

Present: Councillor Ric Metcalfe (*in the Chair*),
Councillor Donald Nannestad, Councillor Chris Burke,
Councillor Bob Bushell, Councillor Rosanne Kirk and
Councillor Neil Murray

Apologies for Absence: None.

12. Confirmation of Minutes -27 July 2020

RESOLVED that the minutes of the meeting held on 27 July 2020 be confirmed.

13. Declarations of Interest

No declarations of interest were received.

14. Financial Support for Lincoln Arts Trust Ltd

Purpose of Report

To report on the adverse long-term sustainability of the current business model for Lincoln Drill Hall, especially considering the impact of Covid 19 on that model, and then reflect on the potential for providing any continued grant funding from the City Council moving forward.

Decision

1. That the petition submitted entitled 'Keep Funding Lincoln Drill Hall' be received by Executive.
2. That grant funding to Lincoln Arts Trust Ltd (LATL) be continued for another six months to the end of the Service Level Agreement period.
3. That the Service Level Agreement with Lincoln Arts Trust Ltd would not be renewed once it expired on 31 March 2021.
4. That further discussions be held with the trustees of LATL to assist as much as possible with the future well-being of existing staff.

Alternative Options Considered and Rejected

There appeared a limited number of options open now to LATL and to the City Council in particular. The majority of these options came with a large investment requirement.

These were:

Option1: To continue the current level of grant funding into a new SLA. It should be noted however, that the Drill Hall operating model was increasingly unsustainable prior to Covid 19 and would be even less viable moving forward. On this basis Option 1 would still lead LATL to experience severe financial difficulty in a very short period of time and hence could be considered not to be prudent use of public money over the term of a new SLA.

Option 2: To undertake negotiations with another provider in the city regarding a new model of merged delivery and underwrite the entire transition cost. As above, the additional cost to the City Council could be in excess of £250,000. Such costs were beyond the capacity of the council to fund and conversations either directly with other providers or through LATL would indicate very little appetite locally to enter serious negotiations to take on the Drill Hall as an ongoing concern.

Reason for Decision

The Leader of the City Council made an opening statement as follows:

- No member of this council would have ever imagined it would find itself in its current financial situation due to the impact of Covid 19, which was out of its control.
- He praised the work of Drill Hall staff and expressed pride and passion towards Lincoln Drill Hall. He had always had a great deal of affection for the Drill Hall since Council involvement with the venue since 2003.
- It was definitely not the situation that the Council ceased to believe in the importance of arts in the city. City Council support to arts and culture in the city had always been good.
- He offered his support to the hard working staff at the Drill Hall and offered his help in their future well-being as much as he could.

The Council's petition scheme set out that petitions in excess of 900 signatures were entitled to a debate at a meeting of Council. The petition organiser, in the knowledge that the Executive was considering this report, had confirmed her intention to present the petition to the Executive alongside the report as opposed to a separate debate at Council.

Rachael Burnett addressed Executive in support of the petition presented by her to 'Keep Funding Lincoln Drill Hall, covering the following main points:

- She thanked Executive members for allowing her the opportunity to speak.
- She was joined by her colleague Alice Kinloch to make the case for Lincoln City Council to maintain its funding of Lincoln Drill Hall.
- She had set up a petition which had reached 5,204 signatures just a few minutes ago, to make sure the voices of patrons and supporters of this valuable arts hub were heard before the decision was made
- Around a third of the signatories came from outside Lincoln and as far away as Australia showing the far reaching impact of the venue.
- Virtually all arts venues in cities like Lincoln were run as not-for-profit organisations for the community.
- The Lincoln Drill Hall was more than a theatre, cinema, café, comedy club, village hall or music venue. It was all of these things run for the benefit of the community.
- It offered community and mental support.
- If funding was withdrawn from Lincoln Drill Hall it would result in its closure. Staff would lose their jobs and Lincoln would lose a nationally recognised flagship venue and its community used by many different valuable organisations.
- Other venues in the city such as LPAC, Engine Shed, and New Theatre Royal could not replace the space the Drill Hall would leave as they were

run primarily as a business or student resource and did not engage in community work. Lincoln Drill Hall was the only Arts Centre we had.

- Removing the Drill Hall from the City landscape would affect local businesses and their economic sustainability resulting from loss of income generation.
- Provision of Arts in the City directly affected mental health, social cohesion and job creation, all needed at the current time to keep the economy going and the community thriving.
- My role as petitioner and participant of the Drill Hall centred on the dramatic impact it had on the lives of the local community, its inclusivity and accessibility to vulnerable people.
- She had no expertise or access to the finances of the venue only to the wealth of public support for Lincoln Drill Hall, the people's voices and wishes and asked the Council paid heed and acted accordingly.

