



Lammas Low Impact Initiatives Ltd

Appendix 24

BUSINESS PLAN - UPDATE

April 2009



Renovating the trackway, March 2009

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Please Note

Lammas Low Impact Initiatives Ltd will be referred to as “Lammas” or “the Society” interchangeably throughout this document.

1. Intro

There have been a number of significant developments over the last 7 months both within the Lammas project and within the wider political and economic situation that warrant an update to the Lammas Business plan (last published October 2008).

There has been ever more scientific evidence as to the calamity of our environmental predicament and the impending chaos that climate change will bring. Within the scientific community a general consensus is emerging that human-beings must limit global temperature rise to somewhere between 1.6 and 2 degrees in order to avoid runaway global warming through positive feedback loops. We are already experiencing a 0.8 degree increase in average global temperature and are already committed to 1.4 degrees global warming (due to the time-lag). In response the UK government has committed the British Nation to an 80% reduction in CO2 emissions by 2050. In the last budget (April 2009), Alistair Darling committed the UK to a 34% reduction in CO2 emissions by 2020. To date the UK has not managed to halt its increase in CO2 emissions, let alone make any cuts.

Simultaneously evidence is continuing to demonstrate that our culture is meeting natural limits to growth. Evidence that we are damaging our natural ecosystems beyond repair is now overwhelming. The fishing and farming industries are a case in point. 88% of EU fishing stocks are over-fished while 30% are "outside safe biological limits"¹. 95% of UK agriculture is now dependent on fossil fuels².

Simultaneously we are exhausting readily-available natural supplies of fossil fuels and metals, upon which our culture so heavily depends. For example we are now consuming more than four barrels of oil for every one discovered³.

The global economy has entered a 'downturn' with the UK reporting a 1.9% contraction in GDP for the first quarter of 2009.

Despite this rather bleak outlook, Lammas is doing everything it can to explore micro-solutions at a grass roots level. We have proceeded to raise loans sufficient to purchase the land at Pont y gafel and are moving forwards as a project, despite ongoing planning delays and obstruction.

¹ <http://www.guardian.co.uk/environment/2009/apr/26/fishing-stocks-protection-conservation>

² <http://www.bbc.co.uk/programmes/b00hs8zp>

³ <http://transitionculture.org/essential-info/what-is-peak-oil/>

2. Financial Developments

This section considers those aspects of the project that have significantly progressed since the last business plan was published (October 2008):

Land Purchase

Lammas has borrowed £210,000 from shareholders (at 5% apr) in order to purchase the land known as Tir y gafel.

The land was purchased on 30th January.

As a result, on January 30th 2009, Lammas owed £212,440 in loans. By July 30th 2009 the repayment amount due will be £ 217,806.

The Community Hub

The Community Hub has been redesigned (Appendix 19) to be a much more low-impact structure requiring a much reduced technological and highly-skilled input. As such the material costing of the build has been re-estimated at £45,000 (the main building elements being sourced from the site) with a labour cost of £67,000 (complimented by a volunteer taskforce).

The following table shows our breakdown of works and costs of constructing the Community Hub.

Labour days for contractors are costed at £120/day.

Labour days for volunteers are considered as the equivalent of £70/day.

Table 1: Hub Build Analysis

Stage	Description	Timescale	Material Cost £	Plant hire	Labour	Labour days	Cost £	Volunteer Input	Volunteer Labour days	Notional Value £
Groundworks	Skimming-topsoil Foundations Berm work	2 Weeks	1,600	1000	Project Manager, 1 Skilled Worker.	20	2,400	1 long term volunteer,	10	700
Frame and Structure	Timber preparation Timber framing Truss-work Boarding	9 Weeks	2,900	450	Project Manager, 2 Carpenters. 1 Skilled Worker.	180	21,600	3 long term volunteers, 9 Volunteer days (6 people)	189	13,230
Main Build	Laying-membranes Kakeloven Rendering/ Plastering Windows Disabled ramp	10 Weeks	18,400	500	Project Manager, 1 Carpenter, 2 Skilled workers.	200	24,000	3 long-term volunteers 10 Volunteer days (6 people)	210	14,700
Finishing	Conservatory Toilets/ Shower Fitting Kitchen Fitting Office Maintenance - Compound Finishes	8 Weeks	19,000	400	Project Manager, 1 plumber/ electrician, 1 Fitter, 1 Skilled Worker.	160	19,200	2 long term volunteers 8 Volunteer days (6 people)	128	8960
TOTAL			41,900	2350		560	67,200		537	37,590

