

Finance and Resources Committee

10.00am, Thursday, 21 September 2023

Leith Theatre, Ferry Road, Edinburgh – Proposed Lease

Executive/routine
Wards

Routine
13 – Leith

1. Recommendations

- 1.1 Finance and Resources Committee is asked to approve a new 50-year lease to the Leith Theatre Trust of Leith Theatre, Ferry Road, Edinburgh, on the terms and conditions outlined in this report.

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Leith Theatre, Ferry Road, Edinburgh – Proposed Lease

Executive Summary

- 1.1 The Council and Leith Theatre Trust (LTT) have been working to agree the conditions for a long-term lease for the future development and operation of Leith Theatre as an important cultural asset for the city. With the impacts of the Coronavirus pandemic now largely in the past, it is recommended that a long-term lease is the best way to ensure the future success of Leith Theatre and enable the LTT to progress with fundraising.

Background

- 2.1 On 24 April 2012, the then Culture and Leisure Committee [agreed](#) the principle of leasing Leith Theatre and Hall complex to Leith Theatre Trust (LTT) for an initial period of five years. This was to enable LTT to develop future capital funding proposals and was subject to the following conditions:
- 2.1.1 Appropriate lease terms and conditions would be presented to the Finance and Resources Committee for approval;
 - 2.1.2 Any lease would not incur any additional net expenditure by the Council above its current operational expenditure on the complex; and
 - 2.1.3 To require that any future use of the site incorporates and protects the accommodation for the Registration service.
- 2.2 On 6 June 2013, Finance and Resources Committee [approved](#) the terms of a five-year lease agreement and agreed, in principle, to creating a further 30-year lease, giving LTT full financial responsibility subject to the presentation of a viable long-term business plan. The report acknowledged that Leith Theatre had not been used for 25 years and, while the building fabric was being maintained, it was in need of investment to preserve it,' with 'a significant investment in facilities' required.

Main report

- 3.1 A lease was entered into with LTT in 2015 for the five-year period and has continued on an annual basis since 2020.

- 3.2 Since 2015, LTT have embarked on fundraising and business plan exercises to develop Leith Theatre into a functioning arts venue for Leith, with a focus on live music.
- 3.3 The Main Auditorium was opened to the public for the first time in almost 30 years in 2017 for the grass-roots artist-led Hidden Door festival. Attendance was strong, providing evidence that audiences would attend and support culture at an out of city centre venue. In subsequent years it was used by the Edinburgh International Festival to connect with audiences in areas outside of the city centre and to present a new programme of contemporary Scottish music. Attendance was high across the festival, with a significant percentage of the local community buying tickets.
- 3.4 In 2018, the National Lottery Heritage Fund and Architectural Heritage Fund match funded £60,000 to build resilience and capacity within LTT. As part of this funding, an Executive Director (now CEO) was appointed in November 2018 to bring a strategic focus, sustainability and vision to the organisation.
- 3.5 LTT also commissioned an initial Feasibility Study which found that the Main Auditorium (East Wing) had no working services, and the Thomas Morton Hall was operating with all services near or at the end of life. The architects involved, Collective Architecture, provided an initial plan of how £1m could be spent in order to improve operational constraints.
- 3.6 On 22 February 2018, the Council approved £1m from its capital budget as regeneration funding, half of which has been drawn down for investigative work and critical repairs, aiming to stabilise essential building repairs and services. This was to assist LTT in entering into a long-term lease on more stable basis, allowing it to focus on a wider capital project to open as a fully functioning venue.
- 3.7 When the Covid pandemic hit in 2020, venues across the country were closed for extended periods, impacting on access, staffing and supply chains. To make use of the building, LTT agreed a partnership with a food poverty charity to support the local community, eventually moving Empty Kitchens Full Hearts into the kitchens and Thomas Morton Hall, where they were able to grow their organisation and remained in residence for 18-months when they then relocated to other Council premises at Granton Square.
- 3.8 Since the end of the pandemic, the Council and LTT have resumed work to enable a long-term lease to be agreed. LTT has developed a business plan for the future operation of the theatre.
- 3.9 To implement the business plan, provisional terms for a long-term lease have been agreed. The mechanical and electrical (M&E) services and utilities have been historically difficult to maintain as they are not split between the area that has been leased and the remaining Council used areas e.g. Leith Library. As the intention of the business plan is to significantly improve the M&E infrastructure, it is proposed to include the whole of the Leith Theatre complex in the lease, including the Council library.

