

Item No. 23.	Classification: Open	Date: 16 July 2019	Meeting Name: Cabinet
Report title:		The Old Vic Annex	
Wards or groups affected:		All wards	
Cabinet Member:		Councillor Rebecca Lury, Deputy Leader and Cabinet Member for Culture, Leisure, Equalities and Communities	

FOREWORD - COUNCILLOR REBECCA LURY, DEPUTY LEADER AND CABINET MEMBER FOR CULTURE, LEISURE, EQUALITIES AND COMMUNITIES

Culture is at the heart of everything that we do in Southwark; in the last year we have hosted nearly 1500 cultural celebrations, engaging 500,000 residents from Southwark and beyond.

It was only a few months ago that we formally signed off on our plans to ensure that every primary school child has a trip to theatre every year, and it is hugely exciting to be able to enter this partnership with a world-renowned theatre.

The Old Vic already makes a great contribution to Southwark, with 24% of participants in Old Vic outreach programmes being drawn from our Borough. The loan being made to the Old Vic through this report will enable them to achieve their vision to further enhance the educational and cultural space and provide even more opportunities for our residents to engage with them.

From mentoring, to work experience and apprenticeships – the community benefits programme will help us to deliver on our ambitions for our residents, opening the door to new and exciting opportunities. It will also support our priorities around providing youth opportunities, being an age-friendly borough, and enabling primary school theatre visits.

This opportunity to work with the Old Vic demonstrates the outstanding position that Southwark is in, leading the way and further supporting the creative industries to thrive, helping to secure our position as the cultural hub in London.

RECOMMENDATIONS

1. That the Cabinet approves the draft Head of Terms and finance arrangements for the loan of £3,750,000 to enable The Old Vic to expand their footprint to build a new community cultural hub for the theatre called The Annex, to open in 2022 that will provide a permanent home for the community to train, learn, connect and enjoy.
2. That the Cabinet notes the community benefits programme offered by The Old Vic and the anticipated positive impact on Southwark residents.
3. That the Cabinet notes that in recognition of the geography of The Old Vic building and its catchment area The Old Vic are in parallel discussions with Lambeth Council about a similar arrangement due to the associated social value.

4. That the Cabinet notes that to protect and oversee the Council's financial investment in the Annex, Southwark will seek a nomination to the Old Vic Board of Trustees. The Council has nominated the Cabinet Member for Culture, Leisure, Equalities and Communities. The nomination will be reviewed on an annual basis.
5. That the Cabinet delegates to the Strategic Director of Finance and Governance in consultation with the Cabinet Member for Finance, Performance and Brexit and the Cabinet Member for Culture, Leisure and Communities powers to negotiate and agree the final terms relating to the financial arrangements.

BACKGROUND INFORMATION

6. The Old Vic, a registered charity, is a Grade II* listed, 1,000-seat, not-for-profit producing theatre, located on The Cut, opening in 1818 as the Royal Coburg Theatre and renamed in 1833 the Royal Victoria Theatre. The theatre that began life as a music hall and an opera house went on to become the home of great acting, dance, musical extravaganzas, vaudeville and spectacle. Many of our great actors have appeared here, including Laurence Olivier, Sybil Thorndike, John Gielgud and Ralph Richardson. Others, like Judi Dench, Michael Gambon and Maggie Smith, first made their names here.
7. The theatre is now under the stewardship of Olivier and Tony Award-winning theatre and film director Matthew Warchus (selected credits include: Matilda, A Christmas Carol, Groundhog Day, Art, PRIDE). Following its bicentenary in 2018, the theatre is on a new adventure: to make it a sustainable artistic powerhouse and an indispensable part of the nation's theatre for the next 200 years.
8. To achieve this, the theatre has embarked on a £21million transformational programme of investment. This involves the restoration and renewal of the historic theatre building, and the creation of a new annex to transform the audience experience, educate and inspire the next generation and unlock new audiences. This bold plan will secure The Old Vic's future as an independent theatre with a social mission for the next generation to enjoy.
9. Southwark Council has been a supporter of The Old Vic for many years, funding two paid annual resident internships and making a £500,000 donation to The Old Vic Endowment Fund in 2015. £100,000 of this paid for an immediate, significant employability project (Stage Business and INSPIRE), and the remainder was placed in a permanent fund which generates approximately £12,000 of income annually that contributes to the education and community provision in Southwark by The Old Vic.
10. As a result of Southwark's endowment and internship funding and an additional £111,000 of funding which The Old Vic raises itself each year to carry out projects in Southwark. Southwark residents, schools and community groups are represented across 100% of all their outreach projects and are given priority place on all. Out of 4,927 direct participants in 2018/19 1,178 or 24% live in Southwark. This is the largest single beneficiary group of any borough with whom they work.
11. Across the year they engage with 31 Southwark schools, primary and secondary,