Trackways

Lammas has begun renovation works on the existing trackways at Tir y gafel. The progress has been very encouraging. Over 4 days a team of volunteers (potential Lammas residents) renovated a derelict track to a fully functioning trackway using small plant on hire and 40 tons of brought-in aggregate. Approximately 300 meters of trackway were repaired at a relatively small cost (approx £600).

Simultaneously we have been revising and refining our plans regarding constructing the proposed trackways and have changed our financial estimates accordingly:

Table 2. Tir y Gafel trackways cost estimate

	Rate £/m	Cost estimate £
450m new trackway	22	9900
500m existing trackway renovation	5	2500
Car parking area		1600
Entranceway		6000
400m Drainage swales	2	800
100m ditch	2	200
Total		21000

Hydro-Turbine

Research on the funding potential of the hydro-turbine has continued apace with very encouraging results. As a renewable energy generator Lammas will be able to sell Renewables Obligation Certificates (ROC's) annually. These ROC's are sold to energy producers in order that they can in turn demonstrate that they meet their obligations to the government for renewable energy production⁴.

Proposed Car Park Charges

Lammas has revised its proposed car-parking fee from £12.50 to £10. The original fee was considered unduly excessive. Needless to say this figure will undergo ongoing

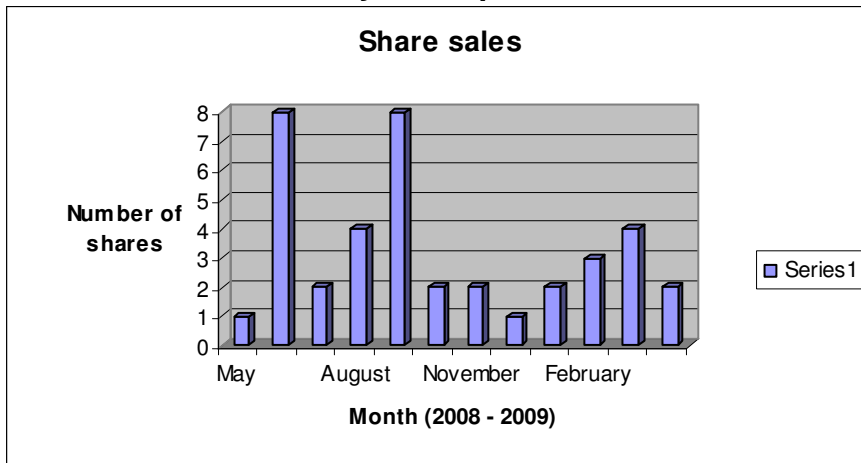
⁴ <http://www.e-roc.co.uk/intro.htm>

assessment and will be revised upwards or downwards (as appropriate) in order to influence visitor numbers (and car trips generated by the project).

