



Business Plan November 2021

Prepared by;

Alford Valley Community Railway directors with support from JQR

Consulting in partnership with Alan Keef Ltd and Aberdeenshire

Council.

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1. Executive Summary

The narrow-gauge Alford Valley Railway ran from the 1980s until 2017 and was a significant asset and attraction for Alford. Due to the railway falling into disrepair and lying dormant for two years the community gauged local opinion on a reinstatement of the railway to its former glory. With significant support a small working group engaged a consultant to prepare a feasibility study to investigate the reinstatement. The positive feasibility study and further community consultation led to the preparation of this business plan.

This plan addresses the fund-raising options for the capital cost and the operating revenue and expenditure to establish the business and ensure its sustainability. Costs for the reinstatement range from £245,000 -£500,000 depending on volunteer and contractor input.

The Project will be phased with four elements starting with the station, engine shed and turntable, Haughton Park terminus and then finally the most significant phase being the one and half miles of track. Funding options and timelines considered for each phase demonstrating the cautious and confidence building approach to the community and funders and culminate in a share offer in phase four to realise the funding required for the track. This is bold approach which will be supported by Community Shares Scotland who have significant experience and success with community project finance through community shares.

The Business Plan shows that if the fundraising can be achieved for the capital reinstatement costs the railway can operate with a surplus in scenarios with significant passenger numbers and volunteer numbers.

The Alford Valley railway project steering group would like to thank Aberdeenshire Council (Economic Development and the Marr Area Committee) for providing grant funds for this feasibility study.

They would also like to thank Marr Area Partnership and the Marr Area office for their support during this process.

Background

The Alford Valley Railway was originally opened by Great North of Scotland Railway in 1859. An off-shoot of the main Aberdeen to Inverness line, it ran between Alford and Kintore in Aberdeenshire. As with many other rural railways, cuts were implemented to the Alford line in 1949, with initially loss of its passenger service, followed in 1965 by demise of freight and total closure.

In 1979 a 2ft narrow-gauge railway, brainchild of local railway enthusiast, Mr James Gordon, opened, using the old original station platform. Also known as the Alford Valley Railway, it ran between the centre of Alford to Haughton Country Park about a mile away. Sadly this railway closed in 2017 due to concerns over the condition of the track and rolling stock.

An extremely popular attraction, the closure triggered a response by the local community and, following a public meeting in February 2019, a local community volunteer group, supported by Donside Community Council, Aberdeenshire Council and Marr Area Partnership, was formed to investigate the possibility of reopening the narrow-gauge railway.



The group held regular meetings to progress the project and liaised with DTAS and Community Shares Scotland to explore the options for the most appropriate legal structure to deliver the project. After extensive deliberation of the options including meetings with similar community groups to hear their experiences it was agreed that a Community Benefit Society with charitable status was most suited to the aims and objectives of the project.

2. Project Purpose

The Alford Valley Community Railway's mission;

'To establish a community run attraction enabling local people and visitors to explore the rural and agricultural history of the Howe of Alford. Our visitors will be engaged, entertained and educated by the history of the original railway as well as future technological developments.'

This community run asset will support the economical sustainability of the village recognising the need to evolve toward a climate friendly operation embracing that message within all inclusive volunteering and visitor opportunities.'

The project will reinstate the 24" railway to modern safety standards. This will involve the re-laying of the existing track and maintaining the locomotives including the "James Gordon" and one of the three carriages ("Jubilee Carriage") for carrying passengers. A second locomotive would be retained for track maintenance and as a back up for the main engine. The railway will primarily run for the benefit of the local community and visitors in conjunction with other separate community facilities in the Alford Station area and in Haughton Park.

Heritage and Education

The project will tell the story of the original Kintore to Alford branch line which ran from 1859 to 1970. This line exported Aberdeen Angus beef from its area of origin and vast quantities of Aberdeenshire granite from the local quarries. The stone was distributed around the rail network and was sent by sea from Aberdeen. Granite from the quarries of the north east can be seen in a large number of prominent buildings all over the world today. This timeline and journey of the world famous Aberdeen Angus beef and Kemnay Granite will form a significant heritage story for the project.



