

Finance and Resources Committee

10.00am, Tuesday, 12 June 2018

Festival Theatre, 13-29 Nicolson Street – Proposed new 25-year lease

Item number	8.4
Report number	
Executive/routine	Executive
Wards	15 Southside/Newington
Council Commitments	C2 , C46

Executive Summary

The Council lease the Festival Theatre, at 13-29 Nicolson Street, to Capital Theatres Limited (CTL) (formerly Festival City Theatre Trust). The current lease ended on 28 February 2017 and is continuing month to month at present by tacit relocation (silent renewal). For CTL to continue to run the theatre effectively, the security of a long lease is required.

This report seeks approval to grant a new 25-year lease to Capital Theatres Limited on the terms and conditions outlined in the report.

Festival Theatre, 13-29 Nicolson Street – Proposed new 25-year lease

1. Recommendations

- 1.1 It is recommended that Committee:
 - 1.1.1 Approves the lease of the Festival Theatre to Capital Theatres Limited (CTL) on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

2. Background

- 2.1 In 1992, the Council refurbished and extended the former Empire Theatre in Nicolson Street to create the Festival Theatre.
- 2.2 To allow the project to progress, the Council entered into lease agreements with two shop owners to secure the premises located either side of the Empire Theatre. These shops were then demolished to create the site of the new theatre's glass entrance foyer. The solums of both shops have subsequently been acquired and the Festival Theatre site, in its entirety, is now owned by the Council.
- 2.3 The Council granted a 25-year lease to the Festival City Theatre Trust (now CTL) from 30 March 2002. CTL manages the venue on the Council's behalf and is currently partly funded by the Council.
- 2.4 The CTL lease payments meet the prudential borrowing payments associated with the acquisition of both shop solums.
- 2.5 To run the Festival Theatre efficiently and competitively, CTL requires a new lease of at least 25 years. This will allow capital development plans and associated funding requirements to be pursued and realised. Security of tenure will also provide CTL with the essential stability to both secure the best in programmes and performances years in advance, and appropriate sub-tenants to realise related business income opportunities on site.

3. Main report

- 3.1 CTL has requested a long lease to allow applications for external funding to be submitted, to secure booking productions/acts in advance, and offer subtenants a reasonable duration of occupation.

- 3.2 The rent received from CTL will cover the outstanding prudential borrowing payments of £128,500pa. This figure is less than the rateable value of £418,000 which gives an indication of the likely market rent which could be achieved, but this is partly offset by maintenance, repairs and all other costs being met by CTL.
- 3.3 CTL is a non-profit making company which successfully manages the Festivals and Kings theatres for the city. It contributes directly to the success of Edinburgh as an internationally competitive cultural destination by providing for both residents and visitors:
- a core breadth of year-round performance programme choice which would not otherwise be available through commercial offer done.
 - a key festivals host venue; and
 - a comprehensive, highly regarded, creative community activity and outreach programme for city residents, including ground-breaking dementia-friendly work and relaxed performances.
- 3.4 The format of activity can only be provided through a mixed economy non-profit making business model which includes public and charitable subsidy and considered rental levels.
- 3.5 Following negotiations between the Council and CTL, the following terms have been provisionally agreed:
- Subjects: 13-29 Nicolson Street, Festival Theatre;
 - Lease Term: 25-year lease from 1 July 2018;
 - Break Option: Mutual break options on the 10th, 15th and 20th anniversary (with 6 months' notice);
 - Rent: £128,500pa exclusive of VAT (estimated market Value based on rateable value of £418,000);
 - Repair/Maintenance: Full repairing and insuring
 - Use: For use as a Public Theatre and for all theatrical and other similar purposes; and
 - Costs: Each party to meet their own costs

4. Measures of success

- 4.1 Granting a new 25-year lease to CTL will contribute to the delivery of the following Culture Plan objectives:
- 4.2.1 Ensure that everyone has access to world class cultural provision; and
- 4.2.2 Develop and support the infrastructure which sustains Edinburgh's cultural and creative sectors.

5. Financial impact

- 5.1 The Council will receive a rent of £128,500 per annum. This figure covers prudential borrowing costs associated with the acquisition of the former shops.
- 5.2 The opportunity cost of this proposed lease is £418,000
- 5.3 All other building maintenance, utility, insurance and rates costs will be met by CTL.

6. Risk, policy, compliance and governance impact

- 6.1 Future risk could arise from CTL business failure. CTL is monitored and audited as a Council arms-length company. The likelihood of business failure is currently very low and a risk assessment is undertaken annually and comprehensive mitigation measures are included in the detailed business case.

7. Equalities impact

- 7.1 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that no IIA is required for this report as there is little relevance to equality as the result of the proposed lease extension.

8. Sustainability impact

- 8.1 The impact on sustainability has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that no IIA is required for this report as there is no negative impact on the environment as the result of the proposed lease extension

9. Consultation and engagement

- 9.1 Council Officers have ensured full engagement with Capital Theatres Limited throughout this process.
- 9.2 Ward elected members have been made aware of the recommendations contained within this report.

10. Background reading/external reference

- 10.1 Report to Finance and Resources Committee Report dated 1 December 2016
[festival theatre - proposed acquisition of solum of former shop at 13-17 nicolson street](#)

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Executive Director of Resources

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11. Appendices

- 11.1 Location plan.

Reference: **PZ177708/TD**

Version: **4.0**

Date: **February 2017**

Co-ordinates at Centre:

Easting: **326,019**

Northing: **673,279**

Scale:

1:500

Paper Size:

A4

DRAFT

