

Provision of a loan for Leeds Culture Trust to cover Culture Sector Tax Relief claims

Date: 20 September 2023

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes* No

(*Appendices 1 – 3: designated as exempt from publication - Access to Information Procedure Rule 10.4(3))

Brief summary

LEEDS 2023 is the city's Year of Culture, delivered by the Leeds Culture Trust (LCT), an independent charity set up in 2019 by Leeds City Council as part of its Culture Strategy and as a response to the cancellation of the UK's participation in the European Capital of Culture competition.

Leeds City Council (LCC) entered into a grant agreement with Leeds Culture Trust in 2019, based on the intention of delivering a £35m cultural investment programme leading up to a Year of Culture in 2023. LCC has contributed funding of £10.665m to LCT, of which £5.73m is direct revenue funding. LCT has used this funding as leverage to raise over £9.13m in additional funding from sources including Arts Council England, British Council, West Yorkshire Combined Authority, National Lottery Heritage Fund and other Trusts and Foundations, as well as educational partners and corporate sponsors.

Despite this success, the impact of inflation on the costs of delivery and a challenging fundraising climate resulted in LCT undertaking a comprehensive re-baselining of finances in March 2023 to bring total anticipated spend down from the original target of £35m to the current figure of £24.56m. The re-baselining identified the need for LCT to maximise the amount of Cultural Sector Tax Relief (CSTR) which can be claimed against its activities.

Due to the process for claiming Tax Relief being retrospective, this puts LCT in a position where they will be due significant amounts of funding at a time when their activities have ceased. LCT explored various methods for financing the CSTR receipts to provide the cash flow needed during the delivery year of 2023 including overdrafts, commercial loans and other short-term finance, none of which were deemed as viable for the organisation. Having explored all other options, LCT approached LCC for cash flow assistance.

In order to allow Leeds Culture Trust to maximise the amount of funding they can invest in the Year of Culture programme in-year, LCC is asked to provide an unsecured loan to Leeds Culture Trust. The loan will provide cash flow assistance to cover claims to HMRC for both Theatre Tax Relief and Museums and Galleries Exhibition Tax Relief for financial years 2022-23 and 2023-24. Any loan provided will be repaid by Leeds Culture Trust upon their receipt of Cultural Sector Tax Relief.

In approving this cash flow allowance, Leeds City Council will, in total, be providing an unsecured loan to LCT for a sum of up to £1,845,407, with no interest chargeable. Following independent financial advice on LCT's CSTR claims, it is recommended that the loan will be payable in three tranches:

- £960,831 payable in October 2023 for a term of up to 6 months, in order to cash flow the Trust's Theatre Tax Relief (TTR) claim for the financial year 2022-23
- £366,571 payable in November 2023 for a term of up to 13 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2023-24.
- Subject to a further assessment by independent advisors, an amount not exceeding £518,005 payable in November 2023 to cash flow Museum Galleries and Exhibition Tax Relief (MGETR) for the financial year 2023-24 for a term of up to 13 months.

As the timing of any receipts from HMRC is uncertain, it is possible that LCT will need to call on the full loan amount of £1,845,407. However, if the expected receipts for financial year 2022/23 are received before October 2023, LCT would not require the initial loan of £960,831.

Funds relating to both claims would be returned to Leeds City Council on receipt of payment from HMRC by LCT. Although LCC has sought independent advice on the likely success of the CSTR claims, the risk to LCC remains if HMRC does not approve them.

Recommendations

Executive Board is asked to approve that:

- a) Leeds City Council provides an unsecured interest free loan to Leeds Culture Trust to a maximum value of £1,845,407 which would, subject to the below, be payable in 3 instalments.
- b) Leeds City Council pays a first instalment of £960,831 to Leeds Culture Trust in October 2023 for a term of up to 6 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2022-23.
- c) In principle and subject to further due diligence on LCT's financial position in November, Leeds City Council pays a second instalment of £366,571 to Leeds Culture Trust in November 2023 for a term of up to 13 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2023-24 and a third instalment of up to £518,005 to cash flow Museum Galleries and Exhibition Tax Relief (MGETR) for the financial year 2023-24 for a term of up to 13 months. The payment of the third instalment will be subject to a further assessment by independent advisors.
- d) Authority to enter into a loan agreement with Leeds Culture Trust on the terms set out above is delegated to the Director of City Development in consultation with the Chief Officer Financial Services.
- e) Decisions taken in relation to this report be exempt from Call In due to matters of urgency as any delay would impact on the Year of Culture programme and seriously prejudice the public's interests.