as part of their outreach programmes and also support them through access to free professional rehearsal space for drama exams and school performances.

12. The Old Vic has shown leadership in enshrining the organisation's values and workplace culture to help reassure people they have a voice. As part of this they have created a Guardian scheme. The Old Vic Guardians are a group of trained staff who offer a confidential outlet for colleagues to share concerns about behaviour or the culture at work. Additionally the Guardians Network has been formed to bring together the group of organisations from all sectors (not just the arts) who have implemented the principles of a Guardian Programme. Currently with over forty organisations, the network is designed to help them go further in their commitment to creating a safe and secure working environment for all.
13. The Old Vic is a London Living Wage employer and follows union rates. Where its rates of pay differ from LLW, this is in accord with union guidance, with whom The Old Vic work in partnership to ensure that all staff are paid appropriately.
14. The Old Vic's bi-centennial investment plan has two phases.
 - Phase one upgraded the façade of the building including the restoration of the Emma Cons plaque in October 2017, renewal of all external signage and replaced the front doors to enhance accessibility and security in line with MET recommendations. The remainder of this phase will see the development of a new entrance on Waterloo Road with a platform lift allowing disabled access to the basement café-bar for the first time. Wheelchair spaces in the auditorium will increase from the current two, to up to 10. It also provides much needed extra female toilets by doubling the number of cubicles available. A technical upgrade of the auditorium and a restoration of the roof will follow.
 - Phase 2 will be the development of a whole new wing on the adjacent site to The Old Vic which will create a dedicated education studio inside the theatre to transform the opportunities and creative experience that can be offered to young people and the local community, together with a new cafe-workspace to bring a contemporary dimension to the historic theatre.
15. The Annex, a newly built community hub, will present The Old Vic the opportunity to deepen, expand and evolve its community cultural offer and pioneering work in arts education, talent, skills and training. The hub will be a purpose built, civic resource from which to run community programmes in perpetuity, further enhancing the cultural capital of the borough, enhancing the lives of our residents today and the prospects of their children tomorrow.
16. The proposal will enable The Old Vic to construct an Annex to provide educational and cultural space at the rear of their existing building. The building will be a brand-new Annex to the Grade II* main theatre building. It will have its own entrance but also be integrated with the existing historic theatre through the back of house areas of the theatre. The Annex will consist of four key areas; the third floor Clore Learning Centre that will enable the expansion and creation of new education and community programmes with integrated education offices and a library of play texts, the second floor education & meeting pod, the basement, ground & first floor café – workspace and the third floor rehearsal room and studio.

17. The Old Vic purchased the freehold of the building, situated on Waterloo Road, in 2013 with the long-term vision to redevelop the site to create a community hub with an education and learning space. The building is currently on a flexible short-term lease to a pop-up restaurant. The Old Vic has already had planning permission granted in April 2013 by Lambeth Council for a more ambitious scheme. Planning for the new scheme will be sought in early 2020 once the design stage has been funded and completed.