Climate Challenges

The project is run by a board who have set out a vision for the community that embodies the foresight needed to approach the current issues around climate change. The project in the short term will address this vision in the station building contributing to the nation's Net Zero goals through a low carbon refurbishment and operationally efficient building. The project has begun work with The Energy Savings Trust and Zero Waste Scotland to prepare a climate action plan to include our medium term aspiration around energy efficient running of the trains and for the long term elements of carbon offsetting and active travel initiatives.

3. Funding, Phasing and Risk

The former railway was built by enthusiastic volunteers on a tight budget and what was achieved was heroic, but the lower quality of the build and the gradual reducing level of maintenance had taken its toll. The reinstatement will have to be done to today's much higher Office of Rail and Road (ORR) standards.

The plan would be to keep the operation as simple as possible by reinstating the existing track and buildings, retaining a minimum of rolling stock and generally making the environment much more attractive.

The condition of the track dictates a complete relaying of the track on "new" used sleepers and substantial rail replacement over the poor areas of track. It was recommended this would be done in one phase rather than spreading it out over several years. This is outlined under the phasing section and makes up Phase 4 of the project

Whilst capital costs had included purchasing the James Gordon Loco and the Jubilee Carriage from the AVR Co. Ltd. liquidators at the prices suggested by them. However the AVCR now have secured these assets.

While this capital cost is quite a challenge the feedback from the Public Consultation meeting held on the 27 October 2020 and the survey results suggested there was significant support for the project from the local community and significant offers of volunteer support.

Phasing of the project delivery

The AVCR has agreed to a phased approach for the project to minimise risk, take on realistic subsets of the project to assist with fundraising efforts and grow the confidence of the board. The phasing will be sequential and helps build the confidence of the community and allows the vision and potential of the project to be realised



- ***Phase 1 The Railway Station Building***

This is the first aspect of the AVCR project and forms the initial focus. It allows a relatively modest amount of fund raising to bring the building into good repair and can be an ad hoc community venue as well as the spring board to the next phase. The primary element in this phase is to refurbish the building in a carbon neutral manner with efficient energy sources and insulation without diminishing the heritage. The administrative and legal work around the agreements around road crossings and boundary crossings and access will also be

completed within this phase. The timescale to complete this phase is one year with a cost in the region of up to £155,000.

- **Phase 2 Engine shed and turntable**

The group have agreed that although this is the second phase of the project it runs quickly after the work on the station building. The distance between the Station building and engine shed is approximately 70 yards and would allow the short shunting of trains between the shed and the station.



This effectively brings the railway alive and is a real showcase of the railway for the project. It raises awareness, stimulates interest and with the station building allows fund raising events and other community activities. All of which will continue to raise the profile and enthusiasm for the project. This phase will also have plenty of scope for volunteer support around the short section of rail track, the general landscaping in this area between the engine shed and station and the

functional arrangement within the engine shed itself. This phase of the project offers huge opportunity to establish a young engineers club which will reach across a demographic in Alford that will support succession and sustainability. It will also encourage and enable some avenues of carbon free initiatives to be explored with wider community benefits. Both the educational and green energy/carbon footprint elements will open other potential funding streams to support the project.



The turntable also exists in this short section and will be a component within phase 2 that the group have found some discrete funding opportunities for due to its unique and rarity value. It is also likely that there will be some rail enthusiasts who will be involved in the turntable restoration.

timescale for this £74,000

The estimated

- **Phase 3 Houghton Park station and car park.**

This phase can be undertaken independently or in parallel to the fourth and final phase of the track laying. The phase will concentrate on the signage, station and car parking at Houghton Park. It will be possible to consider some elements of the former Murray Woods branch line which existed prior to the Alford to Houghton



park route. This Phase of the project will be developed in partnership with the Friends of Houghton Park who are the community group taking on an element of community responsibility for the park. This also represents another opportunity to recruit new volunteers for the relatively simple station refurbishment and to be involved in a sensitively designed car park specifically for the railway. Our timeframe for this phase is one year with a projected cost in the region of £13,000.