Alice Kinloch asked how on earth the Council could replace anything as valuable as Lincoln Drill Hall which would affect the well-being of thousands of people in the City.

The Strategic Director of Communities and Environment introduced responses to tonight's officer report to Executive made by Phil Hamlyn Williams, Chairman of the Board of Trustees for Lincoln Drill Hall Trust Ltd in support of continued financial support from the Council to Lincoln Drill Hall, as follows:

- The Lincoln Arts Trust Ltd had always been clear that strong continued revenue funding from the Council would be vital to enable the venue to benefit the City. The Lincoln Arts Trust Ltd had seen its annual grant reduced from £277,000 in 2013 to £190,000 for the year 2020/21.
- Officer Response: The grants cuts each year had been kept as low as possible, totalling between £10k and £15k pa over the period since 2013. The total grant at £189k for 2020/21 reduced from £277k, a reduction of £89k over seven years.
- The team had experienced success in growing income. It had changed its programming and ticket sales model which saw an increase in earned income of 50% between 2016-19.
- Officer Response: A lot of hard work had gone into making the Drill Hall more financially sustainable by the team however there was still a deficit year to year which was above the grant payment and did not factor in the effect of Covid 19 moving forward.
- The report referred to an additional resource request from the Drill Hall in the sum of £250,000 to cover the transition costs of the impact of Covid 19, this was part of another proposal that City Council officers had been involved in creating and nowhere did it say the Council would have to provide that.
- Officer Response: That proposal was pre Covid 19. One of the partners had since said they were no longer in a position to support it leaving the City Council left to fund the transition costs if it were still to progress.
- Whatever reservations the Council had about the 'Restore Factory Settings' proposal the Drill Hall was ineligible for the Cultural Recovery Fund without renewal of the Service Level Agreement due to there being no viable business there. Any transformational funds if they emerged at all

would focus on multiple agency partnerships and without investment by multiple partners the venue would not be able to apply.

- Officer Response: The Restore Factory Settings proposal had been given detailed consideration but was not considered to be sustainable. The Cultural Recovery Fund was part of a £1.75 billion fund for the Arts and Media offering individual grants of up to £3m. Organisations were only allowed to bid if moving to a sustainable business plan moving forward therefore unless this existed there was little merit in making a bid.
- The Trust had been talking to another partner that may be interested in taking on the building should the Trust go into liquidation. It was hoped the Council would support them through the Town's Fund.
- Officer Response: An application had been received to the Town Fund which represented a provisional allocation by Government for regeneration activity in the city totalling £25m. The application was to remodel Lincoln Drill Hall but retain public access. This was one of a number of recovery/regeneration schemes submitted to the Town Fund. It was currently very early days in this process of evaluating these applications.
- The Trust was only eligible for the Cultural Survival Fund if the Service Level Agreement was renewed
- With reference to point 9.6 of the officer's report, Ruston Hall Trust was not a subsidiary of Lincoln Arts Trust Ltd. Lincoln Arts Trust Ltd was the sole corporate trustee of Ruston Hall Trust.
- Contradicting point 9.7 of the officer's report, the Drill Hall was the only venue in the City offering a range of unique experiences, support for the development of young people and opportunities for engagement with disabled communities. With Mansions of the Future in the City coming to an end which had developed a deep relationship with many community organisations in the city, the Drill Hall could fill that gap, together with refocus on use by community art groups and as a hub for young people embarking upon careers in the performing arts.
- Officer Response: The Council fully appreciated the range of groups that used the Drill Hall. To date it had not been appropriate to enter into conversations with clients of the Drill Hall direct as it was for the Trust to decide on its future following the meeting tonight. Once we were clear on the Trust's next steps, if appropriate we were willing to try and help groups find alternate provision within the city.

The Leader of the Council publically thanked Phil Hamlyn Williams and all the Trustees at Lincoln Drill Hall for all their hard work given freely over the years, and Chris Kirkwood, Chief Executive of Lincoln Drill Hall and all his staff. This was a very difficult decision to have to make which affected him personally. He hoped people would understand this situation was not of the Council's making.

Executive took a view on whether the second grant payment by the City Council, due in late September 2020, should be made. Whilst there was no legal requirement for this, it would give the Trust an additional six months to explore any and all opportunities to source additional funding.

