

Finance and Resources Committee

10.00am, Friday, 6 December 2019

Corstorphine Community Centre

Executive/routine	Executive
Wards	6 – Corstorphine/Murrayfield
Council Commitments	35

1. Recommendations

- 1.1 It is recommended that the Finance and Resources Committee:
- 1.1.1 notes that the estimated costs of delivering the Corstorphine Community Centre are now £2.264m, with a funding gap of £886,000, of which £750,000 is sought from the City of Edinburgh Council;
 - 1.1.2 notes that no funds are currently identified in the 2019/20 financial year for the Corstorphine Community Centre and that there is currently no provision for this project in the capital budget strategy for 2020-2030, meaning that the Council currently cannot fund the project unless it were to divert budget from other projects;
 - 1.1.3 notes that the Albion Trust has advised the Council that it will not proceed with the redemption of the preference shares in Albion Equity Limited and as such this funding source will not be available for this, or any other project; and
 - 1.1.4 notes that the Council's strategy for capital expenditure is agreed through the budget setting process due to be reported to Council in February 2020.

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Corstorphine Community Centre

2. Executive Summary

- 2.1 Corstorphine Community Centre, a Scottish Charitable Incorporated Organisation, is seeking to develop the Corstorphine Community Centre at an estimated cost of £2.264m. There is currently an £886,000 funding gap of which £750,000 is sought from the Council. No Council funds have been identified for the project in the 2019/20 financial year and there is currently no provision for this project in the capital budget strategy for 2020-2030, meaning that the Council currently cannot fund the project unless it were to divert budget from other projects.
- 2.2 It was originally envisioned that the redemption of preference shares in Albion Equity Limited would deliver an income to the Council of £350,000, this could have potentially been used to provide funding to the project. The Council has now been advised by the Albion Trust that they will not proceed with the share redemption at this time. As a result, this money will not be available as potential funding.
- 2.3 Should the Scottish Government opt to hold a second round of the Town Centre Fund, the Centre could be put forward as a priority project. Similarly, the project could be put forward as an unfunded capital priority to be considered alongside other Council priorities where and when funding become available.

3. Background

- 3.1 Corstorphine Community Centre (CCC) (a Scottish Charitable Incorporated Organisation) is seeking to develop the Corstorphine Youth and Community Centre (the Centre) (formerly referred to as the Corstorphine Youth and Community Centre) at 14 Kirk Loan. Designs for the Centre were granted planning permission in May 2016. CCC has stated that work can begin promptly if funding is secured.
- 3.2 The projected cost of the development is £2.264m of which the CCC currently holds approximately £1.378m (60.9%), leaving a funding gap of £886,000 (39.1%). The Centre was considered by elected members as a potential project to be funded from the 2019/20 capital budget but was not included in the agreed budget.
- 3.3 On [6 June 2019](#), the Housing and Economy Committee recommended that:
 - 3.3.1 *“...the Finance and Resources Committee of August 2019 release funds from Albion Equity Ltd shares, to the Corstorphine community centre project, and*

calls for a further report to the most appropriate executive committee before the end of August 2019, on how any additional requirements beyond this amount can be found to enable the project to proceed, either as match funding or council resources”.

- 3.4 Albion Equity Limited, a subsidiary of the Albion Trust (in the process of being replaced by Norton Park SCIO), is the owner and operator of Norton Park Business and Conference Centre. The Council exchanged its ownership of the Centre in return for 350,000 £1 preference shares in Albion Equity Limited in 1995. In February 2019, the trustees of the Albion Trust approached the Council to ask it to redeem its preference shares for their market value of £350,000. The City of Edinburgh Council agreed to this on [30 May 2019](#). Subsequently, the Albion Trust has stated that they are unable to redeem the shares.
- 3.5 On [15 August 2019](#), the Finance and Resources Committee considered a report on the Centre. The report set out two options for bridging the £750,000 funding gap: to reallocate funding from existing projects in the current Capital Investment Programme to the Centre or to consider funding as part of the 2020-25 capital budget process alongside other Council priorities.
- 3.6 A delegation from the CCC attended the Committee. The delegation noted that, while the community has raised approximately £500,000, there was a funding gap and support would be needed from the Council to enable this gap to be bridged. The CCC also noted that there was no Council community centre in the Corstorphine / Murrayfield ward and that the temporary community hub would be lost due to the pending redevelopment of the leased unit at 191 St John's Road. The CCC further noted that they were required to report back to the Robertson Trust (one of their donors) regarding the position on funding in September 2019.
- 3.7 The Finance and Resources Committee instructed officers to:
 - 3.7.1 use their best endeavours to work with the CCC to continue to identify all possible funding solutions including consideration in the capital spending review.
 - 3.7.2 provide a letter of comfort to the CCC and funders as appropriate; and
 - 3.7.3 bring a report on the CCC business plan and the financial proposals to the Finance and Resources Committee in December 2019.
- 3.8 Officers have carried out these actions as requested.

