childcare for 0-3 years with some possible provision for any 'eligible twos' and an option for Saturday provision based on demand.
- Silverback Gym has indicated rent levels will be the deciding factor in its decision so negotiation by DACIC with any prospective tenants will be important.
- The feasibility of the project rests on attracting anchor tenants and the possible loss of these is one of the greatest risks.
- If two anchor tenants can be secured indicative figures suggest income in Yr 1 of £30,462 based on 40% occupancy with tenants paying £13 per sq. m (plus contributions to heat, light and an answering service); income in Yr 2 of £34,701 and income of £40,370 in Yr 3 based on 75% occupancy. Full profit and loss figures over 5 years will be set out in the business plan.
- It should be noted that revenue from two anchor tenants account for 39% of total income in Yr 1, 34% in Yr 2 and 29% in Yr 3.
- Conversion costs have been estimated at £347,500. There is potential for some reductions on this figure for both the gym and child daycare element of the conversion.
- With current uncertainty over anchor tenant security - particularly for the part of the building that would be used as the child daycare centre - DACIC would need to be confident that any alternative uses put forward for this space could be supported by evidence of demand.

1. Background:

1.1 The project

This feasibility study was commissioned by the Dornoch Area Community Interest Company (DACIC) which has lodged an asset transfer request to Police Scotland to acquire the police station in Argyll Street, Dornoch and redevelop it as a community-owned building. This study has four aims:

- To explore the station's suitability for conversion.
- An appraisal of options for how it might be redeveloped and used.
- Gather evidence to demonstrate whether there is community support for the project.
- Assess what level of demand there may be for the proposed uses.

A site visit by the study team and followed by architectural drawings and report (see Appendix 1) suggests the size of the building, combined with its subdivision into three distinctly separate parts - the main police station itself, residence and garage/store - would lend itself to multi-tenancy ideally from occupants who would benefit from being located close to a diverse range of tenants.

The building is located within the Dornoch Conservation Area which is a designated zone of special architectural and historic interest. Additional planning controls apply in conservation areas in order to protect and enhance the overall appearance and character. Should the project proceed DACIC will need to apply for Conservation Consent for any external alterations (e.g. installation of signage). Planning permission will be required for any change of use and any external alterations and thereafter a building warrant must be granted to ensure any alterations are compliant with current regulations.

The focus of the community consultation and options appraisal were on potential mixed occupancy of the building comprising:

- Serviced offices for businesses in the main station
- Studios, workshops and storage for artists, designers and makers also in the main station
- Child day care in the residence
- Gym located in the garage

Key factors in drawing together ideas on how the building could be used were:

- The design and layout of the building, its suitability for conversion and realistic uses of the space.
- Issues of displacement; the Social Club, run by the local Community Association, is located opposite the police station. It has over 900 bookings annually for a wide variety of events, meetings and functions and therefore serves an important role in the town. Two churches also provide space for meetings and so the police station project needs to offer something not currently available elsewhere in the IV25 postcode area.
- The strategic development of community facilities in Dornoch: While the Social Club is an important community resource it should be noted that the building itself is old and, increasingly, not fit-for-purpose. There has been a long-term aspiration within the community for a purpose-built community centre. The police station and the space it would provide could help meet some of those aspirations.

The main findings of this study will feed into a business plan which will be provided as a separate report.

1.2 The police station

The station is now largely unused other than on an occasional basis for meetings, training events and as a stop over by officers. In addition, police inspectors use the building for admin purposes. It is one of 53 properties which Police Scotland has identified for potential disposal subject to consultation with local communities, partners and stakeholders. Built in 1980 the building occupies two floors and provides the following accommodation and approximate floor areas:

Table 1: Accommodation and floor areas (excluding garage):

Floor	Accommodation	Area (sq. m)
Ground	Reception, offices, interview rooms, locker room, staff welfare area and WCs	313.25
Ground (residence)	Kitchen/living room, 4 bedrooms and separate bathroom.	86.87
First	Offices, kitchen/staff room, staff breakout areas, locker rooms, shower rooms and WC	241.79
TOTAL		641.91

There is also an adjoining garage/store. The property has been given a market value of £375,000 in an independent valuation by Shepherd's Chartered Surveyors (July 2018).

There is a surfaced private car parking area to the side of the property. Adjoining land, which extends to about one third of an acre, is included in the sale and has been identified as, potentially, suitable for housing. The land has been independently valued by Torrance Partnership at between £100,000 if planning permission was granted for a single house and £140,000 for four terraced houses. Proceeds from any successful sale of the land would be fully utilised for the development of the police station building.

Station running costs for the past year were:

- Electricity £4,100
- Water £1,750
- Oil £9,600

In addition, the rateable value of the Dornoch Police Station is £38,000. The rates payable for 2018/19 are £18,240.

The Police Station viewed from Argyll Street
Dornoch



1.3 Dornoch and the local area

Dornoch has a population of 2,476 (2011 Census). The town functions as a service centre for the local area providing schools, retail and employment. It is a Royal Burgh with a history stretching back to the sixth century. A Conservation Area covers the historic core which may be reviewed in the future.

Table 2: Population breakdown by age:

Age	%	Number
0-4 years	3.8%	93
5-15 years	11.1%	275
16-29 years	13.2%	328
30-44 years	15.7%	388
45-59 years	20.3%	503
60-74 years	22.4%	554
75 and over	13.5%	335

Dornoch is next to the Dornoch Firth National Scenic Area, Dornoch Firth and Morrich More Special Area of Conservation, Dornoch Firth and Loch Fleet Special Protection Area/Ramsar and the Moray Firth Special Area of Conservation.

