

Decision maker:	Cabinet member commissioning, procurement and assets
Meeting date:	Wednesday, 22 July 2020
Title of report:	Loan for Courtyard Expansion Project
Report by:	Growth Programmes Projects Manager

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

This is a key decision because it is likely to be significant having regard to: the strategic nature of the decision; and / or whether the outcome will have an impact, for better or worse, on the amenity of the community or quality of service provided by the authority to a significant number of people living or working in the locality (two or more wards) affected.

Wards affected

(All Wards);

Purpose

To seek approval to release a loan of up to £0.611m to the Courtyard Centre for the Arts (Courtyard). This will enable the Courtyard to complete an expansion programme in order to maximise their revenue income.

Recommendation(s)

That:

- (a) Approval be given to grant a loan of up to £0.611m to the Courtyard Centre of the Arts to carry out a programme of building works, the funding to be sourced by the council through Public Works Loan Board borrowing and
- (b) The loan be repaid in full by the Courtyard at a commercial interest rate over a period of 50 years with a repayment holiday of up to 3 years and the interest for those 3 years deferred to the 50 year repayment plan.

Alternative options

1. The council does not give approval for the loan. This is not recommended as if the expansion is not completed then the Courtyard will not be able to realise an increase in their revenue income without which the facility would struggle to be viable.

Key considerations

2. The Courtyard, which opened in 1998 was the first major new build Art Council funded national lottery capital project in England. The building comprises a 400-seat main house, a 120-seat studio theatre, rehearsal rooms, art gallery, meeting spaces and an award winning café bar.
3. The council are the owners of the freehold of the building. The tenant of the building, The Courtyard Trust, is an independent registered charity and is a key provider for cultural services in Herefordshire.
4. The council provided the Courtyard with revenue funding until 2016. Since that date, in order to mitigate the loss of revenue support, the Courtyard have actively grown their community and commercial offer. However, although it is a thriving venue operating 7 days a week, it is now running at capacity and with no space to expand beyond its current operations were unable to expand their income generating activities further.
5. To address this the Courtyard proposed a £1.11m expansion project which would see a redesign of the Front of House area to include improved disabled access Box Office and an additional retail facility for local arts and crafts; a new multi-purpose room to increase artistic productions and talent development; and extending the Café Bar area and first floor dining to create an outside terrace.
6. In October 2018 the Courtyard secured conditional Arts Council funding of £500k towards the project and have been actively seeking other sources of funding to ensure it could be completed, including a request for loan funding from the council.
7. In February 2019 council allocated a loan to the Courtyard of up £0.611m which, together with the Arts Council grant, would enable the completion of the building works. Works started on the expansion programme in 2019.

Community impact

8. The council's County Plan states: 'This council recognises that arts and culture plays a huge part in our plans. We want culture and creativity to be a part of our residents everyday lives, whether by engaging with our many fantastic exhibitions and events; supporting the health and wellbeing agenda by recognising the significant social value that can come from cultural services such as libraries and the arts; or by increasing inclusivity by providing our residents with more opportunities to benefit from our varied cultural

activities. The delivery of the Courtyard's expansion project relates to the following specific ambitions in the plan:

- Protect and promote our heritage, culture and natural beauty to enhance quality of life and support tourism
 - Protect and improve the lives of vulnerable people
 - Ensure all children are healthy, safe and inspired to achieve
 - Spend public money in the local economy wherever possible
9. The Courtyard has over 300,000 visits through its doors each year which includes working with over 400 children and young people each week. They are also highly recognised for their work with people living with dementia.
10. The Courtyard has National Portfolio Organisation (NPO) status from the Arts Council England – given only to leading arts organisations in the UK and provides funding from the Arts Council England to directly support artistic development both within the Courtyard's building and out in the community.
11. As Covid 19 lockdown closures and restrictions ease, the extension of the Café Bar area, first floor dining and the creation of a new outside terrace, should enable the Trust to welcome visitors back whilst ensuring that required social distancing and other safety measures can still be observed.

Equality duty

12. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
13. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation.
14. In meeting the equality duty, the expansion project will have a positive effect on the protected characteristics of age e.g. younger person's card which allows for cheaper tickets; activities of older aged people; and, concessions for disabled people, children and students. As a community based facility serving a wide range of people, the expansion will create greater access for people to participate including a studio space for activities such as dance and drama which have health and fitness benefits.

Resource implications

15. In February 2019 council allocated in the capital programme an offer of a loan to the Courtyard of up to £0.611m to carry out a programme of building works and this will all be sourced by the council through Public Works Loan Board borrowing.
16. The loan will be repaid in full by the Courtyard at a commercial interest rate which will at least match the council's average weighted cost of capital which is currently 3.88% for the term of 50 years with a repayment holiday of up to 3 years and the interest for those 3 years deferred to the 50 year repayment plan.

Capital cost of project	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000
<i>Loan to Courtyard</i>	611	0	0	611
TOTAL	611	0	0	611

Funding streams	2020/21	2021/22	Future Years	Total
	£000	£000	£000	£000
<i>Prudential Borrowing</i>	611	0	0	611
TOTAL	611	0	0	611

Legal implications

17. The council has legal powers to provide a loan to the Courtyard under section 1 of the Localism Act 2011 and other enabling legislation. In exercising this power and using its monies in this way the council must have regard to its general fiduciary duty and its specific duty to obtain best value in the delivery of all its functions, under the Local Government Act 1999.
18. In providing a loan the council as lender and the Courtyard as borrower must ensure that State Aid rules are complied with. As the loan is being offered at an appropriate, benchmarked, interest rate on standard commercial terms it is considered to be a loan on market terms and therefore in compliance with State Aid rules. It is noted that a period of deferment on the loan repayment is proposed in order to support the Courtyard Trust at this time. Even with this period of deferment it is still considered that the loan is being offered on terms expected in market and therefore is acceptable.

Risk management

19. The following risk applies to the recommendations

Risk / opportunity	Mitigation
In light of the Covid 19 Pandemic and associated closure of non-essential businesses and social distancing measures the Courtyard may be unable to secure sufficient income to repay the loan	Loss of income had already been predicted for the duration of the building works and the 3 month closure of the building has enabled the anticipated build time to be reduced. Additionally, the terms of the loan allows for 3 year repayment holiday

Consultees

20. The Widemarsh ward member has been consulted and is supportive of the council releasing the loan to enable the expansion project to be completed.
21. The following comments were received as a result of the political group consultation:
- Comment from Cllr Matthews on behalf of True Independents Group: We support the idea of a loan to the Courtyard, but it must be done in a sound business-like manner to protect the interests of the tax payers.
- Response: The loan will be agreed with an interest rate at the Councils current weighted average cost of capital, so will cover any costs incurred by the Council. A formal loan agreement will be signed by the Courtyard,
- Comment from Cllr Chowns on behalf of the Green Group: these are hard times for the arts and culture sector and the Green Group feel we should take every opportunity to support them. We are very much in favour of this proposed loan to enable the Courtyard to carry out their programme of building works. We hope and expect that the terms and repayment period etc. will be as supportive as possible to The Courtyard while also managing Council financial resources effectively.
- Response: None required.

Appendices

None

Background papers

None