
Please find attached the report in respect of Item 27 on the agenda for the above meeting which has now been brought into public business

21.	Any Other Items Previously Circulated Eastgate Theatre, Peebles Report now brought into public	
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LOAN TO EASTGATE THEATRE TO ASSIST WITH CASHFLOW

Report by Director of Finance and Procurement

EMERGENCY POWERS – SCOTTISH BORDERS COUNCIL

31 August 2023

1 PURPOSE AND SUMMARY

- 1.1 **The purpose of this report is to seek approval for a loan of £120,000 to support the cash flow of the Eastgate theatre in Peebles. The Theatre has recently appointed a new manager on a temporary basis and is working to embed a new business plan to develop a more commercial events programme to place the Theatre on a more sustainable financial footing.**
- 1.2 The Loan authorised under emergency powers seeks to address current problems being experienced by the Theatre with its liquidity by providing an interest free injection of cash of up to £120,000. The Theatre is also undertaking a crowd funding appeal to help with its sustainability.

2 RECOMMENDATIONS

- 2.1 **It is recommended that Council notes that up to £120,000 in the form of an interest free cash flow loan has been authorised to the Eastgate theatre in Peebles. The loan is re-payable over 4 financial years commencing from 1 April 2024.**

3 BACKGROUND

- 3.1 The Eastgate Theatre in Peebles has been experiencing financial difficulties recently. These have become serious enough for them to have consulted insolvency accountants and informed OSCR of the notifiable event of "Substantial Loss".
- 3.2 These financial difficulties can be attributed to disruption to the normal operation of the Theatre due to the COVID 19 pandemic, a reduction in footfall following the COVID pandemic with audience numbers slow to recover and rising prices affecting staff costs and increased energy costs. This increase in the cost base of the theatre has been compounded by, falling grants levels from funding organisations, and a hiatus in the senior management of the Trust, with the General Manager retiring and her replacement leaving after just 6 months.
- 3.3 Through the agency of ACOSVO, the Board of Trustees have now identified an Interim Manager, Cate Nelson-Shaw who has an impressive track record in the cultural sector helping to assist a number of cultural and arts organisations experiencing financial and managerial challenges.
- 3.4 The Board is confident that she would have every chance of being able to guide the Eastgate through the current turmoil if they are provided with some breathing space through a cash flow injections. The immediate focus of the new manager will be:- putting into effect a recovery plan, a review of costs to reduce operating expenditure and maximise income to achieve a balanced budget. Applications for grants from Creative Scotland and other bodies are also being made. There is also a major Fundraising Campaign planned in the community, who are alarmed by the news of the Eastgate difficulties.
- 3.5 The Board welcomed an informal offer for the Council to consider offering an interest-free loan to the Eastgate to provide a lifeline to get the theatre and community arts hub back on a firm financial footing and cover the current deficit and has now written to the Chief Executive with a formal request that the Council provide them with an interest free loan of up to £120,000. The Chair of the Board has indicated that such a sum would "give us the breathing space to make significant progress towards recovery in the shortest time."
- 3.6 The Board has also worked with SOSE and will continue to work with Business Gateway to assist them to manage their current financial difficulties. They also plan to target outstanding grants and Live Borders who provide the Eastgate with an annual grant of £67k have advanced the Quarter 3 and 4 funding.

4 IMPLICATIONS

4.1 Financial

- (a) Under this proposal the Council would provide an interest-free loan to the Board of Trustees of the Eastgate Theatre to assist their current cash flow difficulties and allowing the Theatre to continue trading while the Board implement a new business plan and address the backlog in grant funding applications which has built up over the last year. The value of the loan would be up to £120,000 the final value depending on a crowd funding scheme also being launched by the board to seek public

donations. The loan would be repayable over 4 consecutive financial years with repayments starting from April 2024.

- (b) The loan would be established on the Council balance sheet and be financed via cash flow. A debtor for £120,000 will be set up in the Council's Balance Sheet through which the loan will be distributed and re-paid.

(c) Terms of the Loan and objectives

- i) The fund would be solely for the purposes of providing an injection of working capital to sustain the Theatre.
- ii) Its objective is to assist the Eastgate theatre address temporary cash flow issues while the Board develop a new business plan and apply for outstanding grant funding.
- ii) The loan will be unsecured up to a maximum of value of £120,000.
- iii) An initial 7 month payment holiday would be available to the Theatre with repayments commencing in at the end of Q1 in June 2024. It is anticipated the loan will be repaid quarterly over 16 quarters at the rate of £7,500 per quarter.
- iv) Repayments would be collected by quarterly Direct Debit payments on the last day of the month, unless this falls on non banking day.
- vii) The schedule of repayments will be:

	Balance Due to SBC £	Repayment
June 2024	120,000	7,500
September 2024	112,500	7,500
December 2024	105,000	7,500
March 2025	97,500	7,500
June 2025	90,000	7,500
September 2025	82,500	7,500
December 2025	75,000	7,500
March 2026	67,500	7,500
June 2026	60,000	7,500
September 2026	52,500	7,500
December 2026	45,000	7,500
March 2027	37,500	7,500
June 2027	30,000	7,500
September 2027	22,500	7,500
December 2027	15,000	7,500
March 2028	7,500	7,500
	0	0

- (d) The loan repayments will be monitored by the debtors team within the Finance and Procurement service.

4.2 Risk and Mitigations

- (a) The loan is unsecured and consequently there is a risk that there could be a default on the loan made to the theatre. To ensure the risk of any default is minimised the Theatre will be required to submit quarterly trading information with regards to their income and expenditure to the Director of Finance at the end of each quarter. This and periodic engagement with the Board of trustees will ensure the risk of any default is minimised. The trust will be required to seek Council approval before taking on any additional loan finance from any third party.
- (b) There is a risk that despite funding being made available, the Theatre does not survive as a going concern because of other economic factors affecting the performance of the venue. It is understood this will be mitigated by the Board committing to developing a new more commercial programme of events.
- (c) In providing financial support to the Theatre, the Council must be mindful of State Aid regulations designed to prevent the distortion of competition within the market place. State aid is not considered to apply in this situation.

4.3 Integrated Impact Assessment

It is anticipated there will be no adverse impact due to race, disability, gender, age, sexual orientation or religion/belief arising from the proposals contained in this report.

4.4 Sustainable Development Goals

There are positive economic impacts in providing a loan to the Theatre as this will help to sustain the arts and creative sector in Peebles boosting the tourist offering in the Scottish Borders. In turn, this will help create and safeguard 7 jobs in the area.

4.5 Climate Change

There is no impact on the Council's carbon emissions from a Loan Fund.

4.6 Rural Proofing

There are no negative impacts anticipated on rural areas from the Loan. The proposal will assist to sustain the cultural vibrancy of Peebles.

4.7 Data Protection Impact Statement

There are no personal data implications arising from the proposals contained in this report.

4.8 Changes to Scheme of Administration or Scheme of Delegation

No changes to either the Scheme of Administration or the Scheme of Delegation is required as a result of this report.

5 CONSULTATION

- 5.1 The Director of Corporate Governance, the Head of Audit and Risk, the Director of People Performance and Change and the Clerk to the Council have been consulted and their comments have been incorporated throughout this report.

Approved by

Name

Job Title

Author(s)

Name	Designation and Contact Number
Suzy Douglas	Director of Finance & Procurement

Background Papers: None

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Date: 7/8/2023

Leader: _____ Euan Jardine

Date: 7/8/2023

Convener ___ Watson McAteer

Date: 7/8/2023