4. Main report

Funding options

- 4.1 There is currently no Council funding identified to fund this project either in the current financial year or in the current capital budget strategy 2020-30 (which was considered by this committee on [10 October 2019](#)), meaning the Council currently is not able to fund the project unless it were to divert budget from other projects.

- 4.2 The Council's budget setting process for next financial year and the capital budget strategy for 2020-30 is currently underway and is due to report to Council in February 2020. It is through this process that budget allocations are made and through which consideration can be given to the use of Council reserves.
- 4.3 Council officers have reviewed with CCC potential other funding solutions for the development. CCC has already explored many of the most relevant third party grant funds with which Council officers are familiar. Applications to key funders such as the National Lottery Community Fund have been unsuccessful. The prospects for closing the funding gap using third-party grants are therefore agreed to be limited.
- 4.4 A letter of comfort was issued to CCC on 30 August 2019. The letter advised that the Finance and Resources Committee was unable to identify a funding source for the Centre on 15 August 2019 but that the matter remained under serious consideration and that the Council's best endeavours would be used to find a solution. Officers offered to engage directly with funders to set out the Council's position if that would be assistance.
- 4.5 The Albion Trust discussed the share redemption on 28 November 2019. They have advised the Council that they will not proceed with the share redemption and as such, this money will not be available as potential funding.
- 4.6 The Scottish Government has advised that the Town Centre Fund is not expected to be repeated in 2020/21. However, should it opt to hold a second round of the Town Centre Fund, the Centre could be put forward as a priority project. Again, any funding provided would be on condition that the Council would receive a golden share in the completed building.

Business plan

- 4.7 Council officers have requested that the CCC provide its business plan for the Centre (attached as appendix one). The business plan notes that value engineering has been carried out to save costs. However, costs have arisen as the scope of the project has been widened to include the demolition and rebuilding of the "Lesser Hall"; this was originally planned to be done at a later stage but the development of adjacent land and resultant loss of access means the Lesser Hall could only be redeveloped if this was done as part of the main build.
- 4.8 The overall costs of delivering the Centre have risen to £2.264m (plus VAT), with a funding gap of £886,000, of which £750,000 is sought from the City of Edinburgh Council. The CCC itself holds £1.378m. This indicates that, were the Council to provide the CCC with £750,000, there would remain a funding gap of £136,000; albeit CCC notes that it has made other funding applications. The £2.264m does not include fit-out costs or any VAT that is unable to be reclaimed.
- 4.9 The business plan states that, should funding be secured, CCC would put the building contract out to tender in January 2020, with a view to commencing work in March/April 2020 for completion in June/July 2021. CCC notes that the remaining north façade of the former building is deteriorating and delaying the project is likely to result in further damage and costs.

- 4.10 The business plan projects that the Centre will break even in its second year of trading. By year five, the Centre is projected to have income of £152,438 and expenditure of £148,753, representing a small profit of £3,685. It is noted that £26,235 (17.2%) of income is from grants and donations suggesting that if these are lower than forecast the Centre could move to a loss-making position.
- 4.11 The completed building is proposed to have four staff members (a manager, an admin works, and two caretakers), with staffing costs totalling £77,545 in year five, accounting for over 50% of total running costs. It would be financially challenging to retain this level of staffing, particularly given the risk flagged above that a small drop in donation income could push the Centre to a loss making position.
- 4.12 It is noted that CCC has registered for VAT. This would enable it to reclaim most VAT payable on construction works but conversely would require it to pay VAT on “most” of its income. CCC has confirmed that the figures presented in the business plan take this VAT liability into account.

5. Next Steps

- 5.1 None identified at this stage.

6. Financial impact

- 6.1 As set out above, there is currently no Council funding identified to fund this project either in the current financial year or in the capital budget strategy 2020-30 (which was considered by this committee on [10 October 2019](#)), meaning the Council currently is not able to fund the project unless it were to divert budget from other projects.
- 6.2 This report is for noting only and as such there is no associated financial impact.

7. Stakeholder/Community Impact

- 7.1 There is strong support in the local area for the Centre.

8. Background reading/external references

- 8.1 ["Albion Equity Ltd – Disposition of Council’s Preference Shares" – report to the City of Edinburgh Council \(30 May 2019\)](#)
- 8.2 [“Motions and Amendments” – Housing and Economy Committee \(6 June 2019\)](#)
- 8.3 [“Corstorphine Youth and Community Centre” – report to the Finance and Resources Committee \(15 August 2019\)](#)
- 8.4 [“Capital Budget Strategy 2020-2030” – report to the Finance and Resources Committee \(10 October 2019\)](#)

9. Appendices

9.1 Appendix one – Corstorphine Community Centre business plan