

From: Murray S. Stewart [REDACTED]
Sent: 16 April 2020 13:52
To: Cynthia Watts <Cynthia.watts@lowsorkney.co.uk>
Subject: REWDT and The Craffhub further details

Dear Cynthia,

This email is a follow-up to a phone conversation I had yesterday with Eddie Nicholson regarding the situation between The Craffhub and Rousay, Egilsay and Wyre Development Trust. This email contains information that will hopefully help clarify how we came to this point; if you are able to pass it on to Eddie, I would be grateful.

In February 2019, REWDT put out a community mandate survey, asking if they should purchase the property known as The Pier Bar and Restaurant. This also included brief options for what the building could be used for. An overwhelming majority voted for REWDT to buy the property, and also to offer a permanent home to The Craffhub. At this point, The Craffhub had been operating a cafe service since April 2018, which was an expansion of the refreshment service in its previous location. Since then, REWDT has not communicated with its members at all on any decisions they have made, other than posting a feasibility report on their website on the 31st of March this year, which is not accessible to every member of the community. In REWDT's board meeting minutes from July and August last year, they stated that they would release the plans to the community as soon as possible. This wasn't done, and the community has still not seen the architectural plans that were commissioned by REWDT. They have not offered the community any opportunity to formally discuss the plans, or give any input in how they would like the property to be used or developed.

On the 6th of March this year, REWDT were handed a petition organised by The Craffhub, signed by 135 people (91 being residents of REW), with this statement of demand:

We demand that REWDT stop any actions that will have an adverse impact on The Craffhub and the island as a whole until further community consultation has taken place and a detailed project and plans have been developed and agreed with the community for the future of the premises

To date, REWDT have not acknowledged this petition to the community, or discussed it with The Craffhub beyond a receipt that it was received and would be circulated to the directors. The required percentage of members of REWDT also requested an EGM to discuss development at the Pier (with motions to vote on REWDT to disclose information, cease any development/change in circumstances unless agreed by community mandate). Understandably, an EGM cannot be held during this period of restrictions, however REWDT have decided to not discuss the points of the motions, and ignore the request to make no changes to the property.

No documentation exists between The Craffhub and REWDT stating that The Craffhub is being subsidised. We have asked to see evidence of this, as it constitutes payment-in-kind and we are legally required to report this in our annual accounts. Any money that The Craffhub has received from REWDT has been through its general grant application. REWDT leased the property from the owner from April 2018 until January 2020; there are self-contained areas within the building have not been leased out or used by The Craffhub during this period, and REWDT did not act to utilise these spaces in order to make up the shortfall of money between what The Craffhub was obliged to pay according to the lease, and what REWDT was paying to the property owner. These sums were never discussed with or disclosed to The Craffhub. Neither did REWDT approach The Craffhub during any of the four lease renewals to negotiate a change in rent/responsibility for paying utilities. It was only in December 2019 that REWDT informed The Craffhub that they considered them paying the utility bills as a subsidy. The Craffhub completely rejects REWDT rebranding their mismanagement of the property as a subsidy.

In respect to a new lease, The Craffhub has explicitly said to REWDT in writing that it would be prepared to relocate within the building, but only once certain fixtures were added to the area in order for The Craffhub to function. I have attached letters on this matter. To recap in a timeline:

31/01/2020: Letter from The Craffhub to REWDT stating that it agrees in principle to moving to the new area, provided that the listed issues are addressed. The Craffhub also requests that if the area is not ready by the 31st of March, the existing lease would continue on a week-by-week basis.

07/02/2020: Letter from REWDT to The Craffhub. REWDT agree to the weekly lease extension. No condition is placed on alterations being made only if The Craffhub sign a new lease. REWDT state they will not supply additional sinks, which are required by environmental health, and will not provide facilities for disabled customers/community members. REWDT state that alterations will be discussed between themselves, The Craffhub, and the contractor, and that The Craffhub will be kept up to date on any information related to planning and OIC.

12/02/2020: The Craffhub send a reply to the above in the form of an annotated letter.

09/03/2020: Letter from REWDT to The Craffhub. The needs of The Craffhub have not been acknowledged, the list works to be carried out in the old shop that were not agreed on with The Craffhub, and The Craffhub are informed that "REWDT wish to confirm that the offer of the lease and the list of intended works in nonnegotiable"

On the 19th of February, a member of REWDT staff and the contractor visited the old shop area. A director from The Craffhub did manage to attend, however the Craffhub were given less than 24 hours notice of this, and when I voiced my concern that this was not acceptable, REWDT responded with "I will clarify with the board if they feel at this stage representation from the Craffhub is required", which clearly contradicts their letter from the 7th. There has been no meeting between The Craffhub and

REWDT since January, and REWDT has not conducted any electronic negotiations either. They have never produced a lease for The Craffhub to review, and The Craffhub cannot accept the liability of an arrangement with non-negotiable conditions that will adversely affect its ability to function.