The Caithness & Sutherland Local Development Plan (C&S Plan) was published by The Highland Council in September 2016. It sets out the vision and development strategy for the next 20 years and replaces the Caithness Local Plan and Sutherland Local Plan. Its vision for the region covers four major themes: growing communities, employment, connectivity and transport and environment and heritage.

The plan cites tourism is a major source of income for Dornoch with visitors being attracted by the history of the town, the quality of the local environment and the Royal Dornoch Golf Club.

The same plan also highlights Dornoch's 'important role' in local education providing primary, secondary and tertiary education. North Highland College UHI has been granted planning permission to extend its Burghfield House campus to become its single base in Dornoch for its hospitality and professional cookery curriculum, UHI's golf management degree and the University of the Highlands and Islands Centre for History.

In 2015 Dornoch achieved WorldHost status - only the fourth area in Scotland to do so - and was the only Scottish finalist in The Great British High Street Awards 2016.

There are a number of developments either planned or underway to increase housing stock in the local area. These include 200 new homes on 19.7 ha at Dornoch North, a further 40 houses at the 3.6 ha Bishopsfield site and the final 50 houses in Deanspark.

1.4 About DACIC

The Dornoch Area Community Interest Company (DACIC) was established in 2007 as a voluntary organisation to enhance and develop the economy and community of Dornoch, and with membership - currently standing at 225 - available to residents aged 18 and over - within the IV25 Postcode. The agreed focus for DACIC in recent years has been to develop the visitor economy of the town and raise Dornoch's profile in the tourism market.

DACIC is led by a volunteer Board of Directors, currently numbering 8, who collectively have broad, relevant experience of both business and community enterprises. A skills assessment of the current board carried out earlier this year showed expertise spanning financial management, business planning, project management, IT, marketing and communications and HR. It has a formal recruitment and induction process for new directors.

DACIC's work to date has involved a range of projects to enhance the town centre with due regard to its history and culture. These projects are centred around encouraging the creation of new businesses and job opportunities, enhancing and marketing the visitor offering and the quality of services available to visitors, the residents of Dornoch and the surrounding IV25 postcode area.

The company has spearheaded initiatives including VisitDornoch as a key delivery partner for the Dornoch Masterplan 2013-2023. It was awarded significant grant funding from the Coastal Communities Fund, VisitScotland's Growth Fund, the Common Good Fund and Highlands & Islands Enterprise to deliver a number of priority projects between 2014 & 2016 against the masterplan, including creating the Dornoch brand, destination marketing, pedestrian signage, A9 signage, a mobile app, and business training.

A business membership of around 80 businesses in the town in 2014 has been developed and grown to 97 in 2018. DACIC's primary source of income is from its annual VisitDornoch business group levy. This provides an annual income which supports part-time employees on digital marketing and those who deliver tourism information and orientation services based from the Visitor Centre in the Carnegie Courthouse.

Income from this levy was £21,328 in 2015 and rising to £24,292 in 2017 - an increase of 13.9%.

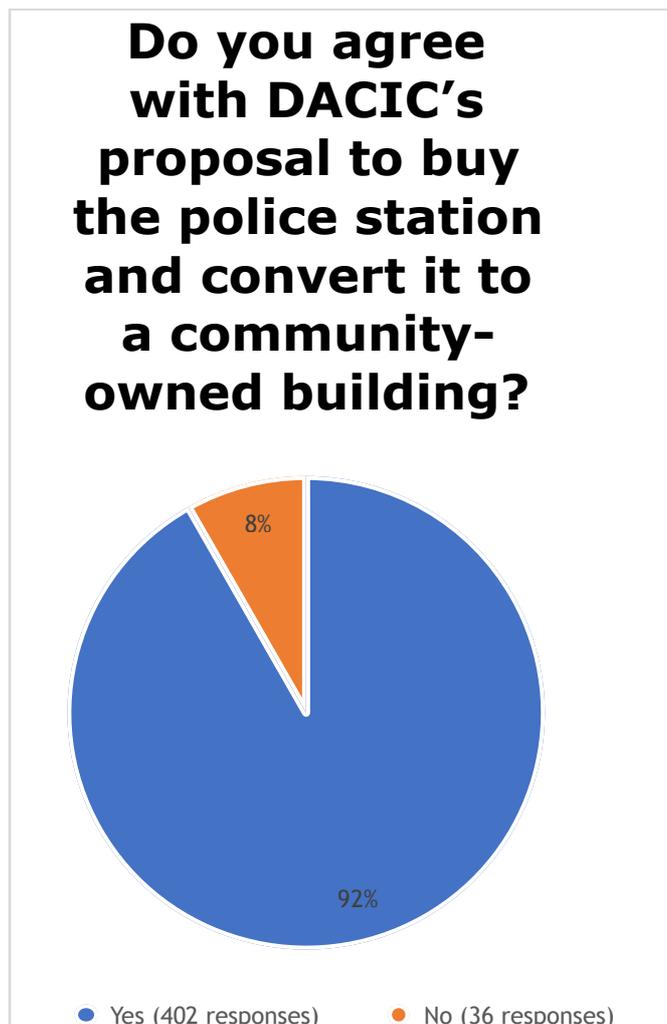
2. Community and stakeholder consultation

Consultation with the community was carried out from 3 - 13 September 2018. The methods used were:

- A community survey delivered to 2,000 households in the IV25 postcode area and which was also available online using Survey Monkey. A copy of the survey is provided in the appendices.
- A consultation session with Dornoch's three community groups - DACIC, Dornoch Community Council and Dornoch and District Community Association which owns and runs Dornoch Social Club.
- Phone/email and face-to-face interviews with a range of stakeholders and potential users of the building.