KEY ISSUES FOR CONSIDERATION

18. The proposal will enable The Old Vic to construct an Annex to provide educational and cultural space at the rear of their existing building. The £11.5m project will expand the total area of The Old Vic by 15%. The £11.5m costs will be funded from the £7.5m loan from the two Boroughs, subject to Lambeth's decision making process being completed and income from external fundraising after the acquisition costs of the site that have been incurred. Planning for the new scheme will be sought in early 2020 once the design stage has been funded and completed, to enable completion and a fully operational new space by the end of 2022.
19. The Old Vic is a significant undertaking with annual income of around £14m arising from box office income, front of house spend and external fundraising. The Annex is not scheduled to make a profit until its third year of operation. The Old Vic is not a National Portfolio Organisation of Arts Council England and therefore is not able to apply for lottery funding. A commercial loan, even if available, would be at a high rate of interest given the covenant of The Old Vic and the repayments would not be affordable.

Positive community impact

20. The Old Vic's social mission is to give access to theatre to as broad a group of young people and community members as possible, not just through attending a production but giving them insight into the creative process and life of a working theatre.
21. In theatre there are many more people working off stage than on. Opening access to the variety of careers available to Southwark residents is of vital importance if we are to demystify the perception that you can only work in a theatre if you enjoy performing on stage. The next generation of school leavers need to understand this more than most.
22. There are now more than two million jobs in the creative industries, accounting for one in eleven jobs across the UK. This is 700,000 more people than in the financial services¹ — and it is one of the fastest growing parts of the UK economy.
23. We need to raise awareness of the variety of roles that exist and equip school-leavers for them. More broadly than that, we know that participating in theatre offers a range of soft skills (communication, resilience, confidence, creative imagination, empathy) that are additive no matter what sector you ultimately work in as well as to your home life and personal growth. Given that 85% of

¹ Creative Industries Federation, <https://www.creativeindustriesfederation.com/statistics>

available job types in 2030 don't exist yet², offering training in these soft skills will equip Southwark's young people for any eventuality in the workplace and life in general.

24. Working with The Old Vic to deliver The Annex will allow the theatre to deliver training and widen access to 10,000 more young people and community members a year. The Annex will provide the space to open access to the range of opportunities that are available, from finance to marketing to technical support and administration, and offer training and employment routes in for those who need it most. It will enable The Old Vic to develop strong and long-lasting relationships with the local Southwark community participants through having a permanent base in which they can engage. It will allow them to create more projects that can travel across the borough and activate partnerships with smaller cultural and community organisations, broadening access to world class theatre, training and skill development. Overall, it will embed their work in the broader work Southwark carries out as a centre for creative business innovation, as a pioneer in culture, health and wellbeing, and as a place to nurture and grow your creative skills and talents.
25. The Old Vic plans to deliver a series of new and expanded projects in and out of their new space for the principal benefit of Southwark residents and school children in response to local need and supporting the delivery of the council strategic priorities.

KEY ISSUES FOR CONSIDERATION

Community benefits programme

26. The council have worked with The Old Vic to develop a substantial community benefit programme that responds to the council priorities and Fairer Future Promises. This programme also supports the delivery Creative Southwark, the council's cultural strategy. As part of the loan partnership, The Old Vic will deliver of each of the projects set out below. If the council's priorities change over the period of the ten year loan payment or the needs of the community the projects can alter in response. The Old Vic will seek to deliver the following projects:

Creative economy - new programmes

27. Drop-in skills & training sessions and mentoring: In furtherance of our shared objective to develop cultural skills and more generally employability each month The Old Vic will open the doors of The Annex to local residents, offering regular drop-in after school skills and development training. This training will be delivered through theatre-based workshops that support social mobility and build on five core employability skills: communication, self-management, self- belief, teamwork and problem solving. This project is Annex dependent.
28. Attendees at the drop-in sessions can also apply to The Old Vic for a mentor, who will give them six half hour sessions of mentoring with a member of The Old Vic existing staff and freelancing team, corporate or individual supporters, suppliers, or audience members. 15 mentoring opportunities will be ring-fenced for Southwark residents. A dedicated youth worker will access hard to reach

² Realizing 2030: A Divided Vision of the Future, Dell Technologies, p.3, <https://www.delltechnologies.com/content/dam/delltechnologies/assets/perspectives/2030/pdf/Realizing-2030-A-Divided-Vision-of-the-Future-Summary.pdf>

groups, excluded students engaging with colleges, estates and community groups. This project is Annex dependent.