Shares/ Friends

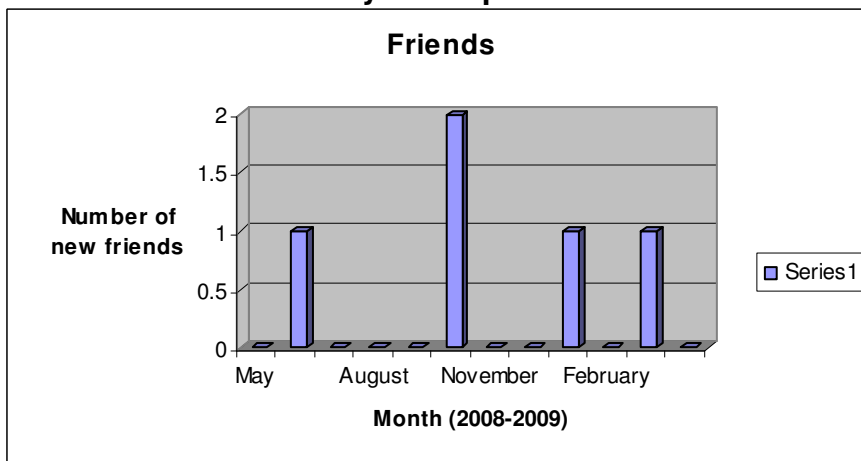
Share sales have slowed recently. This is to be expected given the combination of lack of media presence, the project being in planning-limbo and the global recession.

Table 3: Share sales May 08 – April 09



The number of new friends joining Lammas has also slowed recently. This is to be expected given the reasons above.

Table 4: New friends May 08 – April 09



Thus we have revised our forecasts accordingly

Freelance Contracts

To date Lammas has been run on an entirely voluntary basis. Lammas is now working towards a situation in which the essential tasks will offer some form of remuneration.

Having purchased the land Lammas is proceeding to issue freelance contracts to begin some of the detailed preparatory work for the project. The intention is to initially offer these contracts to residents in return for payment via the leasehold agreements, thus minimising any cashflow issues arising.

A table of the freelance contracts currently being planned is presented below, followed by a brief description of the posts:

Table 5: Freelance Contracts, Lammas March 2009

Post	Title	Period	Duration	Budget	Notional time commitment	Notional pay rate	Review mechanism	Reports to
1a	Preparation for Infrastructure Manager	June 1 st - August 1 st	2 Month	960	8 x 8	15	On completion	Committee
1b	Infrastructure Manager	August 1 st on	Task completion	tbc				
2	Site Worker	July 1 st - Jan 1 st	6 Month	2080	8 x 26	10	6 Month	1, Committee
3	Business Manager	June 1 st - Jan 1 st	7 Month	3600	8 x 30	15	6 Month	Committee
4	Admin Worker	August 1 st - Jan 1 st	5 Month	1320	6 x 22	10	6 Month	3, Committee
5	Water Network Installation	July 1 st on	task completion	8000			On completion	Committee
6	Forestry Management	June 1 st on	12 Month	-			12 month	Committee
7	Temporary Office Build	August 1 st on	task completion	8000			On completion	Committee
8	Hydro Funding Procurement	June 1 st on	task completion	2500			Monthly	Committee
9	Hub Funding Procurement	August 1 st on	task completion	5000			Monthly	Committee
10	Database management	June 1 st til August 1 st	task completion	500			On completion	Committee

1. Infrastructure manager Prep:

A temporary post to prepare for the trackways and hydro works.

- *Making detailed proposals on the options for trackway Development for the committee's consideration.*
- *Marking out site boundaries and trackways, coordinating road-works.*
- *To develop a thorough, workable plan for the installation of the trackway network within budget.*
- *Coordinating with other significant site work, notably water, cabling etc.*
- *Initiating communications with and negotiating with the Environment Agency (and documenting) re abstraction license for hydro, and other relevant site issues.*
- *Report monthly to committee.*

Budget - £960

Nominally 8hrs wk, £15ph

o Infrastructure manager

A temporary post to oversee, manage and coordinate the first stages of infrastructure development. Includes:

- *Overseeing the trackway Development.*
- *Marking out site boundaries and trackways, coordinating road-works.*
- *Delivering the installation of the trackway network within budget.*
- *Coordinating with other significant site work, notably water, cabling etc.*
- *Negotiating with the Environment Agency (and documenting) re abstraction license for hydro, and other relevant site issues.*
- *Communicating with Highways.*
- *Report monthly to committee.*

2. Site Worker:

Includes a range of site duties, working at the direction of the infrastructure manager.