Survey Monkey responses	289
Household survey responses	162
Total responses	451

The consultations results showed a high level of community support for DACIC's proposal to purchase the police station and convert it to a community-owned building:



The 8% not in favour were asked why and comments included concerns about the potential running costs of the building and preferences for other community facilities. A full list of comments is provided as an Appendix.

3. Market research and assessment of need

3.1 Business hub

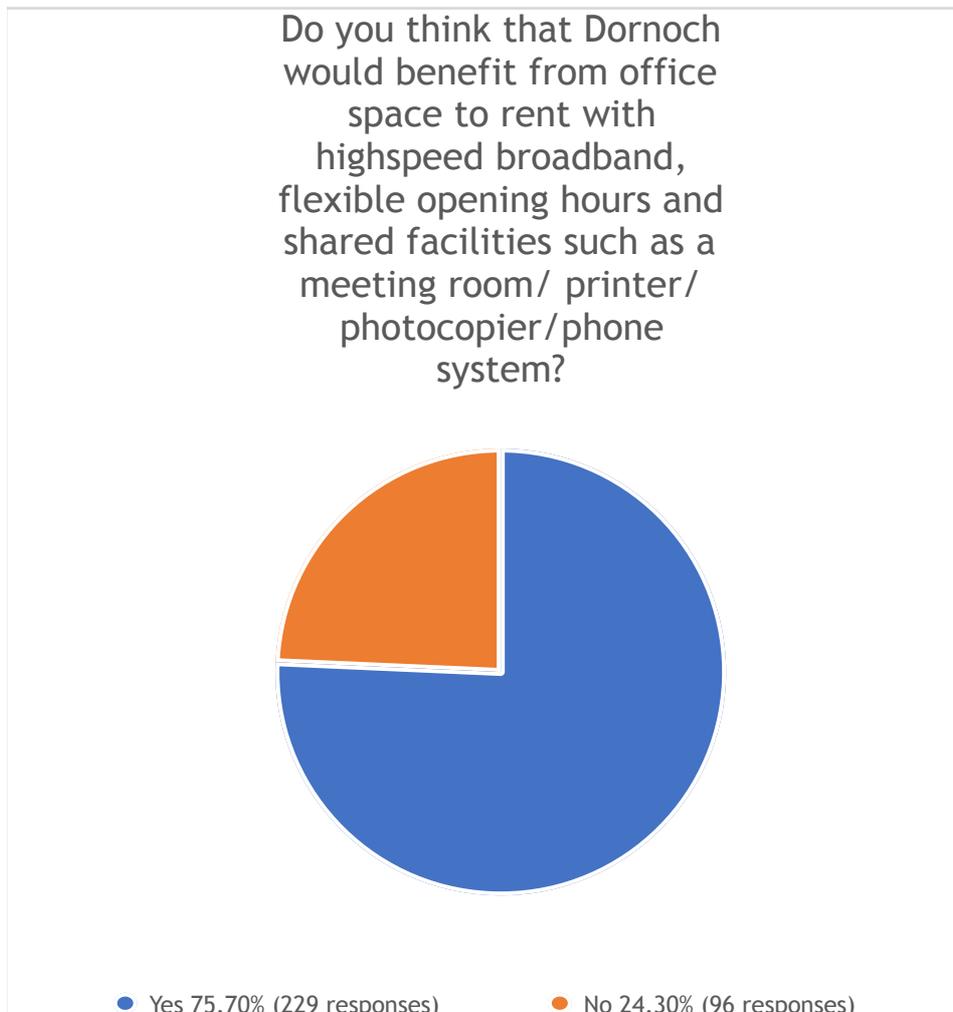
The Dornoch Economic Masterplan, commissioned by Highlands and Islands Enterprise in 2013, set out a framework within which the future growth of the town could be progressed within the next decade (to 2023). The plan lists five objectives, one of which is to ‘enable business development, entrepreneurship and private sector investment’.

The creation of a business hub providing serviced offices with shared facilities and resources, opportunities for co-working, sharing ideas and, in this rural location, the opportunity to address the potential issue of social isolation for home workers, is a good match with this strategic masterplan objective.

Furthermore, at a national level the development of co-working spaces for social entrepreneurs’ forms part of the Scottish Government’s social enterprise strategy, 2016-2026.

Locally, there is currently no serviced office space in Dornoch of the kind envisaged in this project. The nearest local provision is at The Barn in Ardgay which currently has no available space for new tenants.

The community consultation showed good support for office space in the town and which would offer a range of services.



Initial plans drawn up by the architect, which accompany this report (and which have already been supplied to DACIC), indicate up to 8 offices plus a small hot desking area which could take up to 3 people at any one time. It should be noted the layout of the police station does, to some extent, lend itself to flexible use. Therefore, some of the rooms which, in the architect’s

drawings, have been set aside as studio space for artists, designers and makers, could also serve as additional offices if the need for this is greater.

Each floor will have a kitchenette and a choice of three meeting rooms available for rent by the hour, half day or full day. The business hub would be fully equipped with wi-fi, photocopying and scanning facilities and call answering service. There will also be free dedicated parking. Ranging from 9 to 21 square meters there is an office to suit one person or a small team.

A central issue to the business case will be whether there is sufficient critical mass of tenants needed to sustain levels of revenue.

