

## **Appendix 1: Soho Theatre – Working Capital Loan**

### **1. Request:**

Soho Theatre Group have requested a working capital loan facility to cover additional operation costs that they have demonstrated will be incurred during period from Apr-23 to the opening of the Theatre to a maximum of £631k. This enables them to continue to fund their existing Soho Theatre Walthamstow operational team during a extended construction period in which a sensitive restoration of a Grade II\* Listed Building is being converted in a time of unprecedented difficulty for the construction industry.

### **2. Background:**

The extended construction period has meant that Soho Theatre Walthamstow (STW) income from ticket sale is postponed to now meet a later planned opening in late 2023 meaning there is a short term pressure on the STW cash flow which requires a capital injection.

There is limited opportunity for STW to significantly reduce their workforce during this period to mitigate lost income due to the risk in being able to quickly recruit with certainty the same high calibre of staff in Autumn 2023, thus incurring further operational and commercial risks the first year of operation.

Therefore, STW have approached the Council for a working capital loan to enable them to continue operations and plan for an opening launch during this extended period.

### **3. Recommendation:**

- 3.1. Up to £631k working capital loan facility to be made available to Soho Theatre Walthamstow as per the terms set out in section 4 (the offer) of this appendix

### **4. Background:**

The theatre opening has been delayed mainly due to material and labour shortages over the refurbishment period, which has added a significant amount of delay to the opening date. The delay has meant that Soho Theatre Walthamstow (STW) is now unable to take bookings for the planned opening shows and the planned pantomime in Christmas 2023 meaning there is a constraint on the STW cash flow which requires a capital injection.

The STW could significantly reduce their workforce on setting up the theatre during this period to alleviate some of this cash pressure, however the ability for them to be able to ramp up again in the Autumn 2023 with the same high calibre of staff they have now is highly unlikely and could place a significant risk to the income projects within the first year of operation.

Therefore, STW have approached the Council for a working capital loan to enable them to continue with the ramp up of the operations during this extended period.

### **5. The Offer:**

- 5.1. LBWF will provide a loan facility up to £631k, and be provided from 1<sup>st</sup> April 2023 to the day of opening, then the facility will cease to be available
- 5.2. The working capital loan will be requested in 2 months tranches in advance and agreed by the Corporate Director of ROI (LBWF) and the Finance Director of Soho Theatre, and Soho Theatre Group will be asked to provide evidence as to the spend on a periodic basis (open book accounting).

- 5.3. The maximum value of any tranche will be £150k
- 5.4. The loan is repayable as an annuity loan at a commercial interest rate (above Public Works Loan Board)
- 5.5. The loan will be repaid to the Council by STW (or the parent Group) over a 10 year period, on an annual basis
- 5.6. The Soho Theatre Walthamstow Board must approve the loan and also the business case (that includes a specific recommendation that the loan repayments are affordable
- 5.7. The Loan shall be secured against the Soho Theatre Group main asset, the Dean Street site, which will become reclaimable should the STW become insolvent or be otherwise unable to repay the facility within a set timeframe.
- 5.8. The loan will become immediately repayable should STW fail to pay one of the annual instalments or they are otherwise in breach of the agreement such as failure to provide open book accounts, failure to use the loan for the agreed purpose etc.
- 5.9. The loan is provided only to cover the costs of Soho Theatre Walthamstow, directly related to bringing the theatre into use, including staff, office space, consultancies, events organisers etc, plus up to 25% of overheads, including: heads of programming, finance, creative learning, admin & operations, communications but excluding any Soho Theatre group central overheads or management fees. The costs must be directly attributable by the CIC and in no way a funding route for the parent, and can be rigorously proven.