By continuing the Council's grant funding for another six months to the end of the current Service Level Agreement (SLA) period, it would give the Trust the best

chance of finding a new (funded) operating model be it through external grant funding or through development of new proposals through the Town Fund.

The Ruston Hall Trust, as owners of the Drill Hall, had in the past retained the Council to manage the venue on its behalf, under a management agreement dated 17 January 2005. However, Lincoln Arts Trust Ltd (LATL) became the sole trustee of the Ruston Hall Trust Ltd and in due course undertook the management and ownership of the Drill Hall with effect from 1 October 2010. All staff were transferred to LATL and it now operated as an entirely separate entity. The City Council had no legal interest in the building or operation but had one place reserved on the Board of Trustees. This post was currently vacant.

Since that time the City Council had provided grant funding to the LATL in return for defined outcomes as specified in a service level agreement between the Trust and Council. Over the years, this had been subject to a range of re-negotiations and resulted in changes to budget provision. In addition, officers had worked with LATL over the years to explore any and all new income streams and had offered advice on a range of activities including marketing the building, packaging offers, potential alterations to the building, improving the façade of building (within Planning guidelines) to build awareness, and officers had been extensively involved in assisting with the exploration of new business models. As such the council had committed significant officer time to helping the Drill Hall explore a range of opportunities and also marketing their offer.

Noting that the current SLA was due to end in March 2021, various conversations had been undertaken over an extended period of time, with other providers and industry experts (covered in more detail in the Part B report). This work concluded that the Drill Hall model was unsustainable in its current form and needed to change.

Recent documentation submitted to the council from LATL confirmed the lack of financial viability pre Covid:

“With the council funding at the level it is (£187kpa) and sales levels as they were, we were still facing a challenge of fundraising over £130,000 each year. As a guide, in 2019-20 we raised £116k approximately, but that sum included £60,000 from Esmee Fairbairn. It is a really challenging total that will only rise year on year.”

The impact of Covid 19 had been felt across all sectors, not least the cultural and arts sector. This sector remained in lockdown currently and many venue operators had been very clear that they could not commercially operate with social distancing in place. Indeed, even if social distancing were relaxed, it would take time for audiences to recover sufficient confidence to attend performances once more in the volumes required. The Chief Executive of LATL had confirmed that with current social distancing, audience numbers would have to be a maximum of one third capacity.

This would either necessitate a further increase in grant funding thereby increasing the financial impact on the City Council OR a new business model adopted by the Trust. An early draft of a proposed new business model was presented to City Council officers by LATL on Friday 7th August 2020, but this model still required the current council grant funding level to be maintained and officer views were that it was an ambitious model unlikely to achieve the income projected, due to the impact of Covid 19 continuing into 2021 and beyond.

The national picture looked bleak over the months ahead. Many theatres were suggesting that performances may not return until Spring 2021. This was in part to allow time for audience confidence to return, and for social distancing to be further relaxed, but was also in response to the fact that performances often took months of planning, preparation and rehearsal. So already it was too late to hold performances over the rest of this calendar year. Until very recently government funding was limited to those overall grants available for businesses in the leisure and hospitality sector. No specific sector support had been announced. However, the Arts Council England in June/July did announce an emergency fund but this is limited in size. The LATL made a successful application, but has only received a modest sum of £59,000 and hence this was a very short-term assistance grant.

This in turn had serious implications for places like Lincoln Drill Hall which relied heavily on the Christmas pantomime season for income to support the programmes over the rest of the year. Indeed, the LATL Chief Executive had confirmed:

“We are already clear that in any scenario, there can be no public programme until 2021. Many artists and promoters who were booked for the autumn have either cancelled autumn touring or rescheduled their plans into next year. Our annual pantomime cannot go ahead as there simply wouldn’t be the volume of audience expected to make it viable.”

On 17 June 2020 we received correspondence from the Chief Executive of LATL, seeking further clarity in terms of the level of grant funding from the City Council for both the rest of 2020/21 and also for 2021/22. The City Council had paid “up front” half of the grant allocation for this financial year to assist the Trust with their cash flow. This amounted to approx. £94,000. The second instalment could be made at the end of Sept 2020, but if the Drill Hall was considered unviable then there was no requirement to pay it, as there were no guarantees that the SLA could be fulfilled.