The community survey showed the following interest in uses:

Frequency of use	Response %	Numbers of people
Daily	13.89	15*
Weekly	12.04	13
Monthly	0.93%	1
Evenings/weekends	9.26%	10
Hot desking occasionally	17.59%	19
Rarely	52.78%	57

***Two responses from under 16-year-olds who, realistically, are unlikely to be tenants in the near future.**

Using these findings, early indications suggest there is interest in regular office space rentals. The highest level of interest was for a hot desking facility, but it should be noted that this is in the smallest space available and the nature of hot desking is that it is used on an ad hoc basis. There is some anecdotal evidence that a hot desking facility may be attractive to the growing numbers of visitors coming to Dornoch.

The nearest local provision for hot desking is at The Barn, Ardgay and in Golspie. However, to date there has been very little demand at either of these locations. The hot desks in Golspie are located within an existing estate agency business who report that since the service was offered in April 2018 there have only been two people using the service for a total of 4 days.

Impact Hub Inverness (IHI) also provides hot desking space and experience shows that the use is occasional (once a month is not uncommon) and often booked at the last minute. This makes financial planning and being able to clearly show reliable income levels from hot desking a challenge.

However, where IHI differs from the proposed police station model is that it operates on a membership basis with four different levels of membership as detailed in the following table:

Impact Hub Inverness Membership Offering

	Hub Connect	Hub 30	Hub 60	Hub Unlimited
Price (monthly – inc. VAT)	£6	£57.60	£108	£240
Use of shared space	✓ Pay as you go	✓ 1 day/week equivalent	✓ 2 days/week equivalent	✓ Unlimited use
Access to community	✓	✓	✓	✓
Discount for meetings	✓	✓	✓	✓
Discount for events	✓	✓	✓	✓
Registered address	✗	✓	✓	✓
Access 24/7	✓	✓	✓	✓

The benefits of the IHI membership model is that people are paying for the space regardless of whether they use it or not. This helps with financial planning. IHI membership gives people the additional benefit of members being able to use other Impact Hubs, both in the UK and internationally. Growth in IHI membership has come from a variety of sources including awareness raising through PR and marketing, professional networks and personal contacts. It should also be noted that by far the largest proportion of IHI's income is through its contract work not from its membership fees or office rentals.

For the business hub at the Police Station to succeed DACIC needs to be confident of the following:

- Certainty of the numbers using the space on a regular basis. The community survey shows that 15 people (but noting that 2 were under 16-years-old) were interested in daily use suggesting these people are looking for space to rent on a regular basis.
- These would be the core tenants with whom there would need to be an agreed lease arrangement.
- Evidence from other shared office spaces indicates pre-agreement checks of potential tenants should be considered to give confidence of tenant reliability.

Based on research from other areas the price per square meter for making any business case has been set at £13. Final figures for indicative income from the business hub will be provided in the business plan.

3.2 Creative hub

Consultation with locally-based artists, makers and designers showed some important characteristics of the creative community and which need to be factored into consideration of a creative hub:

- Many artists, designers and makers have other jobs to help with income security.
- Anecdotal evidence that this same group would choose not to travel to secure provision of studio space.
- Many have home-based studios to keep costs down.
- Pricing to ensure affordability will be key if studio, workshop and storage space at the police station are to be an attractive proposition to this sector.

An early proposal to offer gallery space in the station was dropped due to issues of displacement.

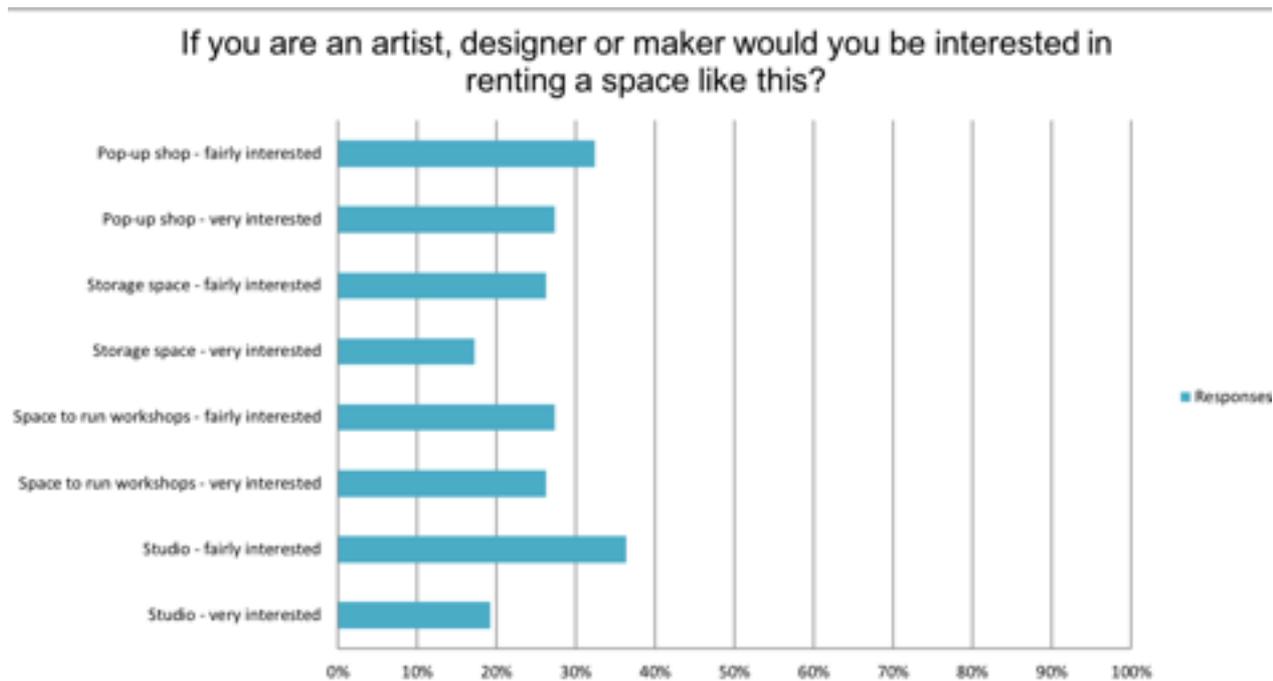
Interviews carried out for this study with those working in the sector also showed a desire for Dornoch to become known as a creative centre - of which the creative hub at The Police Station would be an important venue - and which would be an additional attraction for the growing numbers of visitors to the town. The example given was Creative Orkney which brings together traditional and contemporary professional craft makers in the region to promote, support and develop high quality design-led craft work. Crucially, it promotes a Creative Trail aimed at the visitor market and promoted via brochures, maps and a website.