What is this report about?

- 1 LEEDS 2023 is the city's Year of Culture, delivered by the Leeds Culture Trust (LCT), an independent charity set up in 2019 by Leeds City Council as part of its Culture Strategy and as a response to the cancellation of the UK's participation in the European Capital of Culture competition.
- 2 The LEEDS 2023 programme is of both national and international significance and consists of three Seasons which shape the year, with 'Awakening' influencing Part One (January to April), 'Playing' the focus of Part Two (May to August), and 'Dreaming' a forward-looking end to the year (September to December).
- 3 There are three strands of activity for the Year of Culture. The "Produce" strand consists of major signature projects, original works produced by LEEDS 2023. The "Partner" strand entails working in partnership with local, national and international partners to showcase the wealth of diverse talent and cultural infrastructure to be found in Leeds. The "Promote" strand focuses on using LEEDS 2023's platform and visibility to promote other cultural / artistic / sporting events and projects taking place across the city, made possible through a collaboration with Leeds Inspired, the what's on website managed by LCC's Culture Programmes team.
- 4 Running alongside "Produce, Partner and Promote" is LEEDS 2023's Creative Learning programme which is offering every child and young person of school age in Leeds the chance to take part in the Year of Culture. The programme features free activities for learners in all key stages, including classroom resources, facilitated workshops, participatory activities, and opportunities for learning outside the classroom.
- 5 Also running alongside and supporting "Produce, Partner and Promote" is LEEDS 2023's volunteer programme which is a flexible programme allowing participants to choose their shifts according to their own individual interests and availability. LCT have a target of attracting 1000 volunteers over the year and there are currently 885 volunteers confirmed from across all wards of the city, many of which are students and young people who are keen to build their skills and experience.
- 6 The opening event of the Year of Culture was "The Awakening", a large-scale performance at Headingley Stadium focussed on Leeds cultural past. The artworks submitted by members of the public as part of the ticket ballot led to the "Waking the Artist" exhibition which was successfully delivered in April through an exhibition in Wade House. The artworks were also displayed on the concourse and walkways at Headingley Stadium for the Awakening and subsequently around the city, displayed on railings surrounding the city's parks and public spaces.
- 7 In collaboration with the Women of the World Foundation, "The WOW Barn" was an impressive structure which was "raised" on Cinder Moor in 24 hours over May Day Bank Holiday by a community of 300 women and non-binary people who had been given training in the construction and technical skills needed to prepare, assemble, and erect this structure. The WOW Barn then became a festival site for 2 weeks in May hosting cultural events, school workshops with a focus on science, technology, engineering, arts and mathematics and receptions.
- 8 "Making A Stand" is a sculptural forest in City Square provoking conversations around climate change, the use and re-use of sustainable materials and the importance of trees in carbon capture, "Making A Stand" is both a physical installation as well as having an online "digital twin" which features illustrations and educational information on the project's themes. Within the installation is an event space which is being used for tours, classes, workshops, and events, including several events co-created by Leeds Beckett University students.

