

Finance and Resources Committee

10.00am, Tuesday 12 June 2018

King's Theatre – request for additional capital funding by Capital Theatres

Item number	7.13
Report number	
Executive/routine	Executive
Wards	
Council Commitments	C46

Executive Summary

This report sets out a request for up to £5m additional capital funding, supported prudentially by Capital Theatres, towards redevelopment of the King's Theatre, subject to funding being raised to meet the remaining costs.

King's Theatre – request for additional funding by Capital Theatres

1. Recommendations

- 1.1 It is recommended that members of the Finance and Resources Committee:
 - 1.1.1 Consider the request in respect of additional funding for the King's Theatre from Capital Theatres and, subject to approval, refer this decision to Council for ratification for the prudentially supported funding, noting that this will only be released to Capital Theatres if sufficient funds are raised to meet the overall costs of the project.

2. Background

- 2.1 The King's Theatre is 110 years old and in proven need of major redevelopment to ensure it continues to operate and provide public access to a core city theatre programme and maintain the building's prime heritage. This includes essential physical access and fundamental improvement to both back and front of house and key technical improvements bringing the theatre into the 21st century and ensuring its future.
- 2.2 Capital Theatres aims to transform the historic building and programme a range of previously unavailable community and educational activities to ensure access to the widest possible audience and to guarantee the future social and cultural presence and heritage of the building. The project will also provide improved income opportunities for re-investment into the theatre programme of activities. The capital project budget is £25m, and Council has already approved a £4m contribution, which is included in the Capital Investment Programme.
- 2.3 Capital Theatres undertakes to maintain the venue following the works via its Theatre Development Fund (a small fee on every ticket sold is allocated to this fund for venue maintenance and investment).
- 2.4 The redevelopment would have a major economic impact. The capital project would inject £24m one-off economic impact into the Scottish economy and £11m into Edinburgh's economy, and after project completion, the King's Theatre would create £15.7m economic impact per year into the Edinburgh and a further £10m into the wider Scottish economy.

3. Main report

- 3.1 Redevelopment costs for the King's Theatre are estimated at £25m. Council has already approved £4m contribution towards the costs, subject to funds being raised to meet the remaining costs.
- 3.2 Capital Theatre's has approached the Council for further support of up to £5m, provided on a prudential basis, with the associated annual borrowing costs being met by Capital Theatres, through its Theatres Development Fund. Release of these funds, should this contribution be approved, would also be subject to funds being raised to meet the remaining costs.
- 3.3 The Theatres Development Fund is based on a levy included in ticket prices and is a designated reserve to be used towards the upkeep and improvement of the venues. The levy currently stands at £1.50 per ticket (£1.00 for children's shows, including the pantomime) and applies to most ticketed events. The estimated income in 2018/19 is £0.57m, reflecting the popularity of shows like War Horse and Les Misérables. Income will reduce during the period of closure, however, a significant increase in attendances is forecast post redevelopment of the King's.
- 3.4 Capital Theatres is planning a £5m contribution from its own reserves towards the project, and is also undertaking a range of fund raising measures. Securing up to £5m of prudential support would enable Capital Theatres to approach the National Heritage Lottery Fund for further support.
- 3.5 Capital Theatres appointed a Director of Development in January 2017 and has recruited a strong team to help raise the remaining funds required from a wide range of benefactors, including Trusts and individuals.

4. Measures of success

- 4.1 The King's Theatre is redeveloped in accordance with the approved plans
- 4.2 Capital Theatres contributes effectively to the delivery of the Council's Business Plan.
- 4.3 The Services and Funding Agreement ensures performance reporting requirements are monitored and met.
- 4.4 Success is also measured against the following objectives within the Culture Plan:
 - ensure that everyone has access to world class cultural provision;
 - encourage the highest standards of creativity and excellence in all aspects of cultural activity;
 - support greater partnership working in the cultural and creative sectors and maximise resources available to help them thrive all year round; and
 - articulate the positive impact of culture in Edinburgh and promote Edinburgh's cultural success locally, nationally and internationally.

5. Financial impact

- 5.1 Capital Theatres has requested an additional funding of up to £5m towards the costs of the redevelopment of the King's Theatre. The maximum overall loan charges associated with this borrowing over a 20-year period would be a principal amount of £5m, interest of £1.830m, resulting in a total cost of £6.830m based on the current PWLB rate for a 20-year loan of 3%. The loan will be repayable over a 20-year period at an annual cost of £341,488. These costs can be met from the annual income received by the Theatres Development Fund.

6. Risk, policy, compliance and governance impact

- 6.1 Release of any approved additional contribution is dependent on sufficient funds being raised to meet the remaining costs of the redevelopment programme.
- 6.2 The nature of this capital project means that there is an inherent risk of delays of unforeseen circumstances outwith the control of Capital Theatres.
- 6.3 There is a risk that Capital Theatres will be unable to meet the annual repayment associated with borrowing from the Theatre Development Fund. This is mitigated by (i) the current level of income exceeding the repayment by £0.2m and (ii) there is the potential to increase the levy if required.

7. Equalities impact

- 7.1 Capital Theatres actively promotes access to services for different equalities groups; provides data on the level of use of services by equalities groups; provides evidence of quality analysis relating to equality groups.

8. Sustainability impact

- 8.1 While there is no direct additional impact of the report's contents, the planned project includes expenditure impacting upon carbon through the redevelopment of the King's Theatre.

9. Consultation and engagement

- 9.1 None.

10. Background reading/external references

- 10.1 None.

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11. Appendices

None.