Currently, there is no such joined-up approach in Highland region. North Coast 500, which markets and promotes the NC500 route, has indicated it does not have any plans currently to create an artists' trail. To do so it would need to have more business members on board. However, it has begun to work with artists to create content for its website - known as 'Behind Hidden Doors' - to direct visitors to arts and crafts venues on the NC500 route. Potentially, there may be scope for a creative hub at the police station to become part of this.

The proposal for the police station in Dornoch is to use part of the building as studio, workshop, storage and pop-up-shop space for artists, designers and makers. The community survey showed the following findings:

Q9: If you are an artist, designer or maker would you be interested in renting a space like this?

Answered: 99 Skipped: 352



ANSWER CHOICES	RESPONSES
Studio - very interested	19.19% 19
Studio - fairly interested	36.36% 36
Space to run workshops - very interested	26.26% 26
Space to run workshops - fairly interested	27.27% 27
Storage space - very interested	17.17% 17
Storage space - fairly interested	26.26% 26
Pop-up shop - very interested	27.27% 27
Pop-up shop - fairly interested	32.32% 32
Total Respondents: 99	

For the creative hub at the Police Station to succeed DACIC needs to be confident of the following:

- The proposition, especially affordability, is attractive to artists, designers and makers.
- Effective marketing and promotion of the pop-up shop facility. However, like hot desking, pop-up shops are occasional by nature rather a regular source of income.
- Securing a regular programme of workshops and promoted by the artists themselves.
- The advantage of the layout of the police station is that it naturally lends itself to multi-use so it would be possible to use the space flexibly i.e. if space is at capacity within the business hub, there tenants could use rooms set aside for any studio space.

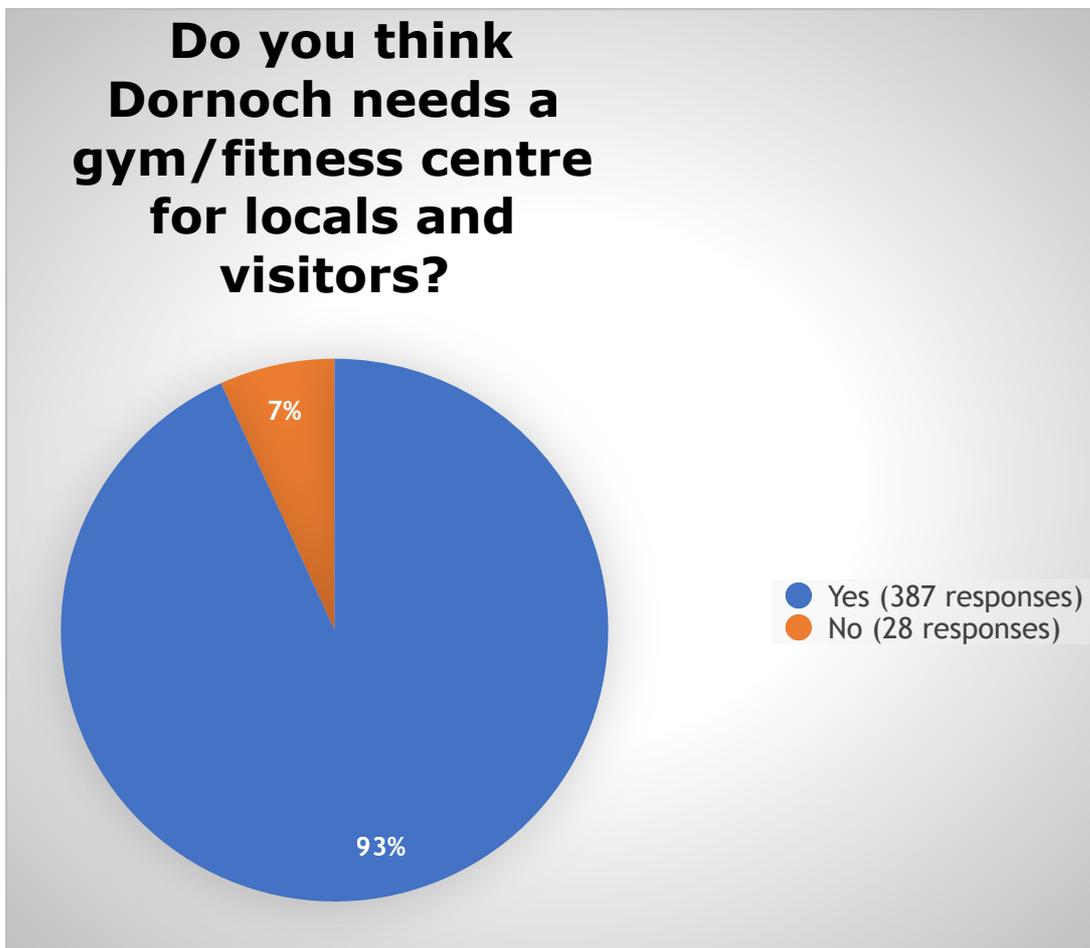
3.3 Gym

The provision of gym facilities in Dornoch is not a new proposition. In 2013 the community was consulted on plans for a community centre and which included a fitness suite. Although the project did not progress the findings from that consultation indicated significant support for the fitness suite proposal:

- 85.82% (448 people) thought Dornoch needed one
- 55.6% (300 people) said they would use it themselves

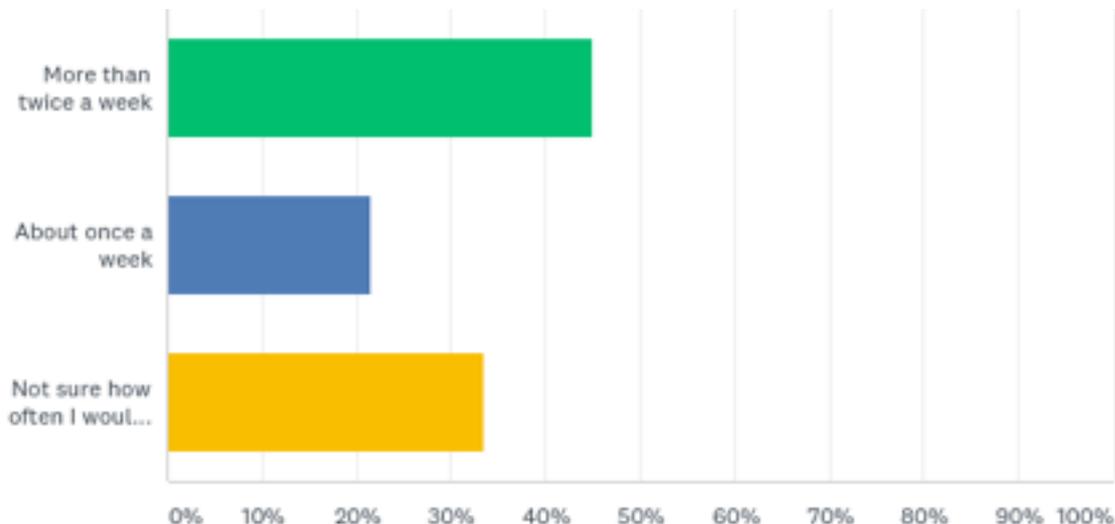
There is a lack of gym provision in both the local and wider Sutherland area with larger chains limiting the opening of new sites to areas with populations of 100,000 or over.

Although Highlife Highland runs a fitness suite at the Sutherland Swimming Pool in Golspie and another one in Tain Royal Academy (TRACC), the findings of the consultation for this study indicate the level of support for a gym in Dornoch remains high.



When asked how often they would use the gym 171 (45%) respondents said that they would use it more than twice a week and 82 (21.58%) said they would use it about once a week with a further 127 (33.42%) not sure how often they would use it.

If yes, how often would you use the gym?



ANSWER CHOICES	RESPONSES	
More than twice a week	45.00%	171
About once a week	21.58%	82
Not sure how often I would use it	33.42%	127
TOTAL		380

When asked what type of gym membership they would be interested in just under 48% of respondents said pay as you go, 32% said monthly with just under 20% interested in annual membership. This corresponds with recent research into the fitness energy by Mintell which suggests that people don't want the commitment of entering into long-term contracts.

What kind of gym membership would interest you?

ANSWER CHOICES	RESPONSES	
Annual	19.84%	73
Monthly	32.34%	119
Pay as you go	47.83%	176
TOTAL		368

3.3.1 Proposed business model

Since opening its flagship gym in Tain in October 2016 Silverback Gym & Fitness has had aspirations to open 'satellite gyms' in areas where such a provision does not exist.

The owners have expressed a clear interest in operating the facility in Dornoch as their first Silverback Compact.

Silverback has created a brand and ethos that is centred around a community of gym users where members are part of a fitness family. This ethos has attracted 300 members ranging from 16-80

years old with a 50/50 split between male/female. Of these members, 15% (45) come from the IV25 postcode area. 80% of gym members pay monthly.

Silverback Gym likes the industrial feel of the garage at the police station, with its exposed stone walls, pipework and roller shutter doors as it is very much in keeping with the existing gym in Tain.

Members would be issued with a key fob to allow 24-hour access to both the gym in Dornoch and the fitness suite in Tain.

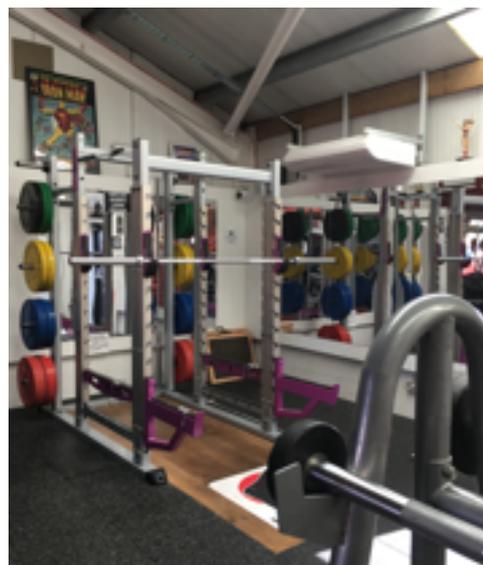
Staff will be available at peak times from 1pm-9pm each day; the rest of the time the building will be unstaffed.

Silverback Compact will offer a range of cardiovascular and resistance stations. It would also aim to target Dornoch's golfing market and provide the TRUE Stretch Cage which helps golfers increase flexibility and minimize injury through simple and safe stretching exercises.

