

The Future of the Kabin in Loanhead

Report by Dr Mary Smith, Director, Education, Communities and Economy

1 Purpose of Report

The purpose of this report is

- A. To inform elected members of the current situation with the Kabin.
- B. For elected members to agree that officers continue to work with the Lottery to explore alternative use for the Kabin building.

2 Background

- 2.1** At Loanhead Community Learning Association (the Kabin) Extraordinary General Meeting (EGM) on the 17 August 2017 the Board, chaired by Colin Beattie MSP, indicated that they intend to wind up the organisation and close the building. In a statement to their members the Board stated that:

“Over a number of years the Kabin has been in effect living beyond its means. Substantial historical reserves masked the underlying position...Lacking any source of funding which would see us through this situation your Board feel it must bring this situation to the members attention...The Board is hugely disappointed that this community asset seem no longer viable...Accordingly the Board has put it to the members that the only available course of action is to close the Kabin and to wind up both the charity and the company.”

On the 22 August the Board took the decision to wind up the organisation and dispose of the property.

- 2.2** The site of the Kabin was gifted by the Council to The Kabin for £1 and a Standard security was granted to the Lottery to safeguard public funds. The Missives for the sale of the land stipulate the land shall be used for no other purpose without the prior written consent of the Council.

The Kabin was awarded £727,717 by the Lottery for the construction of a new community managed facility and outdoor space, of which £433,497 was for capital costs and £294,220 was for revenue costs over a five year period. The facility was completed in 2011 and the Lottery has a Standard security in place for 20 years. As at August 2017, the remaining asset liability period is 13 years 9 months.

- 2.3** The Kabin has not operated a financially sustainable business model, despite support and advice from a range of experts and advisers including the Council. Their staffing costs have far outweighed their ability to generate income, this became more apparent in late 2016 as their grants came to an end and they lost their major tenant Carr-Gomm. The development of a new Loanhead Community Paradykes Hub further reduces the viability of the current business model as it offers potentially competing lettable space, cafe and soft play facilities in close proximity.

- 2.4** Presently Officers are in discussions with the Lottery, Social Investment Business and third sector groups in an attempt to negotiate an alternative use for the building. The lottery have indicated that they will provide support for the transfer of lease until December 2017 at which point they would look to dispose of the property at market value if there is no other financially viable options.

3 Report Implications

3.1 Resource

- 3.1.1** The building, only 7 years old, is in a good state of repair. It includes a music studio, soft play area, fully equipped cafe, accessible toilets, outdoor workshop, garden space, car park, storage, rentable office and approximately 10 other meeting rooms – **see background paper**.

3.2 Risk

The key risks associated with the current situation include:

- A. Boarding up the building could result in vandalism and is not a positive outcome.
- B. There is a risk that if the Kabin is trading whilst insolvent administrators will be brought in and their assets, including the building, will be liquidised. The Lottery has commissioned Social Investment Business to work with the Kabin in order that they follow the correct statutory and legal processes involved in the winding up process.

3.3 Single Midlothian Plan and Business Transformation

Themes addressed in this report:

- ☒ Community safety
- ☐ Adult health, care and housing
- ☐ Getting it right for every Midlothian child
- ☐ Improving opportunities in Midlothian
- ☐ Sustainable growth
- ☐ Business transformation and Best Value
- ☐ None of the above

3.4 Key Priorities within the Single Midlothian Plan

None

3.5 Impact on Performance and Outcomes

None

3.6 Adopting a Preventative Approach

Finding an alternative viable use for the Kabin will help prevent the building from being vandalised.

3.7 Involving Communities and Other Stakeholders

A key factor for the Lottery in considering a proposal will be a credible business plan for community involvement and for community benefit.

3.8 Ensuring Equalities

None

3.9 Supporting Sustainable Development

None

3.10 IT Issues

None

4 Summary

The Kabin is no longer a viable charity under the current operating arrangements and is being supported to wind up. To safeguard and sustain the building, and the public money invested in it, an alternative lease holder needs to be negotiated quickly. This is a fluid situation that involves a number of risks. Officers are in negotiation with the Lottery to find a viable solution. The L-lottery will provide revenue support until December 2017.

5 Recommendations

Council is requested to:

- a) Note the current situation with the Kabin and specifically it's adverse trading position.
- b) Note that Officers continue to work with the Lottery to provide assistance with the Kabin
- c) Note that further updated reports will be presented to Council as appropriate

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Report Contact:
Stephen Bermingham
0131-271338
stephen.bermingham@midlothian.gov.uk

Background Papers:

Appendix 1 – The Kabin, Loanhead