

Rother District Council

Report to:	Cabinet
Date:	5 February 2024
Title:	De La Warr Pavilion Funding Agreement
Report of:	Ben Hook, Director – Place and Climate Change
Cabinet Member:	Councillor Oliver
Ward(s):	-
Purpose of Report:	To review the current De La Warr Pavilion (DLWP) Funding Agreement which comes to an end in March 2024 and seek approval to extend agreement for 3-years until April 2027, at a maximum annual cost to the Council of £536,139, to include an annual review of the level of funding awarded.
Decision Type:	Key
Officer Recommendation(s):	It be RESOLVED: That an extension of the DLWP funding agreement for 3-years until April 2027 be agreed, to include an annual review of the maximum annual cost to the Council of £536,139.
Reasons for Recommendations:	To allow the DLWP Trust to focus its fundraising on the current Levelling Up Funded improvement project and be in a strong position to manage the building following completion of the capital project.

Introduction

1. The freehold of the De La Warr Pavilion (DLWP) is owned by Rother District Council (RDC) and leased to the DLWP Charitable Trust (the Trust) on a 99- year lease from May 2004. The Trust is currently supported by an annual grant administered under the terms of a funding agreement from RDC which is match funded by Arts Council England (ACE).
2. The DLWP remains one of the key cultural assets within the wider Sussex region attracting over 315,000 visitors to Bexhill annually. Members will be familiar with the importance of the DLWP to the wider tourism economy of Rother which draws in over £2.5m of revenue to the district every year and provides work for 129 staff jobs.
3. However, as Members are also aware, the Council is presently facing a revenue deficit and will have to make significant reductions to its operational budgets over the next 5 years. It may be that the current level of grant funding provided to the

Trust in order to operate the DLWP effectively is unsustainable in the medium to longer term.

4. The latest funding agreement 2021-2024 comes to an end in March 2024. The revised draft grant agreement is available for review upon request. Grant allocations were as follows:

Year	Core grant	Capital grant	Concession	Total
2021-22	£477,000	£56,290	£12,000	£545,290
2022-23	£477,000	£57,697	£12,000	£546,697
2023-24	£477,000	£59,139	£12,000	£548,139

5. As part of the Council's 2023/24 budget savings, it has been agreed that the annual £12,000 concessions grant pot be removed from the overall grant. This figure has been static since the first funding agreement in 2003 and had become less impactful to community groups hiring space at the DLWP.
6. In February 2023 the DLWP was awarded £17.2m from the Levelling Up Fund (LUF), following a partnership bid with RDC, to support the redevelopment of the building. The bid focused on:
 - a. investing in the fabric of the building including maintenance and energy efficiency initiatives;
 - b. the development of learning and skills spaces; and
 - c. the development of the commercial aspects of the building to support future growth of the Trust's business plan.
7. The LUF grant is capital funding and sits outside this funding agreement.

Funding Impact

8. It is therefore an extraordinary time for the Trust and the DLWP as it prepares to manage the delivery of the LUF funded project as well as continue to operate effectively, maximise income and meet its various financial liabilities.
9. The LUF project is expected to be completed by summer 2026, during this time revenue costs will continue to need to be met, with staff working off-site and the building work being approached in stages so parts of the building remaining open, however income streams, trading and box-office, will be negatively impacted during this time.
10. The LUF project looks to enhance commercial opportunities and help the Trust create a new business model going forward. The bid details the ambition to grow learning/skills engagement to 20,000 (+270%), ticket sales to 90k (+40%), 50 commercial income by 25%, and cultural tourism to 650,000 (+55%) visitors per annum.
11. It should be noted that DLWP has been severely impacted by the sharp rise in energy prices with costs rising from £75k pre pandemic to c.£380k in 2023/24.
12. The Trust successfully bid to become an Arts Council England (ACE) National Portfolio Organisation (NPO) most recently awarded NPO status for the 2023/26

round. The funding of £517,785 annually was confirmed in November 2022 and accepted in January 2023.

13. RDC's funding typically accounts for around 15% of the organisation's annual turnover and is key to securing the ongoing ACE funding at sustained levels. Turnover in the current business plan is made up as approximately a third each of:
 - a. Public Subsidy (ACE & RDC)
 - b. Trading and Fundraising
 - c. Box Office Receipts
14. All fundraising activities from the Trust at the current time are focused on the development of the capital project.

Recommendation

15. The option to reduce or remove from its budget the £536,139 annual grant funding remains open to RDC. As is highlighted above, the LUF funded project will provide an opportunity for the Trust to develop a revised business model; this will provide a future opportunity to review the level of grant that it is sustainable for RDC to provide to the Trust beyond March 2027.
16. The second option is to offer a longer-term 7-year funding agreement, as was offered prior to COVID, however this prevents RDC being able to respond meaningfully to post LUF business planning.
17. The third option, which this report recommends, is to extend the agreement for 3-years until April 2027, to include an annual review of the maximum level of funding awarded, at the current rate of £536,139 a year. The agreement will allow the Council to review the Trust's business plan annually and continue to set a sustainable annual funding amount.

Conclusion

18. A 3-year extension of the funding agreement supports the Trust, allowing them to concentrate fund raising activities on the LUF funded project. The measure will also help ensure the Trust is in a healthy state while it reviews its business planning with the Council, beyond March 2025 and during the extraordinary period while the LUF funded project is underway. The Council will be in a position at that time to review the level of funding it extends to the Trust in order that the Council and the DLWP can operate sustainably over the longer-term.

Financial Implications

A. Capital

Financial Year	Current budget provision (£)	Funding agreement (£)
24/25	59,139	59,139
25/26	0	59,139
26/27	0	59,139

B. Revenue

Revenue Financial year	Budget provision (£)	Funding agreement (£)
24/25	477,000	477,000
25/26	0	477,000
26/27	0	477,000

Legal Implications

19. Working with Legal Services to ensure correct State Aid process is followed. Any grant given must comply with the Subsidy Control Act 2022. Legal advice should be obtained regarding the application and effect of the Subsidy Control Act before any funding commitment is made. Provided that the requirements of the Subsidy Control Act are complied with and subject to a grant funding agreement being entered into, the giving of the funding should not present any unusual/significant legal risk for the Council.

Human Resources Implications

20. There are no Human Resources Implications arising from this report.

Environmental

21. Environmental and energy saving initiatives are a large part of the capital project to reduce the buildings carbon footprint and to reduce energy costs. Structural repairs to the building will also work to achieve this. The Trust have spoken with RDC Climate Strategy Officer in their plans to achieve this and will continue to liaise throughout the project.

Other Implications	Applies?	Other Implications	Applies?
Human Rights	No	Equalities and Diversity	No
Crime and Disorder	No	Consultation	No
Environmental	No	Access to Information	No
Risk Management	No	Exempt from publication	No

Executive Director:	Ben Hook, Director - Place and Climate Change
Report Contact Officer:	Joe Powell, Head of Service, Housing and Regeneration
e-mail address:	joe.powell@rother.gov.uk
Appendices:	None
Relevant Previous Minutes:	None.
Background Papers:	None.
Reference Documents:	None.