Recognising that the social element is often important, the space will have a seating area where members will be able to have a coffee and connect with other members.

Although the space is only a quarter of the gym in Tain, clever design of the space and choice of equipment will mean that 10 people will be able to use the gym at any one time.

Given that most gym users come dressed to use the gym, individual changing areas and toilets are an impractical and expensive option in such a small space, so the gym will offer a gender-neutral changing room and toilet.



3.4 Child daycare centre

3.4.1 The national and regional context:

Nationally, the Scottish Government is committed to nearly doubling the entitlement of funded early learning (ELC) and childcare from the current 600 hours a year to 1,140 hours a year by 2020 for all 3 and 4-year-olds and eligible 2-year olds. At a regional level The Highland Council is trialling 1,140 hours from August 2018 in 6 centres which are located in areas of disadvantage.

There are approximately 2200 babies born annually in the Highland Council area, with the standardised birth rate decreasing from 11.0 per 1,000 population in 2016 to 10.7 in 2017. This means that around 26 babies are born in Dornoch every year.

According to the Highland Council Early Learning and Childcare Delivery Plan, September 2017, parents in Highland can choose which provider they want to use for the funded hours. There is no restriction placed on this by the local authority and it is purely down to provider capacity.

3.4.2 Current childcare provision in Dornoch:

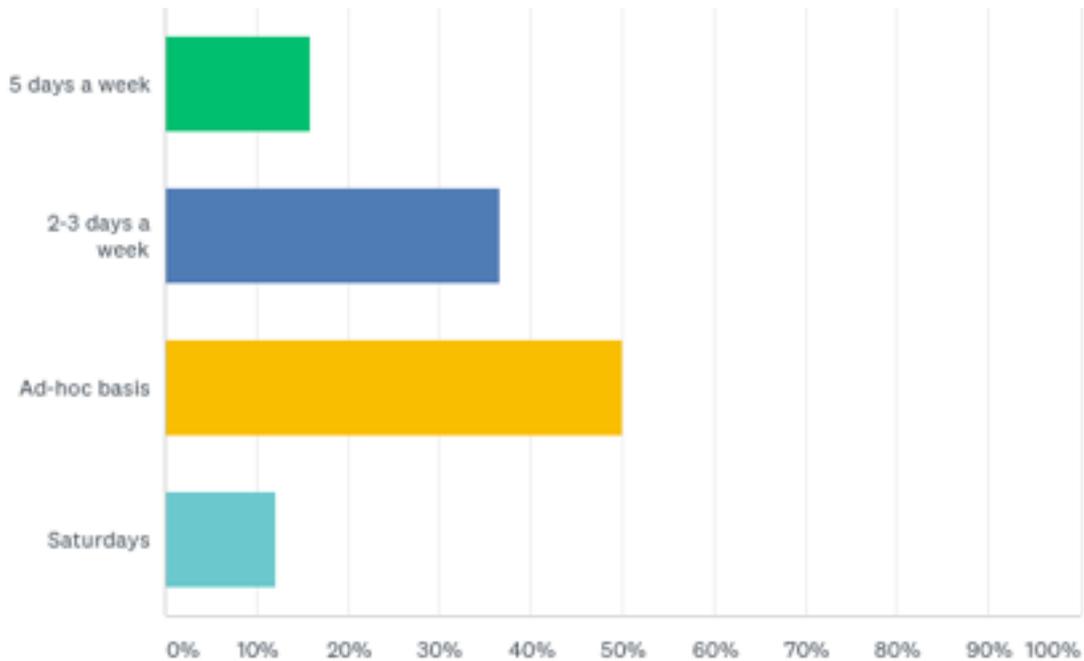
Current childcare provision for 0-5-year-olds in Dornoch is as follows:

- Daycare services for 0-3-year-olds age group is limited and is provided by Little Footprints, a local child minder who can take a maximum of 6 children but only 3 can be under school age and only 1 under 12 months. She offers year-round childcare from Monday to Friday 7.30am - 6pm. She has indicated that while any new childcare provision may impact her business and that therefore possible issues of displacement need to be considered, she is also of the view that parents need choice. This view is supported by The Highland Council, in its Early Learning and Childcare Delivery Plan (September 2017), which states that it will 'ensure that families continue to be able to choose a provider of their choice, that they can split placements if they want to and that a flexible model of provision will continue to expand and develop'.
- For children aged 3 years to those not yet attending primary school there is the local authority run nursery attached to Dornoch Primary School as part of The Dornoch Firth 3-18 Campus. It currently has 28 children on its roll aged 3 - 5-years but with capacity for 38. It is open Monday - Friday from 8.45am to 3.15pm. Capacity at the nursery will increase further once its outdoor space is registered and, in The Highland Council's view, the nursery will have capacity to meet the increase in childcare entitlement for all 3 and 4-year-olds by 2020.
- There is also AllSorts after school and holiday club, which can take 24 children aged 4 -15 years old. The Highland Council figures indicate AllSorts has 12 children on its roll. The council also says that AllSorts currently has issues relating to its accommodation.

From discussions with The Highland Council's Area Care and Learning Manager her view is that there is unmet need in the provision of childcare for 0-2 years. In addition, because of curriculum issues, the council has indicated it does not intend funded two-year olds (also known as 'eligible twos') to be placed in the Dornoch Firth Campus nursery. However, it should be born in mind that, because of the demographics of Dornoch, there are unlikely to be high numbers of 'eligible twos.'