29. Work experience weeks at The Old Vic: Each year The Old Vic will offer two periods of a week's work experience for up to nine Southwark participants each week, aged 16 to 18 years old, in an Old Vic Takeover (30 participants in total). No area of the theatre will be out of bounds – the idea is to showcase the variety of roles available within a working theatre that exist off-stage. During their week, participants will work directly with key departments within the front and back of house of the theatre, gaining insight and developing skills in specific areas of work. The Annex will enable The Old Vic to run an enhanced 'bespoke for Southwark' version of the project, enabling participants to engage in a more practical experience utilising the Annex space and equipment.
30. Apprenticeships: A new apprentice scheme will be introduced focusing across technical, creative, facilitator, operations and events areas. The Old Vic would be interested in partnering with other cultural organisations across the borough to offer participants a broader learning experience. The Old Vic would be interested in partnering with other cultural organisations across the borough to offer participants a broader learning experience.

Creative economy – expanded existing programmes

31. Front Line: Giving 16 to 25 year olds the opportunity to discover more about careers in theatre and develop key transferable skills through paid placements with the Front of House team. Participants watch a production, shadow various members of staff and take on important roles welcoming patrons to the theatre. There is also a CV workshop to explore the skills they have developed and to reflect on the scheme.
32. Front Line Facilitators: This highly successful creative practitioner programme is for young people aged 18+, offering advanced hands-on experience in creative facilitation and the chance to develop key transferable skills.
33. Take the Lead: Working with up to 1,000 16 to 18 year olds per year, offering high quality theatre based workshops that will support social mobility and build on five core employability skills: communication, self-management, self-belief, teamwork and problem solving. These skills can be immediately transferred to interviews, future jobs and further education, and are also key to building a theatrical company and staging a production. Workshops explore these skills through the framework of creating a production, drawing on The Old Vic's extensive experience as a theatrical institution.
34. Southwark Internship: Each year The Old Vic will continue to offer up to two paid internship opportunities across a variety of projects. 55% of past participants have been employed by The Old Vic on completion of their internship.
35. The Old Vic 12 - An opportunity for Southwark residents to apply to join eleven other exciting theatre artists to explore their creative potential and take the next step in their careers through a year-long attachment with The Old Vic. Participants expand their networks, receive first class mentorship, deliver masterclasses to other emerging artists and collaborate with each other to create three brand new pieces of work.

36. [Connect at The Old Vic](#) - Connect brings together The Old Vic programme and production alumni, inviting them back for ongoing artist development, £10 tickets to shows, access to bespoke panel talks, debates and creative insights, new work development and collaborative platforms. This scheme is open to Southwark residents.

Creative growth – new programmes

37. Partnership space: A huge barrier to making connections is the lack of space through which to do it. The Annex will have protected time on the two floors of café/workspace where local groups can come and use the space for a free or discounted rate, including: local schools performing GCSE and A-level exam pieces; project alumni rehearsal space; community activity groups. They will offer priority hires to groups from Southwark and Lambeth.
38. The Annex will provide a publically accessible café for more informal work and meetings, a free-to-access play library for students and regular patrons to use, and ad hoc cabaret performances for emerging performers.
39. The Old Vic will look to partner with local organisations such as Theatre Peckham, Mountview Academy, London Bubble and Blue Elephant Theatre on a commercial basis for the use of their rehearsal and development space.