- **Phase 4 Completion of the line.**

Whether separate or in parallel to phase 3, this phase is the most costly and requires most volunteer input if costs are to be kept down. We have been offered support from a number of heritage railways and will look to timetabling this work with expert input to ensure a realistic timeframe and to ensure we can raise funds for the operation. Timeframe for this work is 24 months and a projected cost is in the region of £200000. AVCR has set up the legal structure to be able to make a community share offer and it is anticipated a major offer will be used for this phase of the project. This will be undertaken over a 6-8month timeframe and will be supported by DTAS

Risk

The Board are taking a very cautious approach to the project to ensure that risk is minimised and the weight of financial and legal responsibility does not become a heavy burden for the directors. The most significant element of the project to date is the acquisition of the former engines and rolling stock from the liquidators. The AVCR have been gifted these assets by a benefactor who has agreed they can be restored and kept indefinitely as part of the project. This represents a major step which removes the risk of losing these assets to other collectors. A major risk table is drawn up in section 5 but the bullet points below outline the approach and elements which reduce and mitigate risk for this project.

- ***Phasing***

Directors have adopted a phased approach to the different elements of the project. The phasing is described in detail in the previous section of the business plan outlining timescales and funding sources. This phasing demonstrates a sequenced approach in manageable chunks and realistic assumptions for delivering each phase. This approach also builds capacity and confidence within the team of directors but also manages expectations and confidence of the community. Phasing delivers discrete portions of the project and minimise the risk of failure. With each project phase the AVCR can demonstrate to new funders for each subsequent phase that they have managed and delivered a significant element of the project.

- ***People and community***

This is a project that will be built around the community with a significant volunteer effort. The opportunity for involvement spans across the variety of interests as well as the age spectrum. In the different phases there will be elements of landscaping and vegetation clearance, building maintenance, painting, building heritage displays through to the workshop engineering of bringing the engines carriages and, signal and line points and switching up to scratch. During the operational stage there will be drivers, engineers, signallers, ticket collectors, station staff and maintenance folk all ensuring the efficient running of the service. The railway will genuinely depend on people power and this involvement ensures the future of the project as not just a community asset but a community gem. The inclusion and accessibility of the project for the community and visitors is reflected in the mission statement and embodies the aspiration for the community to make this project their own.

- ***Funding***

The phases allow the group to explore enough funding options to ensure a variety of funds can be raised to cover the costs of the particular phase. Again, this minimises the risk of ending up with significant funding shortfalls. The directors have prepared a funding strategy with funds identified for each aspect of the project. It details values, contacts and deadlines to ensure the project doesn't miss opportunities or fall behind on milestones of the project.

- ***Director Skills***

The group has enlisted directors within the board bringing a range of skills including organisational and financial management, engineering and technical ability as well as project management and community engagement. This diverse capacity within the board mitigates against shortcomings for delivery and the risks associated with the project. Two of the Board have worked on the Alford Valley Railway in the late 90s as train operators and they supported the management group around large events at Easter and Christmas. Two Directors bring significant financial management expertise in both their day jobs but also with other community enterprises. They also have fundraising and grant experience. One Director is the former Chair of the Donside Community Council and has significant experience of working on a range of community projects, grant funding and volunteer management. One Director also has many years' experience in working in local tourism through his work at Craigievar Castle and through managing the property. Another Director has extensive management experience and is involved in several community projects and working with volunteers.

The Board is also supported by the Marr Area Partnership, Aberdeenshire Council and has also linked up with several other heritage railways who have offered support and guidance at any stage of the project. The Board is acutely aware of the importance of succession planning and is working to include directors from other organisations as well and looking at a policy within their constitution to ensure new directors are a constant element to refresh the board and reflect the wishes of the community.