3.4.3 The proposed police station child daycare centre and likely levels of demand:

The community consultation showed strong support for a daycare centre for children 0-5 years with 82.3% (276) of respondents to that specific question supporting the idea. People were also asked how often they would use a day care centre for children aged 0-5 years. The responses were:



ANSWER CHOICES	RESPONSES
5 days a week	15.85% 13
2-3 days a week	36.59% 30
Ad-hoc basis	50.00% 41
Saturdays	12.20% 10
Total Respondents: 82	

The potential provider of the daycare centre is Ankerville Nurseries from Tain which is interested in opening a satellite daycare service in Dornoch. It has made a number of site visits and has expressed a clear interest in running its satellite service at the police station. Currently 9 children from Dornoch aged from birth to 4 years (which is 20% of the number the nursery can cater for in any one session) attend its Tain nursery.

The proposed service Ankerville would offer is year-round childcare for 0-3 years with some possible provision for any 'eligible twos' and an option for Saturday provision based on demand. It should be noted that Dornoch Firth Campus does not take 0-3 years and Little Footprints can only take 3 children under school age and 1 under 12 months.

4. Funding and finance

The viability of the police station project rests on DACIC being able to secure sufficient occupancy levels and, in particular, anchor tenants. A profit and loss over five years will be provided in the business plan but indicative revenue figures for the first three years of operation under community ownership show the following:

Yr 1: Income of £30,462 based on 40% occupancy with tenants paying £13 per sq. m plus contributions to heat, light and answering service, and of this £11,904 would be from the two anchor tenants. This is equivalent to approx. 39% of total rental income.

Yr 2: Income of £34,701 based on 55% occupancy and with anchor tenants contributing approx. 34% of total rental income.

Yr 3: Income of £40,370 based on 75% occupancy and with anchor tenants contributing approx. 29% of total rental income.

4.1 Project costs:

An elemental cost plan provided with this report and drawn up by Mcleod and Aitkin suggests estimated costs for redevelopment of £347,500. Costs for the various areas of the building and their potential uses are as follows:

Ground floor conversion (business hub) £85,200

First floor conversion (offices and meeting rooms): £56,130

Childcare centre conversion: £37,090

Studios, workshops etc: £12,920

Gym conversion: £54,220

There may be possible savings of up to £20,000 to be made on the gym element of the project because Silverback, the potential operator, has indicated a very basic level of refurbishment would be needed. Silverback has also indicated it would fund these works itself but that this would then need to be reflected in the level of rent.

4.2 Funding sources:

Potential sources of funding to redevelop the building have already been supplied to DACIC and are included as an appendix

5. Feasibility appraisal of proposed development options

Affordability & funding	Income generation	Risk analysis	Operating costs	Social and Environmental Impact	Business model
<p>An elemental cost plan drawn up by quantity surveyors Mcleod and Aitkin suggests estimated costs of £347,500.</p> <p>There is the scope for some possible cost reductions particularly for the gym element of the project and the child daycare centre.</p> <p>Sourcing capital funding for conversion/ redevelopment in the current funding landscape may prove challenging.</p>	<p>Yr 1 £30,462 based on a 40% occupancy</p> <p>Yr 2 £34,701 based on 55% occupancy</p> <p>Yr 3 £40,370 based on 75% occupancy</p> <p>Yr 4 £42,170 based on 80% occupancy</p> <p>Yr 5 £43,731 based on 85% occupancy</p>	<p>Care Inspectorate does not give approval for the opening of the child daycare centre. This would mean the loss of a potential anchor tenant.</p> <p>Failure to secure enough tenants to cover operational costs.</p> <p>Loss of anchor tenants - securing anchor tenants is critical to the business case.</p> <p>Unable to sell adjoining land to help fund redevelopment.</p>	<p>Running costs for the last full year from Police Scotland were:</p> <p>Electricity £4100 Water £1750 Oil £9600 TOTAL £15,450</p> <p>Rates for 2018/19 are set at £18,240. As a community organisation DACIC may be eligible for up to 80% rates relief and possibly 100%.</p> <p>The assumptions for this report are that energy costs under community ownership are likely to be similar owing to the poor energy rating of the building (EPC Band G Very Poor) and the high cost of improving energy efficiency.</p> <p>Recommendations set out in the EPC Report indicate any measures would have little impact on the building's Energy Performance Rating. Furthermore, an options appraisal by a mechanical and electrical consultant is recommended to appraise measures such as any new heating system and likely costs/ benefits.</p> <p>Rates: Under new ownership with multi-occupancy of the building tenants would be responsible for their own business rates.</p>	<p>Helps to meet one of Dornoch Economic Masterplan's objectives to enable business development, entrepreneurship and private sector investment.</p> <p>The childcare service would meet unmet demand in the local area for 0-3 year-olds.</p> <p>Gym and fitness facilities to support health and wellbeing in an area where there is currently no provision but high demand.</p> <p>The provision of co-working spaces is a good fit with national and regional strategies.</p>	<p>DACIC owns the building on behalf of the community and sublets.</p>

6. Recommendations and next steps

- Early negotiation with prospective tenants to agree terms including rent levels.
- An early assessment of other possible uses for the residential part of the building should Ankerville Nurseries find it is unable to open a satellite operation. The layout of this part of the building will limit how it could be used. Airbnb was one alternative suggestion put forward by the architect. There would need to be certainty that this would help address issues of unmet need/capacity in the local area to avoid risk of displacing existing businesses. Housing for local people had also been put forward as an alternative option. Viability for this may prove difficult because, from 2019, all private sector rented properties will require a minimum EPC 'E' rating and increasing to 'D' from 2022. The current building has a 'G' EPC rating.
- Preparation of a prospectus on the project to market the building and its uses to help build a community of interest.