Creative people – new programmes

40. 2,000 free tickets each year towards the Primary School in to Theatre programme, accounting for 10% of the pledge that Southwark has made. Visits will be accompanied by resource packs which include exclusive interviews, photographs, and production insights and follow up activities for the classroom.
41. Additionally, there may be times during the year when other age-appropriate productions have unsold capacity within the auditorium (this could include adult productions e.g. Shakespeare or other syllabus productions which would appeal to secondary school pupils). In these instances, a 'Southwark Family' offer will be made available to all schools within Southwark on a first come, first served basis to give access to free tickets.
42. Touring community performances: Providing a free, accessible and unthreatening first experience of theatre, The Old Vic would produce an annual two-week tour of Southwark, rehearsing in the Annex and visiting up to two venues per day totalling twenty shows. Welcoming the immediate local community venues might include cultural centres, libraries, TRA halls, youth centres, a park, a local event or hospital ward. A further two performances will take place in The Annex so the space is regularly opened-up to those who may walk past every day, and need to feel encouraged to come in and connect with us and each other. This project is Annex dependent.
43. Free Christmas Community Concerts: Each December, The Old Vic will bring together older people and young performers from Southwark through a series of free intergenerational Christmas Concerts by residents, for residents. Connecting to the council's loneliness strategy, twelve schools will be matched with local care homes to take part in joint rehearsals in their schools and care homes led by an Old Vic music director, before performing live at The Old Vic in front of an invited community audience. Residents young and old will have the chance to meet, connect and enjoy a shared experience and improve their

mental health and wellbeing. It has been found that singing in a group makes people feel closer to others. The Annex will enable The Old Vic to expand this intergenerational project making it more regular, sustainable and impactful in reducing isolation and loneliness issues.

44. New Old Vic Community Choirs: In the new community hub The Old Vic will provide a home for two singing groups, one daytime and one evening for participants aged 16+ referred by GPs, Guy's and Thomas' NHS Foundation Trust outpatients, social workers and local charities who work with those who would benefit most. Using this social prescribing methodology, the programme aligns with the thinking around the council's emerging culture, health and wellbeing programme. Classes will run weekly each term in ten-week blocks with a sharing at the end of each term and an annual voluntary concert each year in July. There will be no auditions to join, and no one will be rejected from this group. The choirs will be relaxed, inclusive and fun. This project is Annex dependent. Community Drop-in Sessions - Bi-monthly drop in sessions will use theatre to facilitate conversation and debate whilst giving participants an opportunity to meet new people and a space to discuss important social issues. This project is Annex dependent.
45. Adult Learning programme: Termly classes for adults offered at a subsidised community rates, including playwriting, storytelling and technical skills. Potential partners include Morley College, Blue Elephant Theatre, Theatre Peckham and Mountview Academy.

Creative people – expanded existing programmes

46. Southwark Presents: The Old Vic will continue to offer all year-round discounts and special access to Southwark residents alongside access to The Old Vic's PwC £10 tickets available for 500 people a night for the first five performances of every show.
47. Schools Club: Providing bespoke workshops, theatre tickets, backstage tours and diverse educational resources for staff and students. Supporting the curriculum, The Old Vic will work with more Southwark schools and students especially those with poor arts provision.
48. Summer School: Free workshops for up to two local people with industry professionals in July. The programme is for people aged 16 to 25 from any backgrounds who want to learn new skills and gain confidence, as well as find out about a career in theatre.
49. Curtain Up: Offers community groups, in Southwark and London, the opportunity to see a main stage show and take part in a pre-show workshop. The pre-show workshop introduces participants to the story and themes of the production and is designed to increase confidence, creativity and well-being through drama.
50. Matinee Idols: For people aged 60+: Open to anyone aged 60+, the scheme is free to join and includes ticket discounts for matinee performances, pre-show events and an opportunity to socialise, meet new people and learn more about The Old Vic. Currently 200 people benefit from the scheme. With the new community hub, this can increase the number of benefits for the current participants and inspire more Southwark residents to join as a result.

