

REPORT TO : EXECUTIVE

FOR: 13 SEPTEMBER 2004

REPORT BY : DIRECTOR OF FINANCE AND RESOURCES

## NEW THEATRE ROYAL

### 1. Purpose of Report

To consider a request from the Director of the New Theatre Royal for the City Council to cash flow the capital works which are being funded by the Onyx Environmental Trust.

### 2. Recommendation

Members are asked to consider:-

- (i) whether they would wish to advance an interest free loan to the New Theatre Royal Trust based on the cash flow of the Trust's capital projects;
- (ii) whether they would wish to charge interest at 2% over Base Rate if the loan is not repaid by November 2004.

### 3. Background

Although the New Theatre Royal's bid for Arts Council Lottery funding was unsuccessful, the Theatre Trust Board is undertaking a series of refurbishments. Works to the value of £733,200 are being undertaken during 2004/05 to bring the theatre into use as a comfortable 500 seat venue. These works are being funded as follows:-

	£
Portsmouth City Council	150,000
Onyx Environmental Trust	404,000
Foundation for Sport and the Arts	70,000
VAT reclaimed	109,200
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	733,200

The Trust has prepared a cash flow forecast indicating that, because of the time lag between incurring the costs and being able to draw down grant from the Onyx Environmental Trust, they will have a cash flow deficit between July and October 2004. If the Trust arranges a commercial loan, there will be a cost to the Trust for which they have no budget.

The Director of the Theatre Trust has therefore asked if the City Council would be prepared to cash flow the capital expenditure.

The overall cash flow provided by the Trust, which includes both revenue and capital transactions, shows that a loan ranging from £700 to £240,000 would be required by the Trust between July and October 2004 to fund the capital shortfall. The Trust is not seeking cash flow support for its revenue expenditure.

If the City Council agrees to provide loan facilities to the Trust for this period, the cost to the City Council in terms of lost interest will be approximately £1,500. This cost would increase if the Trust were unable to repay the loan in full by November eg. because of reduced revenue income resulting from poor attendance figures.

Whilst the City Council has the powers to assist the Trust in this way under the Local Government and Housing Act 1989, it is suggested that, should the loan extend beyond November 2004, interest would then become payable by the Trust at 2% over Base Rate. This would provide an incentive to the Trust to ensure that the loan was repaid as quickly as possible.

The Director of the Trust has indicated that he would be very willing to provide copies of the relevant capital invoices to the City Council and will repay the loan as soon as the Onyx grant is received by the Trust.

A copy of the grant offer letter from Onyx Environmental Trust to the New Theatre Royal Trust is attached for information.

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Roger Ching  
Director of Finance and Resources