- **Partnerships**

Finally the Board are proactively engaging with other projects and organisations both in Alford and surrounding to build relationships and explore mutual partnerships that will be supportive to the delivery of the different phases. This include Friends of Haughton Park, Grampian Transport Museum, Alford Heritage Museum and the Alford Business group. AVCR is currently agreeing the access rights and responsibilities with the three land owners whose ground the railway crosses.

- **Heritage Status**

Due to the elements of the project being of significant historical interest including the turntable station and some of the artefacts, AVCR is in the process of applying for Museum status. Museum status will increase support, advice and funding from the Museum Association Scotland and also help attract further visitors.

4. Income and Expenditure

The Business Plan scenarios consider the re-instated railway in isolation without any other potentially beneficial arrangements eg cost sharing of Alford Station with a tea room or other local business. However it is well worth noting that sharing the station has the potential to save £4k. in station annual operating expenditure.

Subleasing the station at a reasonable rent to a third party willing to assist passengers passing through the station would save this £4k. and add around £6-10k. in rental income, **a potential £10 to 14k. improvement in the bottom line of the scenarios shown at the end of this Business Case.**

AVCR recognise the difficulty to access funding which supports day to day operating revenue of a project such as this and this section looks at the range of potential financial outcomes for day to day operations once running. The potential income and expenditure have been estimated and then a range of scenarios applied to estimate the annual surplus or loss.

Operating days

The Development Plan spelled out the staffing levels and days of operation. This suggested one driver and guard on the train and support from a representative on the station with 120 operating days per year plus five days of Santa Specials in December. This number of operating days does not include the calendar of events that AVCR are working on to ensure that this 120 day scenario is a conservative operational estimate. See appendix for AVCR Calendar of Events.

Paid staff versus volunteers

The recommendation in the Development Plan was for the use of paid staff for the driving and guard duties based on prior volunteering experience at AVR Ltd, and elsewhere. It is acknowledged that it was being run as a private company then, not as a Community organisation.

AVCR feel strongly that the drivers and guards should all be volunteers and only the possibility of a paid operations manager may be considered for phase 3 and 4. AVCR consider that all functions could be run by volunteers including marketing, social media, educational links and heritage displays at the Station.

Passengers

During the last full year of operation the number of passengers was 6,000. This was down by 50% on a decade earlier. This was partly due to the increasing number of alternative attractions and partly the decline in the visitor experience at AVR Ltd due to declining standards. A range of scenarios is costed below of 6,000, to 10,000 passengers annually.

Ticket prices

The survey showed an appetite for tickets at £5 for adults and £3 for children with some responses accepting a higher price of £7 and £5 respectively. Both sets of prices have been used in the income estimates.

Asset transfer

An Asset Transfer request for a long term lease has been accepted and validated by Aberdeenshire Council. It has been assumed that the costs involved would be nominal.

Rolling stock

The re-instatement estimate assumed that the purchase of the James Gordon locomotive and the Jubilee Carriage would follow the guide values set by the liquidators of the former Alford Valley Railway Limited. However these costs are no longer valid due to the acquisition of the stock by a benefactor of AVCR.

Expenditure base estimate

The following table shows the non-labour expenditure for the operational phase. A figure for this expenditure estimate is then flexed in the scenarios further down.

It should be noted that these costs would not vary much with an increase or decrease in the number of passengers. They also would not vary significantly over a five year period other than inflation. It is assumed ticket prices would also increase to match inflation. With the track re-laid, the buildings refurbished and the rolling stock being relatively new no major expenditure is likely to be needed above routine maintenance. The basis of the individual costs is shown in columns 3. It also demonstrates that the number of volunteers that can be attracted is critical.