Must have plant equipment skills. Must have own tools including chainsaw.
Must have own insurance.

Duties and responsibilities to include:-

- *General site management during the establishment period.*
- *Fencing.*
- *Preparatory work for trackway installation.*
- *Maintenance of millpond, including regulation of water levels.*
- *Installation of water network system.*
- *Maintenance of leat/ turbine house.*

Budget: £2,080

8 hours a week (£10 p.h.)

Possibly leading to an ongoing contract.

3. Business Manager:

A position that focuses on establishing the legal framework for the organisation and developing the income streams. Includes ensuring correct legislation/ employment procedures are working. Includes designing the volunteer program. Requires computer/ personnel/ management skills and own laptop. Some welsh language ability is desirable.

Duties and responsibilities to include:-

- *Drafting freelance contracts*
- *Establishing employment structures and procedures for Lammas to begin employing people.*
- *Account management, including cash-flow forecasts.*
- *Drafting and issuing of leasehold agreements.*
- *Negotiating media contracts.*
- *General Marketing/ Promotion.*
- *Coordination of monitoring and research projects.*
- *Management of website.*
- *Report Monthly to Committee.*
- *Liase with insurers*

Budget: £3,600

8 hours a week (£15 p.h.)

Possibly leading to an ongoing contract.

4. Admin Worker:

Includes a range of admin duties, working at the direction of the Business Manager.

It would suit someone who has their own laptop and mobile phone. Some welsh language ability is desirable. This post will involve a lot of communicating with the residents.

Duties and responsibilities to include:-

- *Coordination of deliveries to and from the site.*
- *Monitoring and recording of all traffic movements to and from the site.*
- *Coordination and compilation of Annual Monitoring Report.*
- *Allocation of residents, guests and visitors vehicle-passes.*
- *Coordination and supervision/ allocation of project visitors.*
- *Telephone/ website enquiries.*

- *Share issuing.*

- *Newsletter posting.*

Budget: £1,320

(6 hours a week (£10 p.h.)

Possibly leading to an ongoing contract.

5. Water Networks Contract:

Budget: £8,000.

- *To install a water supply to all the plots from the ffynnon-deg spring.*
- *To install a water supply to the camping field from the borehole.*

6. Temporary Office Build:

Budget: £8,000

- *To build a temporary office, as described in the planning application.*

7. Forestry Management:

- *To fell and distribute Larch in accordance with the Woodland Management Plan, charging the 9 plot-holders (at cost) accordingly.*

8. Funding Applications – Hydro:

- *To secure funding for the Hydro system.*

Budget - £2,500

To be paid on a notional hourly rate of £15 per hour. To be overseen by Business Manager and Committee. With clear targets and budgets.

9. Funding Application – Hub:

- *To secure funding for the Community Hub Build.*

Budget – £5,000

To be paid on a notional hourly rate of £15 per hour. To be overseen by Business Manager and Committee. With clear targets and budgets.

10. Database prep

- *To set up simple and user-friendly procedures for overseeing and using the Lammas database.*

Budget - £500

3. Forward Planning – Set-Up

This section provides an overview of the capital costs involved in establishing the project:

Table 6: Projected set-up costs

Description	Estimated Cost £	Notes
Land Purchase	217,800	Including interest
Community Hub	109,100	Updated
Electricity and Hydro	39,613	Updated
Trackways and Entranceway	21,000	Updated
Legal	3,000	Updated
Minibus	10,000	
Water supply	8,000	
Playground	3,000	
Temporary office accommodation	8,000	
Tree planting	2,000	
Freelance contracts	15,960	See Appendix B1
Total	437,473	

Hub Funding

Based on research and discussions with funding advisors, the Hub funding is considered under 3 scenarios:

Table 7: Hub Funding possibilities

	Total real cost £	Total Notional Cost £	Match funding - Volunteer value £	Private funding £		Public Funding £		Total funding £	Match Funding – elsewhere £
	109,100	146,690	37,590						
Optimistic				50%	73,345	25%	36,672	110,017	0
Expected				40%	58,676	20%	29,338	88,014	21,086
Pessimistic				30%	44,007	15%	22,003	66,010	43,090

In the expected/ pessimistic scenario's the 'Match Funding – elsewhere' could be sourced from a combination of 'income from leaseholds' and 'income from the media contract'.