- 9 Children's Day Reimagined took place on 14 July at Roundhay Park as a free, family-friendly event open to the public, which celebrated the children of Leeds. Inspired by the original Children's Day event which used to take place 60 years ago, the event was reimagined through a co-created approach involving artists working alongside a group of Young Creatives. Throughout the day, school children came together to build and design the site, including an installation of banners they created to express their hopes, dreams, and demands.
- 10 "My LEEDS 2023" is the signature project with the strongest focus on co-creation and the widest geographical reach throughout the city, a celebration of the people and stories that make up Leeds. The project has included the appointment of 33 Neighbourhood Hosts, one for each ward, who have been participating in a paid training scheme, developing skills in engagement, producing, production and funding. The hosts have delivered "My LEEDS Summer" which includes 36 events taking place between June and September, within each ward of the city.
- 11 Following the delivery of a successful Seasons 1 and 2, Leeds Culture Trust is now heading into the final Season 3 "Dreaming". A full season of Signature events and partner projects is planned, Included in Season 3 "Dreaming" programme are a tour around the city by Moon Palace, a mobile observatory launched in August as part of the Smeaton 300 project celebrating the life of civil engineer John Smeaton, "Nest" which is a series of performances against the backdrop of RSPB St Aidan's Nature Reserve in collaboration with the National Youth Theatre, the launch of the "Hibiscus Rising" sculpture by Yinka Shonibare in Aire Park, and the "Closing Ceremony" which will take place in the last few days of 2023 involving a gift to the city's future generations
- 12 Leeds City Council entered into a grant agreement with Leeds Culture Trust in 2019, based on the intention of delivering a £35m cultural investment programme leading up to a Year of Culture in 2023. The value of the grant agreement is £10.665m, but the contribution to LEEDS 2023 from the core council budget has been reduced by making substitutions by applying funds which cannot be used to deliver core council services, namely substitutions from the Business Rates Pool and West Yorkshire Combined Authority's Leeds' Gainshare allocation which resulted from the devolution deal for West Yorkshire. Overall, substitutions have reduced the Council's total net commitment from £10,665,000 to £5,731,893.
- 13 LCT has used this council funding as leverage to raise over £9.13m in additional funding from sources including Arts Council England, British Council, West Yorkshire Combined Authority, National Lottery Heritage Fund and other Trusts and Foundations, as well as educational partners and corporate sponsors.
- 14 Despite this success, the impact of inflation on the costs of delivery and a challenging fundraising climate resulted in LCT undertaking a comprehensive re-baselining of finances in March 2023 to bring total anticipated spend down from the original target of £35m to the current figure of £24.56m. The re-baselining identified the need for LCT to maximise the amount of Cultural Sector Tax Relief (CSTR) which can be claimed against its activities.
- 15 Amongst the breadth of activities which LCT is delivering, there are a significant number which are eligible for CSTR, primarily Theatre Tax Relief (TTR) and Exhibitions and Galleries Relief (EGR). The events that are eligible for these reliefs are split across two financial years 2022/23 and 2023/24. Claims are made to HMRC on the basis of signed audited accounts. Due to the process for claiming the Tax Relief being retrospective, this puts LCT in a position where they will be due significant amounts of funding at a time when their activities have ceased.
- 16 LCT have explored various methods for financing the CSTR receipts to provide the cash flow needed during the delivery year including overdrafts, commercial loans and other short-term finance, none of which were deemed as viable for the organisation. Having explored all other

options, LCT approached LCC for cash flow assistance in the form of an unsecured loan up to a maximum amount of £1,845,407 payable in three instalments.

- 17 As the timing of any receipts from HMRC is uncertain, it is possible that the expected receipts for financial year 2022/23 may be received before October 2023 and if this were to happen LCT would not require the initial loan of £960,831 and their maximum request would be £366,571 to cover TTR followed by up to £518,005, the precise amount of which would be subject to further independent advice in late September, to cover MGETR for financial year 2023/24. Repayment of the loan would be made upon receipt of payment from HMRC by LCT and by no later than 6 months for the first instalment, 13 months for the second and third instalments.
- 18 Although LCC has sought independent advice on the likely success of the CSTR claims, the risk to LCC remains if HMRC does not approve them.

What impact will this proposal have?