Although the projections were still being updated, at the time of writing this report the impact of Covid 19 on the City of Lincoln Council’s General Fund in 20/21 was still estimated to be in the region of £2m. In addition, in future years the City Council would need to make further savings of between £1m - £1.5m pa to ensure a balanced budget.

This level of saving did not factor in the additional resource request from the Drill Hall to cover either transition costs or the impact of Covid 19. If these were included the savings could be at least £250k pa higher over next two years.

It would seem reasonable to sum up the situation for the LATL as follows:

- Their current business model was unsustainable and had been for some time.
- Covid 19 had made the situation far worse for the Drill Hall and would require significant additional funding to continue to operate in its current form.
- There were concerns over the viability of the revised business plan submitted, as the effects of Covid 19 were not fully reflected

- There appeared little prospect of a merger with any other provider prepared to take the Drill Hall as a going concern.

15. Strategic Risk Register - Quarterly Review

Purpose of Report

To provide the Executive with a status report of the revised Strategic Risk Register as at the end of the first quarter 2020/21.

Decision

That the Council's strategic risks as at the end of the first quarter 2020/21 be noted by Executive.

Alternative Options Considered and Rejected

None.

Reason for Decision

An interim report on the status of the strategic risks that the Council faces was presented to the Executive in July 2020. At that time, and as a result of the COVID pandemic, rather than provide the full strategic risk register the report only set out the current thirteen strategic risks.

Since reporting in July 2020 officers had now undertaken a full assessment of those risks in terms of the level of assessed risk (likelihood and impact), target risk scores, control measures in place and mitigating actions required in order to; avoid, seek, modify, transfer or retain the risks.

The outcome of this work had resulted in a refreshed Strategic Risk Register for 2020/21, which reflected the significant change in circumstances in which the Council was now operating and the different challenges and opportunities it faced. This refreshed register, contained in Part B of the agenda, would be performance monitored on a quarterly basis, reported to both the Performance Scrutiny Committee and the Executive.

The Strategic Risk Register currently contained thirteen risk, as follows:

1. Failure to engage & influence effectively the Council's strategic partners, council staff and all stakeholders to deliver against e.g. Council's Vision 2025
2. Failure to deliver a sustainable Medium Term Financial Strategy (that supports delivery of Vision 2025).
3. Failure to deliver the Towards Financial Sustainability Programme whilst ensuring the resilience of the Council.
4. Failure to ensure compliance with statutory duties/functions and appropriate governance arrangements are in place.

5. Failure to protect the local authority's Vision 2025 due to changing structures and relationships in local government and impact on size, scale and scope of the Council.
6. Unable to meet the emerging changes required in the Council's culture, behaviour and skills to support the delivery of the council's Vision 2020/2025 and the transformational journey to one Council approach.
7. Insufficient levels of resilience and capacity exist in order to deliver key strategic projects & services within the Council.
8. Decline in the economic prosperity within the City Centre.
9. Failure to mitigate against the implications for the Council following the outcome of Brexit.
10. Failure to deliver key strategic projects.
11. Failure of the Council's key contractors and partners to remain sustainable and continue to deliver value for money
12. Failure to work in partnership to sustain support to vulnerable residents post COVID19.
13. Failure to put in place safe working practices and social distancing measures to protect officers and service users.

The assessed level of each of these thirteen risks was as follows:

| Risk No. | Risk Rating | Likelihood | Impact |
|-----------------|--------------------|-------------------|---------------|
| 5 & 8. | Red/High | Almost Certain | Critical |
| 2, 3 & 11. | Red/High | Probable | Critical |
| 7. | Red/High | Almost Certain | Major |
| 1, 10 & 12. | Amber/Medium | Probable | Major |
| 4, 6, 9 & 13. | Amber/Medium | Possible | Major |

Sound risk management was one way in which the Council ensured that it discharged its functions in accordance with its expressed priorities, as set out in the Vision 2025, and that it did so in accordance with statutory requirements and within a balanced and sustainable budget and MTFS.

16. Exclusion of the Press and Public

RESOLVED that the press and public be excluded from the meeting during consideration of the following items of business because it was likely that if members of the public were present there would be a disclosure to them of 'exempt information' as defined by Section 100I and Schedule 12A to the Local Government Act 1972.

17. Financial Support for Lincoln Arts Trust Ltd

The minute associated with this item was set out in item 14 above.

Decision

That the recommendation contained within the report be approved, as per the associated minute detailed above.

18. Strategic Risk Register -Quarterly Review

The minute associated with this item was set out in item 15 above.

Decision

That the recommendation contained within the report be approved.