Given that the Community Hub will become a vehicle for the promotion of carbon neutral lifestyle skills, the potential for funding possibilities from both the private and the public sector are very strong.

Lammas nonetheless has taken a precautionary approach in this and is budgeting for an estimated 60% funding outcome.

Hydro Funding

All the research to date suggests that funding the hydro will be a fairly straight forwards affair and that 100% funding for community renewable schemes is commonplace. There are a number of funding possibilities available, for example Eon are currently providing up to £20,000 private funding for such schemes.

Income from Media Contract

Due to the ongoing planning delays, this has been the most difficult income stream to quantify. Opportunities have arisen and have been lost. For example the offer from Discovery Channel (through IWC Media) of a team of builders to build the Community Hub led by Tommy Walsh (Builder/ Celebrity) has passed due to Discovery needing to move forwards. This contract would have been worth up to £40,000 to Lammas. Similarly Lammas was discussing a contract worth £20,000 with the BBC (through Aspect television).

Nonetheless ongoing discussions with television production companies (most notably IWC Media and Aspect television) suggest that similar levels of funding are still available from the broadcasters (namely Discovery and BBC) for the type of proposal that we are offering.

For the purposes of cash-flow projection, Lammas has taken a precautionary approach here, budgeting £15,000 in an expected scenario.

Projected set-up income

This projection has been put together in order to prepare for alternative financial scenario's covering the setting up of the project.

Under all scenario's it is assumed that:

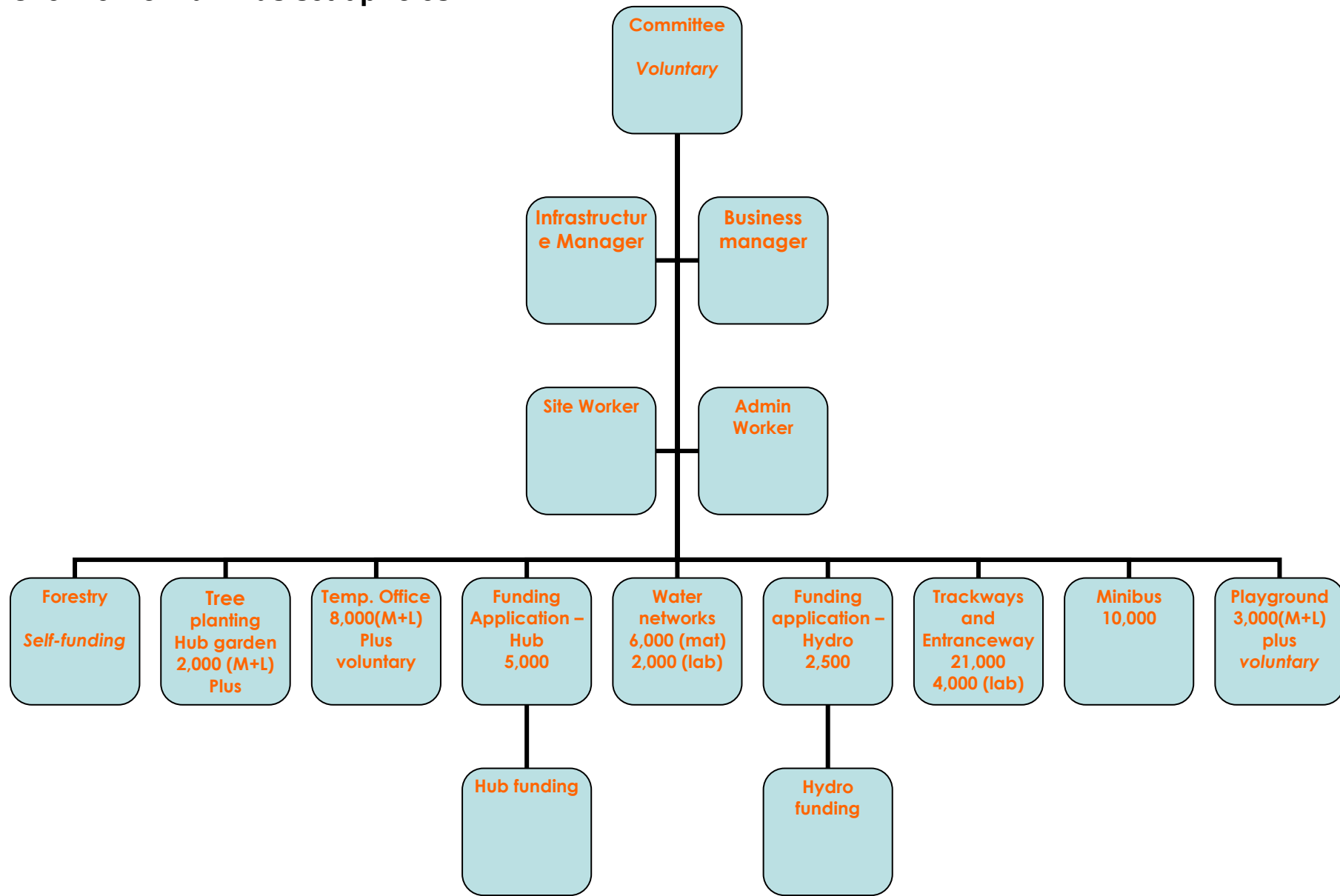
- Income from lease sales and existing capital figures remain constant.
- The income from a media contract is considered as a financial sum rather than payment in kind (as currently being proposed by IWC Media/ Discovery Channel).

Table 8: Set-up forecasts

	Optimistic	Expected	Pessimistic
Leasehold sales	315,000	315,000	315,000
Existing capital	7,500	7,500	7,500
Media Contract	20,000	15,000	10,000
Funding: Hub	110,017	88,014	66,010
Funding: Hydro	39,613	29,709	19,806
Total	492,130	455,223	418,316
Capital set-up costs (from table 6)	437,473	437,473	437,473
Balance from 3 year set-up period (from table 9)	3,975	6,540	14,445
Balance	58,632	11,210	33,602

Blue – profit. Red - loss

Overview of Lammas set-up roles



Comment

Lammas expects the capital outlays to break even, and there is a comfortable margin within the expected scenario to allow for potential budget overshoots (for example, 10% of the hub).

In a pessimistic scenario Lammas would make a loss whilst setting up the project.

In an optimistic scenario, Lammas would have funds to invest/ reallocate following the projects establishment.

4. Forward Planning, years 1 – 3

It is necessary for Lammas to consider the running forecasts for years 1 – 3 separately from the ongoing running forecasts because there are a number of important factors that differ during this period.

Assumptions for accounting during this period:

- Due to the high publicity, share sales and new friends will increase to previously experienced levels during periods of high publicity. This is a relatively conservative estimate given the potential media exposure.
- During years 1 – 3, camping is reserved solely for volunteers, and so produces no income.
- During years 1 – 3, the hub will be under construction, and so produces no income.
- During years 1 – 3, the project will run University tours.
- During years 1 – 3, the project will provide limited facilities for visitors, providing tours and parking for a one-off £20 fee (per vehicle) on Saturdays, the resident tour guides taking a 50% cut. Numbers are estimated at an average of 5 vehicles per week.
- The minibus will be operating from year 4 onwards, and so is not accounted for here.
- ROC's values are calculated at 2010 prices, £55 per ROC (1 ROC = 0.5 MWh for micro generation).
- Income scenario's from ROC's are based on the electricity generation projections within the hydro supplementary report to appendix 11.
- It takes 18 months to get the hydro fully operational; therefore the ROCS income is cut by 50% for the three year period.
- In a worst-case scenario, the budgets for office costs and volunteers would be cut by 33% and the website budget would be cut by 50%.
- These figures are based on the assumption that the trackways build is contracted out.
- Under the 'optimistic' scenario it is assumed that revenue grants are won in combination with Capital grants for the hub.
- National Insurance and PAYE contributions are calculated at 12.8% of pay.