- 19 The provision of an unsecured loan will allow LCT to maximise the amount of funding which it can dedicate to the Year of Culture programme during the year itself, allowing it to deliver its full programme of Signature Events and partner projects during the final season of the year. In delivering its full programme through cash flow assistance via this loan, LCT will be in a strong position to meet the target outcomes set out in the grant agreement with LCC which are:
- At least 75% of Leeds households engaged as audience or participant, in the programme with all sectors of the city fully represented
 - All 33 wards in Leeds engaged.
 - Digital engagement
 - Increased engagement opportunities for children and young people
 - Job creation and skills development – employment and progression opportunities delivered by Leeds Culture Trust
 - Investment into Leeds of at least £20m – wider economic benefit in the city created by the Leeds 2023 Year of Culture
 - A demonstrable increase in visitor numbers arising from the programme
 - A demonstrable economic benefit to the city arising from the programme
 - A demonstrable improvement in perceptions of Leeds and its cultural offer arising from the programme
 - A demonstrable contribution towards the UN's 17 Sustainable Development Goals, specifically:
 - Goal 3 - Promote health and wellbeing
 - Goal 5 - Gender equality
 - Goal 8 - Sustainable and inclusive economic growth
 - A demonstrable improvement in the health and wellbeing of citizens of Leeds arising from the programme
 - A demonstrable improvement in the financial resilience of Leeds' culture sector.

- 20 LEEDS 2023 is delivering wide ranging benefits across the whole city and is an important part of LCC's Culture Strategy in boosting the city's cultural profile, improving the creative skills of Leeds residents and strengthening the resilience of the culture sector.
- 21 The impact of the Year of Culture on both individuals and organisations in the culture sector is considerable. A total of 33 Neighbourhood Hosts have been taken through a training and development programme which has enabled them to design and run their own cultural grants programme and deliver a series of summer cultural events, one in each ward. Examples of My Leeds Summer events which have already taken place in different parts of the city include:
- Roundhay's World Food and World Music Festival on Soldiers' Field on 17 June which involved a live programme of musical artists from Leeds which ran alongside food traders and fairground attractions. It attracted a mixed audience of 2,500 people including families during the day and more adults in the evening.
 - The Beeston & Holbeck Neighbourhood host programmed several acts as part of the Beeston Festival on 24 June, which attracted 3,500 very diverse participants including families and young children.
 - Wetherby's Drivers Day attracted 2,350 participants across 3 sites on 1 July. The Town Hall and marketplace saw musical performances, craft stalls and history talks, Crossley Primary school held a summer fair and Wetherby hosted its first marching band competition with 15 bands competing.
- 22 Almost 900 volunteers are involved in the LEEDS 2023 programme and for many this is the first time that they have volunteered in the arts and culture sector. This community level cultural activity is a focus of the council's legacy planning to ensure that these new skills are utilised and built upon into the future. LEEDS 2023 has brought more cultural investment into the city, with cultural organisations such as The Performance Ensemble and Transform having been recently designated as National Portfolio Organisations by Arts Council England.
- 23 One of the most important impacts of the Year of Culture is through lifting the profile of Leeds at a regional, national and international level. Numerous press and media articles have featured LEEDS 2023, the city's rich cultural offering and position the city as a great place to visit.
- 24 Raising the city's profile through public investment in major cultural initiatives such as Leeds 2023 is seen as critical for the city's visibility and soft power and this in turn can help to lever new private investment into the city. In its recent "UK's Most Talked About Cities" report unveiled in May 2023 at UKREiF in Leeds, a new "Investment Opportunity Rank" was launched which is a combined benchmark aggregating cities' digital visibility, soft power and Foreign Direct Investment rankings. Leeds comes out second, only behind London, in this new ranking and third in terms of soft power, with this success attributed to the city's investment in culture and particularly in LEEDS 2023 Year of Culture.
- 25 In the planning stages of LEEDS 2023, when Leeds Culture Trust was created and later when a grant agreement signed, extensive work was done to make the LEEDS 2023 programme accessible. In terms of the decisions to be made by Executive Board which are of a financial nature, there is no specific impact on Equality, Diversity and Inclusion. An Equality, Diversity, Cohesion and Integration (EDCI) screening form is included in the appendices.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 26 LEEDS 2023 is aligned to each of the three pillars of the Best City Ambition.