Value of a community benefits programme

51. The value of the community benefits programme, both new and existing programmes is demonstrated below.

New project	Value
2,000 tickets for the Primary schools in to theatre programme	24,000
Touring community performances	40,000
Free Christmas community concerts	10,000
New Old Vic community choirs	10,000
Monthly drop-in skills & training sessions and mentoring	6,500
Work experience weeks	4,000
Adult learning programme	10,000
Community drop-In sessions	15,000
Partnership space	10,000
Apprenticeships	24,000
Total	153,500
Existing project	Current Cost
Front Line	4,569
Front Line Facilitators	923
Take the Lead	10,000
Southwark Presents	10,000
Schools Club	8,750
Southwark internships	21,375
Summer School	2,000
Curtain Up	1,300
Matinee Idols	2,000
The Old Vic 12	9,600
Connect at The Old Vic	4,000
Total	74,517
Minus £12k endowment funding and £21k internship funding	32,000
	42,517
Total value per annum	196,017
Total over ten years loan period	1,960,170

Additional new projects

52. The new community hub in the Annex will also allow The Old Vic to develop the following additional projects that are available to all Southwark residents:
53. New crime reduction programme: In partnership with Mayors Violence Reduction Unit (VRU) The Old Vic are looking to pilot a scheme that takes a public health approach and targets young people in the danger zone hours between 4pm to 6pm. The community hub will provide a dedicated building from which to deliver projects to tackle violence and its root causes.
54. ZooNation Academy of Dance: The Old Vic is in discussion with ZooNation to be

the newest and only South London location for ZooNation's Academy of Dance (ZAD) Saturday morning workshops. ZAD brings together young people of all ages 4 to 21 years old, of all abilities, and backgrounds to build relationships and develop skills through a shared passion for dance and music. Over 250 students are based at ZAD's Hammersmith and Islington locations. The Annex will bring this amazing hip-hop dance company to South London for the first time for Southwark residents to enjoy.

55. The School for Wise Children summer workshops: The Old Vic is in discussion with Wise Children to deliver holiday workshops for 16+, alternative, ensemble theatre makers. Wise Children's current unique three-week courses offer an intensive grounding in the skills needed to create and perform as an ensemble — and to make theatre magic. The current model Wise Children run is that 50% of places are available for free.
56. Studio performances: The community hub Studio will host a four to six-week studio theatre season. The Studio would generally house work from emerging talent (short, new work, lo-fi fringe or festival style offer), for family programming, music and comedy try-outs, readings, One Voice monologues, and Voices Off talks, debates and conversations.

Measuring success

57. The Old Vic routinely undertakes a robust evaluation process for all of its programmes, and it will be no different for the new programmes outlined above; drawing together quantitative and qualitative data and ensuring that all learning feeds into the future success of projects.
58. Monitored by the council's culture and events team key performance indicators will reflect the outcomes of the cultural strategy and associated programmes such as Primary Schools into Theatre programme and culture, health and wellbeing programme. Details monitoring and evaluation programme will be developed and will include:
 - The participants' assessment of how they have grown in confidence, the skills they have developed, attainment in other subjects, improvements in wellbeing, enjoyment of the project, and progress with independent projects.
 - The opportunities that open-up as result of taking part in an Old Vic project, whether that's employment at The Old Vic or elsewhere, increased awareness of the jobs available in theatre, inspiring a love of theatre, seeking out further opportunities or achieving personal goals.
 - Diversity of participants (age, gender, social-economic background, race and ability).

Policy implications

59. The project directly delivers a number of themes and objectives set out in the councils' fairer future plan and cultural strategy. The community cultural hub will continue to revitalise the borough especially the neighbourhoods of North Southwark, and provide a new community hub in the heart of the cultural quarter. The project will also help give residents the best start in life through direct access

to a world class theatre productions with a dedicated community programme. The proposal will also promote new opportunities for health & wellbeing, education, employment training and talent development in the new building.