In turn, the Council will retain the rights to occupy and operate (by way of a licence or sub-lease) Leith Library throughout the duration of the lease.

- 3.10 The provisional agreed terms for the extended lease are set out below:
- 3.10.1 Subjects: Leith Theatre and Leith Library, Ferry Road, Edinburgh as shown shaded green on the attached;
 - 3.10.2 Tenant: Leith Theatre Trust;
 - 3.10.3 Sub Tenant: Leith Theatre Trading Limited – of the subjects excluding Leith Library;
 - 3.10.4 Term: 50 years from date of entry;
 - 3.10.5 Break option: The tenant has a break option at five (5) yearly intervals on serving not less than 12 months written notice;
 - 3.10.6 Rent: £30,000 per annum;
 - 3.10.7 Rent review: rent to be reviewed at five (5) yearly intervals in 2028, 2033 and 2038 to the preceding passing rent plus 10%, thereafter based on compounded annual CPI, capped/collared at 2% and 4%;
 - 3.10.8 Repair: Subject to survey reports and a Schedule of Condition, the tenant will accept a full repairing and maintaining liability for the Property except for the library building while that is still used by the Council (the Council will accept a full repairing/maintaining liability on that part); and
 - 4.10.9 Costs: Each party to pay their own costs.
- 3.11 The Council will retain the rights to occupy and operate (by way of a licence or sub-lease) Leith Library throughout the duration of this lease. LTT will have no control over the occupation/use over this part of the premises. There will be no charge to the Council for the occupation of this space.
- 3.12 The sub-lease will contain a provision for the separation of services and utilities serving the property and installation of sub-metering, failing which the Council will contribute a fair proportion of all services consumed.

Next Steps

- 4.1 Following approval of the terms by the Finance and Resources Committee, solicitors will be instructed to conclude the legal documentation.

Financial impact

- 5.1 When the lease is put in place, an annual rent of £30,000 per annum will be received to the Culture budget (Heritage, Cultural Venues, Museums and Galleries). This will increase by 10% over each of the first three rent reviews, and by 2038 will have risen to £39,930 per annum.

- 5.2 The lease to LTT will remove the liability for the ongoing maintenance and repair of the listed building, with the exception of the library. Given the current condition of the fabric of the complex, this results in a significant saving to the Council.

Equality and Poverty Impact

- 6.1 There are no immediate impacts on any equality, human rights (including children's rights) and socio-economic disadvantage implications as identified in the Integrated Impact Assessment at this stage. Enabling Leith Theatre to become an active cultural venue will provide future benefits which will be defined at a later date.

Climate and Nature Emergency Implications

- 7.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

“must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets”

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

“in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions”

(Nature Conservation (Scotland) Act 2004)

- 7.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions, and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

- 7.3 There is no immediate environmental impact to report but enabling the lease conditions for the future capital development of Leith Theatre will result in a more energy efficient building with facilities and building management resources that are compliant with net zero ambitions.

Risk, policy, compliance, governance and community impact

- 8.1 In late 2021 Leith Theatre commissioned an initial digital public consultation with research consultants Scotinform. The subsequent report is referred to and included in LTT's business plan and has helped shape the incremental approach to the building's development. Data from this consultation showed that 83% of respondents living in Leith or who live within 20 minutes of the theatre and 80% of respondents living in Edinburgh, had previously been to Leith Theatre and scored it very well for quality of the performance, finding the theatre, and atmosphere.

Unsurprisingly it scored lowest (significantly so compared with the other measures) for toilets, bars, and visitor comfort.

- 8.2 Not approving the lease will result in a delay to LTT's ability to fundraise and develop the capital programme to revitalise the venue. Missing funding application deadlines will increase the risk that capital costs will continue to rise with inflation making the total fundraising target higher. The Council would also continue to be responsible for existing property maintenance costs.
- 8.3 The recommendations in the report support the Council's corporate property approach to decreasing the size of the owned estate and enabling third parties to deliver local change and access to facilities.
- 8.4 There are no Health and Safety implications to the Council in approving the lease recommendation.
- 8.5 Officers will continue to monitor progress of the Trust in developing the capital redevelopment of Leith Theatre and identify and assess any future risks.

Background reading/external references

- 9.1 LTT's business plan is available on request.

Appendices

- 11.1 Appendix 1 – Map of Leith Theatre [To Follow].