Table 9: Running Forecasts, years 1 – 3 (per year)

		Optimistic	Expected	Pessimistic
Income	Shares	4800	3600	2400
	Friends	300	225	150
	Service Charge	9000	9000	9000
	Camping fees	0	0	0
	Residents vehicle passes, 9@£200	1800	1800	1800
	Vehicle parking permits	0	0	0
	hire of meeting room @ £4 per hour	0	0	0
	University Tours	1600	1600	1200
	Commission from trading post	0	0	0
	Commission from website	0	0	0
	Income from minibus shuttle service	0	0	0
	Visitor Parking/ Tour fees	3000	2500	2000
	Hydro (ROCS)	7755	6325	4840
	Revenue grant funding	6000	0	0
	TOTAL	34255	25050	21390
Expenditure	Business Manager	6240	6240	6240
	Site Worker	4160	4160	4160
	Admin Worker	3120	3120	3120
	Tax and PAYE for above posts	1730	1730	1730
	Infrastructure Manager	4680	4680	4680
	Office costs	1800	1800	1200
	Volunteer/ goodwill budget	1800	1800	1200
	Annual Insurance	1500	1500	1500
	Annual auditors fees	1000	1000	1000
	Cooperatives UK fees	100	100	100
	Website fees	250	250	125
	Minibus costs	0	0	0
	Annual hub maintenance costs	0	0	0
	Annual hydro costs	250	250	250
	Additional post – promotion/ education	6000	0	0
	Misc.	300	600	900
	TOTAL	32930	27230	26205
Balance	per year	1325	2180	4815
Balance	over 3 years	3975	6540	14445

Blue – profit. Red - loss

Comment

Lammas expects to make a loss during the first three years.

5. Forward Planning - Ongoing

Employment:

In light of the detailed workings that have gone into preparing the freelance contracts for the set-up period, Lammas has also taken the opportunity to review its employment schedules.

The main themes to emerge from detailed consideration within the organisation are:

- The desirability (stemming from a philosophy of equality) of bringing the payments in employing people closer together. That is to say that Lammas has decided to use what it considers to be more equitable pay scales. Thus the Admin Worker and Site Worker will be employed at a rate of £10/ hour.
- The importance of distinguishing between the workloads involved during the initial set-up period and the workloads involved in maintaining the project once it has established itself. Thus the proposed workloads during these two periods differ accordingly.
- The importance of continuing to foster and nurture a goodwill approach within the project.

As a result the proposed employment opportunities have been revised using a similar framework to that being adopted in the freelance contracts.

Shares/ Friends

Forecasts are based on recent experience. Please refer to tables 3 and 4.

The forecast for shares sales is now 3 per month (average). With 2 per month (pessimistic) and 4 per month (optimistic).

The revised forecast for new friends is now 5 per year (average). With 4 per year (pessimistic) and 6 per year (optimistic).

Overview forecasts

This projection has been put together in order to prepare for alternative financial scenarios.