60. The project will directly deliver objectives and policies set out in national planning guidance, the London Plan and the New Southwark Plan, including social regeneration to revitalise neighbourhoods, create the best start in life, and have healthy active lives.

Community impact statement

61. The new community cultural hub will create a valuable new facility for Southwark, with a range of opportunities for the local community to access training, an outreach programme across Southwark, and local employment opportunities in the new building.
62. The new spaces will also be available for the community to hire at discounted rates which will further assist the council perform its public sector equality duty by providing new cultural and community meeting space which can advance the equality of opportunity and foster good relations between those with protected characteristics (e.g. gender, disability) and those without.
63. The Old Vic is committed to a comprehensive policy of equal opportunities for their participants.

Timetable

64. The timetable to practical completion of the build is set out below:

Completion of loan agreement	September 2019
Final RIBA design stages, planning permission ³ , prelims and procurement	September 2019 to August 2020
Drawdown of loan commences	January 2020
Start works on site	September 2020
Practical completion target date	September 2022
Annex fully operational	October to December 2022
Loan repayments commence	2023
Repayment of loan principal and interest complete	2033

Legal implications

65. The loan is for £3,750,000 and for a term of up to 10 years. By way of security the Council, along with London Borough of Lambeth, will have a first charge on the freehold of the Annex as security for the loan. This will grant both Councils security over the Annex on a side by side basis.

- 66. The loan will be drawn down on an annual basis over 3 years. The purpose of the loan is exclusively to provide money for the works to the Annex. The drawdown will be set out in the loan agreement broadly corresponding with the cash requirements of the development. The drawdown arrangements will be simplified as far as possible to prevent unnecessary bureaucracy, the incentive being on the Old Vic to draw down as late as is possible in order to reduce their costs of debt.
- 67. There will be a requirement post agreement to secure the community obligations to which the Old Vic will continue to commit to and expand where appropriate.
- 68. The Old Vic are aware of the Council Fair Futures Procurement Framework and are committed to support this strategy in all aspects of Old Vic activity, including the development of these new facilities.

Financial implications

- 69. Under a loan agreement, Southwark Council, together with the London Borough of Lambeth, will each loan to the Old Vic Theatre Trust 2000 a sum of £3.75m (total £7.5m) as a contribution towards the cost of construction of the Annex including fees and associated project costs.
- 70. The loan is for a term of up to ten years at an agreed rate of interest (4.5%), with principal repayment scheduled upon maturity. The arrangement includes a limit on the amount and profile of the funds draw down and includes the option to make principal repayments over the term or repay the loan early, which would have the impact of reducing the overall financing cost to the Old Vic Theatre Trust 2000.
- 71. The draft Heads of Terms attached in Appendix 1 remain subject to final negotiations to conclude the detailed financial arrangements between the parties.
- 72. The Old Vic Theatre Trust 2000 will procure all relevant services and works to complete the development. The loan will count as capital expenditure in the council's accounts and be consolidated into the general fund capital programme at the earliest opportunity. Given the extent of commitments on the council's capital programme over the medium term, this may increase the council's underlying need to borrow externally, in which event the repayment arrangements allow for the Council to recover costs for reinvestment in the capital programme.
- 73. The current forecast spend profile against the capital loan to practical completion is as set out below, although this will remain subject to review in line with the Old Vic's programme of works.

£m	Year
0.750	2019-20
2.350	2020-21
0.650	2021-22

- 74. The financial position regarding release of funds and borrowing requirements will be reported as part of regular capital monitoring and treasury management reports to Cabinet and Council Assembly.
- 75. The Old Vic Theatre Trust 2000 is responsible for all legal fees in connection with this arrangement.

