

Asset Democracy

Assynt Crofters Case Study

MCM Associates, 2004

*This case study was one of four undertaken as part of a piece of commissioned research on **The Assessment of the Asset-base of the Community Business Sector in the Highlands and Islands of Scotland**. The work was commissioned by Highlands and Islands Enterprise and carried out by MCM Associates during the first 3-months of 2004. The other case studies selected for inclusion in the research were a regional housing association, a social firm providing employment for mental health sufferers, and a community-owned heritage centre.*

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Contents:

- Asset Summary
- History and Background
- Objectives
- Legal and Management Structure
- Description of Operations
- Income Sources
- Valuation of Assets
- Relevant Issues and Challenges
- Further Information

Asset Summary

Sector	Community Land Ownership
Turnover	Circa £20,000
Number of Staff	1 Part-time Administrator
Asset Value	Circa £230,000

History and Background

Over 10 years ago, the North Assynt Estate in Sutherland was sold as three lots to Scandinavian Property Services Limited, a Swedish owner. Due to financial difficulties, this company went in to receivership under a Swedish bank. The bank appointed a London-based liquidation company to sell off the Estate in seven lots. In order to prevent further fragmentation of the Estate, and to bring it back into local ownership the Assynt Crofters Trust was formed in 1992. The Trust successfully mounted a bid for the purchase of the Estate. Although the original asking price was in excess of £1 million, the Trust negotiated a purchase price of £300,000. This was funded from a public appeal, Assynt crofter pledges and grant aid from public agencies.

Objectives

The Assynt Crofters Trust (*'the trust'*) seeks to achieve the betterment of the area through three overarching objectives:

- Improve the social, educational and cultural environment of the crofting community;
- Improve the natural environment of Assynt in Sutherland; and
- Help fund viable developments in order to secure land renewal and environmental projects for the Assynt crofting community.

Legal and Management Structure

The trust is a company limited by guarantee. It has a board of 14 members – 12 members representing each of the 12 townships on the estate together with 2 co-opted directors who have specialist experience in fishing and shooting. The trust does not have charitable status. There are currently approximately 150 members and croft ownership is a condition of membership.

Description of Operations

The land area comprises 21,500 acres and includes 182 crofts. Approximately 300 people live in the North Assynt area. The trust has been involved in the following activities and initiatives:

- Advice and guidance on crofting agriculture including the development of new crofts;
- Development of trout fishing and shooting;
- Management of woodlands and forestry;
- Developing tourism in the area (the buyout received significant media and public interest which initially brought significant numbers of visitors into the area);
- Research into housing needs and assistance with the development of new housing; and
- Research into the development of renewable energy and the commissioning of a hydro scheme.

In 1992, the trust commissioned a study which consulted with the Assynt community regarding the development of the estate – entitled [Whole Estate Plan](#). When consulted about the trust, respondents commented that the trust was:

- Supporting development;
- Accessible and local; and
- Owns the land

The study also pointed to challenges for the trust including a perceived lack of communication and apparent lack of vision and direction once the buyout was achieved.

Approximately four years ago, the trust formed a subsidiary company Assynt Hydro Limited and this company has developed a hydro-electric scheme at Loch Poll at a cost of approximately £575,000. A combination of public sector grants and [Triodos bank](#) were accessed to finance this development. Unfortunately, this company has been incurring losses because of recent dry winters and summers. During last summer the river dried up completely. The trust employs one part-time administrator for 2-days each week.

Income Sources

The trust has an annual turnover of approximately £20,000 and the accounts for the year ended 31 March 2002 show:

Income	£21,251
Expenditure	£18,405
Net Surplus	£2,846

The income sources can be analysed as follows:

Wayleaves –received from Energy bodies	£4,698	22%
Fishing permits	£4,127	19%
Rent – Land	£4,013	19%
Grazing and Croft Rentals	£3,215	15%
Grant Funding	£2,728	13%
Venison sales	£1,262	6%
Land Sales	£835	4%
Salmon netting rentals	£200	1%
Sundry	£173	1%
Totals	£21,251	100%

Valuation of Assets

The assets owned by the trust comprise the estate itself, the old telephone exchange at Stoer (used as the trust's office), a fishing bothy and drying green, both at Clachtoll, 10 boats for hire to fishermen, and the old Highland Council shed at Strahcroy. The trust also has an investment of £25,000 in the hydro electric subsidiary company. Fixed assets have been shown at cost and all assets have been depreciated over their useful lives apart from the land and buildings. The directors took the view that the value of the estate will not be depleted by the passage of time and the value of the buildings was immaterial relative to the total value of the estate. In this same context, the government grants approximating to £230,000 received at the time of the buyout have been shown in the accounts as a capital reserve instead of being shown as a deferred capital grant and released into the profit and loss account over the useful life of the asset. Although this is a deviation from accepted accounting principles, the directors believe that this treatment is necessary for the accounts to show a '*true and fair view*' of the net assets of the trust.

The investment in the hydro electric subsidiary is shown as a cost. However, having regard to the losses currently being incurred, it is likely that some downwards adjustment to this figure is required.

Relevant Issues and Challenges

Based on the current annual income of circa £20,000 and the approximate breakeven position, the trust is not in the position to access debt finance in order to develop its asset base and trading activities. Discussion with one of the directors suggested that

accessing capital monies to achieve the buyout was easier than the year-by-year financial management of the trust and its estate in order to achieve viability. There is an ongoing dialogue between the trust, its members and the wider community regarding the composition of the membership and whether membership should be opened to those who live in the area but do not own a croft. This approach might make it eligible for charitable status, as well as widening the activities of the trust and its future potential for generating income.

Further Information

A copy of the full research study is available in pdf format on the Highland and Islands Enterprise website: <http://www.hie.co.uk/community-assets-study.htm>

Assynt Crofters Trust can be contact at: Website: www.assyntcrofters.co.uk and by e-mail at: croftadmin@assyntcrofters.co.uk

For further information see: [Business Planning: the Assynt Experience](#) by John MacKenzie, April 1999.