In regards to REWDT's claim of being unable to rent to a commercial business due to them being a registered charity, there is no OSCR restriction on charities, as owners of property, to prevent this; although a charity always has to act in its own best interest when making investment decisions, there is no legal requirement for it to maximise profits, as long as there is a social benefit. The Craffhub already work on a weekly basis with several community groups on Rousay, Egilsay and Wyre including a youth group, lunch club, drop-in crafting sessions, and occasionally groups such as the book club and RNLI. The Craffhub also employ three part time staff (eight during summer), provide volunteer opportunities for several members of the community on a daily basis, provide free internet to the community and visitors, and do not oblige visitors to the cafe area to purchase anything - The Craffhub operates as a social space and a platform for volunteers to socialise with the community, and raises funds through its commercial activities. No members of the community are excluded from its services. I have attached a key facts document outlining how The Craffhub operates primarily for community benefit.

REWDT claiming that their hands are tied due to their status as a charity is a choice they are making, not a legal requirement. Information on this from OSCR can be found here: <https://www.oscr.org.uk/guidance-and-forms/charity-investments-guidance-and-good-practice/5-what-else-should-you-think-about-before-investing/> OSCR's guidelines on a social enterprise wishing to convert to a charity gives the example of a community cafe several times, and as indicated by OSCR's response to REWDT's question over their ability to lease to such a business (quoted below), there is no doubt that The Craffhub meets OSCR's own requirements. Details on this can be found here: <https://www.oscr.org.uk/guidance-and-forms/social-enterprise-faqs/> This again reiterates that REWDT's claim they are constrained by charity law is not accurate.

"There's nothing to prevent parts of the premises from being used either as a café or a licensed pub, providing doing so is generating an income for the charity."

This highlights the requirement to generate income, not profit. Again, this relates to weighing the social good of the investment in the property. REWDT has placed no value on the services The Craffhub provides for the community. In terms of commercial activity, The Craffhub has carried out commercial activity since its inception in 2013. There is no difference between selling a candle and a slice of cake in order to raise revenue. If REWDT were truly concerned about commercial activity taking place in the building, they would not be offering The Craffhub a lease that permits *any* type of retail. If there is concern over The Craffhub selling refreshments to non REW residents, then this would equally apply to selling postcards to tourists. The Craffhub has never restricted who can purchase goods (or use services), irrespective of what those goods are.

As it currently stands, by changing the locks to The Pier, The Craffhub are now unable to apply for funding that is being made available to companies affected by the

Covid-19 restrictions. This will result in loss of employment, and the loss of facilities that meet a multitude of REWDT's own charitable aims (as per their Articles of Association) including:

- The advancement of education (via workshops)
- The provision of recreational facilities, or the organisation of recreational activities, with the object of improving the condition of life for the persons for whom the facilities or activities are primarily intended; including the provision, maintenance and/or improvement of public open space and other public amenities (for example, the youth group use The Craffhub facilities because they are unable to access the internet during socialising at any other venue on Rousay)
- The advancement of the arts, heritage culture or science (The Craffhub hosts visiting representatives from bodies such as the North Island Landscape Partnership, who give presentations and talks. Sessions like yap-and-yarn are covered by an unpaid, volunteer tutor)
- The relief of those in need by reason of age, ill-health disability, financial hardship or other disadvantage (staff and volunteers come from a wide range of backgrounds, including those with caring responsibilities and mobility issues)
- The prevention or relief of poverty (weekly events offer discounts for REW residents, and the lack of employment opportunities on REW mean that any loss of jobs at The Craffhub could not be absorbed by other organisations)

The Craffhub does not wish to take legal action against REWDT (and to date has not formally filed any forms with the Sheriff Court), and in the initial email to REWDT stating that we were, I offered REWDT the opportunity to discuss the situation. However, instead of taking up this offer, they are continuing in their choice of not working with The Craffhub for the benefit of the islands. I am acting as is required by me as a director, taking any action necessary to safeguard the jobs, volunteer positions and social welfare of the community we serve. The Craffhub currently has no access to its confidential information, the stock it keeps (much of which is not owned by The Craffhub, but remains property of the suppliers) or any of its equipment. Numerous members of the community have approached The Craffhub to ask why they can no longer access the internet connection as of the 3rd of April. The Craffhub are absolutely willing to relocate to the new area, but the conditions of the lease must be negotiated, and we request that REWDT please work with The Craffhub, who as a business can only compromise so much before it is rendered unsustainable. Until REWDT decide to enter discussions with The Craffhub, The Craffhub will continue to do what it can to secure its future.

If you are able to communicate with REWDT that we would like access to the property to assess the stock and remove any confidential information (which can be done under supervision) as an interim action, and that we are as willing as ever to negotiate a new lease, we would be much appreciative. We also request that REWDT acknowledge the wishes of the community, and do not make any irreversible decisions regarding the property until the community has been consulted. Further emails and correspondence containing evidence of REWDT's conduct can be provided on request.

Kind Regards,

Murray Stewart