Identified Risks

76. The risks associated with this arrangement are set out in the table below.

Risk	Mitigation	Status
Financial: Risk of escalating build costs and building not being completed	<ul style="list-style-type: none"> • The Old Vic has dedicated significant senior resources from executive and trustee level to progress the development. • The Old Vic has a good track record of successfully delivering construction projects. • The Old Vic have appointed professional project managers for the build contract • The Council will take up a place on the capital committee overseeing the contract. 	Med
Financial: The Old Vic Theatre Trust 2000 are unable to pay interest payments, are unable to raise the balance of match funding for the project and/ are unable to fully repay the capital sum	The Old Vic Theatre Trust 2000 has submitted financial projections showing income and loan repayments. The total turnover of the organisation is £14m pa. The Old Vic Theatre Trust 2000 has a good track record of external fundraising as evidenced by the £27m raised between 2015 and 2018. Significant fundraising for the project has already taken place. London Borough of Lambeth are considering a similar loan for agreement this month.	Low

Risk	Mitigation	Status
Planning: The proposals may not secure planning approval	Planning for a more ambitious scheme was granted by LB Lambeth on 2013. LB Lambeth are aware of the revised proposals and it is understood that they are supportive. The majority of the loan drawdown is associated with the construction contract and would therefore not be drawn down if works do not proceed.	Low

Consultation

77. The design of new community cultural hub was consulted upon as part of the approved planning process with Lambeth in 2013; a refreshed application will be made following release of loan funds and final design stages completed during 2019-2020.
78. Consultation and engagement on the charity's fundraising strategy has been linked to the development of the council's cultural strategy and various events have been held in the new space with councillors, officers, and the local community to build awareness about the fundraising campaign.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Law and Democracy

79. The loan must be considered in the context that Old Vic is a non profit making limited company that runs a theatre and the related risks this brings. By way of security for the loan the Council will have a legal charge over the Annex jointly with Lambeth Council. The Annex was purchased by the Old Vic Theatre Trust 2000 in March 2013 for £2,450,000. Security over the Annex is useful while the theatre is operating and solvent and should assist Old Vic to be focused on repayment and ensure co-operation. However if there is an issue with the theatre generally which causes the theatre as a whole not to be viable then the security over the Annex may itself be less viable.
80. The loan must comply with EU State aid rules relating to investments in facilities for the purposes of cultural and artistic education activities. Compliance will require a positive community benefit from the investment and may also require that commercial use of the facility funded by the loan is restricted.
81. So far as the Council's power to grant the loan is concerned, section 1 of the Localism Act 2011 grants a general power of competence which is very broad and allows a local authority to do anything that an individual can do.
82. There are exceptions to this general rule contained within sections 2 and 4 of the Act. Section 2 is not relevant to the circumstances here as it relates to the action not infringing any restrictions contained in other statutory powers whilst section 4

introduces a limitation where the proposal (here the loan) is done for a “commercial purpose” in which case the loan would need to be made through a company. However, “commercial purpose” is interpreted as the authority’s principal motive or dominant purpose being profit –making. Paragraph 14 of the report refers to the ability for the Old Vic to repay before the loan period of 10 years and clearly they will want to do so if the loan is at a higher interest rate than they could obtain elsewhere. Whilst paragraph 29 of the report refers to an initial margin above the cost of the Council borrowing the monies the overall position is assessed as broadly neutral as confirmed in paragraph 32.

Strategic Director of Finance and Governance

83. This report requests approval to the draft Heads of Terms for a loan agreement as set out in Appendix 1.
84. The financial and budgetary implications are set out in the financial implication sections in the main body of the report.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

APPENDICES

No.	Title
Appendix 1	Draft Heads of Terms

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Deputy Leader and Cabinet Member for Culture, Leisure, Equalities and Communities	
Lead Officer	Rebecca Towers, Director of Leisure	
Report Author	Neil Kirby, Head of Regeneration (South) , Paul Cowell, Culture and Events Manger	
Version	Final	
Dated	8 July 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
	Officer Title	Comments Sought
	Director of Law and Democracy	Yes
	Strategic Director of Finance and Governance	Yes
	Cabinet Member	Yes
	Date final report sent to Constitutional Team	8 July 2019