Under all scenarios it is assumed that:

- Income from residents (service charge/ vehicle passes) remains the same.
- National Insurance and PAYE contributions are calculated at 12.8% of pay.
- Business rates (on the Community Hub) are considered at £1174 per year (based on a business rate value of £2400 pa).
- Income scenario's from ROC's are based on the electricity generation projections within the hydro supplementary report to appendix 11, and using 2012 projected ROC's values of £60 per MWhr (1 ROC = 0.5 MWh for micro generation).
- 'Office costs' have been revised down to £150 pcm (due to project being established).
- The hours worked by the Lammas employees reduces by 25% after the initial 3 year period.
- Under the 'Pessimistic' scenario it is assumed that:
 - Income from visitors would fall by 25%.
 - Minibus fuel rises to £1.25 per litre.
- Under the 'Optimistic' scenario it is assumed that revenue grants are won in combination with Capital grants for the hub.

Table 10: Running projections, years 4 onwards

		Optimistic	Expected	Pessimistic
Income	Shares	2400	1800	1200
	Friends	150	125	100
	Service Charge	9000	9000	9000
	Camping fees	3900	3900	2925
	Residents vehicle passes, 9@£200	1800	1800	1800
	Vehicle parking permits	4530	4530	3398
	hire of meeting room @ £4 per hour	1664	1664	1248
	University Tours	1600	1600	1200
	Commission from trading post	1260	1260	945
	Commission from website	630	630	473
	Income from minibus shuttle service	5241	5241	3930
	Tour fees	1582	1582	1187
	Hydro (ROCS)	16920	13800	10560
	Revenue grant funding	6000	0	0
	TOTAL	56677	46932	37966
Expenditure	Business Manager	4680	4680	4680
	Site Worker	3120	3120	3120
	Admin Worker	2340	2340	2340
	Tax and PAYE for above posts	1297	1297	1297
	Office costs	1800	1800	1800
	Volunteer/ goodwill budget	1800	1800	1800
	Annual Insurance	1500	1500	1500
	Annual auditors fees	1000	1000	1000
	Cooperatives UK fees	100	100	100
	Website fees	250	250	250
	Minibus Driver (inc NI, PAYE)	3739	3739	3739
	Minibus fuel costs	2363	2363	2953
	Other Minibus overheads	2520	2520	2520
	Annual hub maintenance costs	500	500	500
	Annual hydro costs	500	500	500
	Additional post – promotion/ education	6000	0	0
	Business Rates	1174	1174	1174
	Misc	300	600	900
	TOTAL	34983	29283	30173
Balance		21,694	17,640	7793

Blue – profit. Red - loss

Comment

In all scenario's, Lammas expects to make a significant annual profit once the project has established itself.

5. Conclusions

Table 11: Bringing all the figures together

	Optimistic	Expected	Pessimistic
Set-up	58,632	11,210	33,602
Years 1-3	3,975	6,540	14,445
Ongoing	21,694	17,640	7,793

Blue – profit. Red - loss

Under the optimistic scenario, Lammas continuously makes a profit.

Under the expected scenario, the small surplus generated from the set-up carries Lammas through years 1 -3. Therefore Lammas continuously makes a profit.

Under the pessimistic scenario, Lammas will need to borrow approximately £48,000 for approximately 8 years. Given that Lammas managed to raise over £200,000 in loans from members recently this would not appear to be a problem. Under such a scenario, this would be Lammas' first and most probable course of action.

In a worst case scenario Lammas could borrow money from a bank, secured against it's land asset.

Other possibilities for assisting the situation in worst case scenarios include:

- Making cuts in other areas. (for example, playground)
- Seeking funding in alternative areas (for example minibus)
- Lammas residents providing the labour themselves on a goodwill basis for selected projects, for example the hub.

Lammas has thoroughly explored the financial implications of a wide variety of scenarios unfolding. In compiling these figures Lammas has taken a conservative approach throughout. All our research indicates that the Lammas project is completely viable.

However it must be stressed that the Permaculture ethos runs right through the Lammas project at all levels and as such any plan must be recognised as just that...a plan. The challenges that face our society, our environment and our economy over the next 10 years will be wholly unprecedented. Good preparation is absolutely essential in today's world. In reality, however, one of Lammas' most important assets will not be found on any spreadsheet. It is our ability to adapt.