Running Costs		
Insurance Public liability, indemnity Buildings and		£4000

Contents, Engines and hardware		
Legal		£6000
Accounting		£500
Marketing		£500
IT- Computer and printer*, phone contract, broadband,	*One off cost	£1500
Sale Items	Food and Merchandise	£3000
Council tax		£1500
Electricity		£1200
Diesel and consumables		£400
Building Maintenance	Nominal sum based on complete reinstatement in each corresponding phase	£250
Track Maintenance		£250
Rolling stock maintenance		£500
Depreciation		£2500
Contingency		£900
Total		£23000

Income base estimate

The base estimated income is shown in the table below. The percentage breakdown of ticket types has been kept constant in all scenarios and is based on the AVR Co Ltd. data since 2010. Family and Season tickets have been amalgamated into the Adult and Children numbers as if normal fares were being paid. This probably slightly over estimates their income but no account has been made for any "specials" except Christmas Specials, which will cancel out this small discrepancy. The number of Season tickets was less than 50 in last few years and is thus not significant.

Again, the base case is the worst case with passenger numbers of 6,000 and the lower range of ticket prices discussed in the survey.

The income is flexed in the scenarios further down.

The income and passenger numbers reported by AVR Co Ltd are shown in the following table for the last full years of operation, for reference. The passenger numbers are probably accurate but there is some doubt about the incomes shown as the income per passenger varies so much. The reason is not clear.

	Children	Adults	Total passengers	Income	Income per passenger
2010	6,345	5,289	11,634	£44,266	3.80
2011	4,917	4,002	8,919	£28,377	3.18
2012	4,297	3,301	7,598	£24,767	3.26
2013	4,407	3,274	7,681	£37,409	4.87
2014	3,652	2,717	6,369	£36,857	5.79
2015	3,699	2,642	6,341	£34,235	5.40
	56%	44%			

INCOME						
Passengers			6000	Number	Rate	
Passenger adult			45%	2700	£5.00	£13,500
Passengers child			55%	3300	£3.00	£9,900
Xmas specials						£1,500
Secondary income	Food and refreshments Per day	1 in 10 passengers		600	£5.00	£3,000
	Books souvenirs Per day	1 in 20 passengers		300	£5.00	£1,500
Passengers			6000			
TOTAL INCOME						£29,400

With reference to the income shown during the operational phase above of £29,400 we estimate that a 25% increase in years 2 and 3, which coupled with the running costs of £19,000 demonstrate a healthy community enterprise.

In summary the critical element to the enterprise is to maintain and gradually increase passenger numbers

5. Major Risks Assessment

Risk	Probability 1 = unlikely 5 = very likely	Impact 1 = minor 5 = catastrophic	Mitigation	Notes
Prior to operation commencing				
AVR Ltd. company is dissolved and assets sold off.	5	4	Estimate assumes rolling stock purchased from Liquidator at indicated prices.	Rolling stock now acquired at no cost
AVR Ltd. company is dissolved and assets sold off before Community is in a position to secure the loco and carriage.	5	5	It is hard to envisage a mitigation for this scenario.	As above
Asset Transfer request declined by AC	1	5	Persuasive request documentation and continuous engagement.	Asset transfer submission validated
Insufficient funds raised	3	5	First class fundraising and patience.	
Fails to achieve Charitable Status	3	4	Alternate, albeit less attractive, legal structures are possible.	Charitable status obtained
During operation				
Passenger numbers decline to point where uneconomic.	2	5	Maintain first class passenger experience combined with comprehensive marketing.	

Unable to retain sufficient volunteers to run railway.	3	4	Excellent volunteer management (see SCVO). Experiment with mixture of staff and volunteers. Pursue senior school pupils.	
Major breakdown of main locomotive	2	3	Proper maintenance planning and retention of back up loco.	
Serious injury or fatality	1	5	Strict adherence to well written and communicated HSE plans and have sufficient insurance in place.	
Derailment or other significant event causes halt by ORR	2	4	Strict adherence to well written and communicated operating manuals. Ensure current ORR and HRA guidance and regulations are incorporated in AVCR documentation and have sufficient insurance in place.	
Fire in station of carriage shed	1	4	Restriction of use of naked flame, welding and grinding equipment. Regular inspection of electrical equipment.	

Appendices

- 1. Budgetary Forecast Phases 1-4**
- 2. Funding options**
- 3. Events Calendar**
- 4. Plan of Track**
- 5. Site Plan**