- 27 LEEDS 2023 impacts the Health and Wellbeing strategy by supporting healthy, physically active lifestyles, as well as improving social, emotional, and mental health and wellbeing. The impacts of arts and culture are well documented, with doctors now using social prescribing to combat depression and loneliness.
- 28 The Year of Culture is supporting the city's economic recovery from COVID-19 and building longer term economic resilience. The year is also contributing to the following Big Ideas as set out in the Inclusive Growth Strategy:
- Maximising the economic benefits of culture
 - Promoting Leeds and Yorkshire
 - Leeds as a digital city
 - Working together to create better jobs, tackling low pay, and boosting productivity.
 - Putting children at the heart of the growth strategy
- 29 Sustainability is at the heart of LEEDS 2023's approach to its Year of Culture and its Sustainable Action Plan aligns with Leeds' Net Zero Strategy. LEEDS 2023 has commissioned SAIL (Sustainable Arts in Leeds) to develop a sustainable road map across the entirety of its programme and a carbon impact assessment is being carried out for each of the 12 signature projects. The programme includes projects which champion sustainable practices, whilst helping to educate audiences about the importance of combating climate change.

What consultation and engagement has taken place?

Wards affected: N/A

Have ward members been consulted? Yes No

- 30 The LEEDS 2023 Year of Culture has been a nine-year journey commencing in 2014 when the city was asked to consider whether the council should lead a bid for European Capital of Culture through a city-wide consultation. Ongoing support for the LEEDS 2023 Year of Culture was established at the meeting of Full Council on 10 January 2018 whereby it was resolved that Leeds pursue a year of culture despite the decision by the European Commission that a UK city could no longer take the title of "European Capital of Culture".
- 31 Consultation on this proposal for an unsecured loan has taken place with relevant Executive Members and officers as appropriate.

What are the resource implications?

- 32 In approving this cash flow allowance, Leeds City Council will, in total, be providing an unsecured loan to LCT for a sum of up to £1,845,407, with no interest chargeable. The loan will be financed from general reserves and balances.
- 33 LCC would provide a first instalment, subject to due diligence on LCT's financial position, to the value of £960,831 to Leeds Culture Trust in October 2023 for a term of up to 6 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2022-23.
- 34 In addition, subject to further due diligence on LCT's financial position, LCC would provide a second instalment to the value to £366,571 to Leeds Culture Trust in November 2023 for a term

of up to 13 months, in order to cash flow the Trust's Theatre Tax Relief claim for the financial year 2023-24.

- 35 Finally, subject to further due diligence on LCT's financial position and a further assessment by independent advisors commissioned by LCC, a third instalment of up to £518,005 would be payable in November 2023 to cash flow MGETR for the financial year 2023-24 for a term of up to 13 months. This assessment will be taken in September once more detailed and accurate information around the detailed costs making up the MGETR claims is available.
- 36 As the timing of the receipts from HMRC is uncertain, it is possible that the expected receipts for financial year 2022/23 may be received before October 2023 and if this were to happen LCT would not require the initial instalment of £960,831 and their maximum request would be £366,571 to cover TTR followed by up to £518,005, the precise amount of which would be subject to further independent advice in late September, to cover MGETR for financial year 2023/24. Funds relating to both claims would be returned to Leeds City Council on receipt of payment from HMRC by LCT. Should HMRC not approve LCT's application for tax credits in whole or in part, then any shortfall would result in additional Council expenditure from the City Development budget. An approach to how this risk would be mitigated will be developed as part of financial planning for the financial year 2024-25 when the risk would crystallise.

What are the key risks and how are they being managed?

- 37 The recommendation to approve this unsecured loan is made in very specific and unusual circumstances. The loan has been requested in order to provide cash flow assistance to cover LCT's CSTR claims, rather than to cover a general financial shortfall, as the CSTR monies have been built into LCT's programme delivery budgets. Leeds Culture Trust has been set up for a limited period of time to deliver its Year of Culture and deliver a set of legacy benefits, but it has no assets against which a loan can be secured. This constitutes a risk to LCC in the case of HMRC rejecting the CSTR claims, but following robust due diligence LCC has mitigated these risks as far as possible and to a level considered acceptable in the circumstances. The decision to award an unsecured loan for a period of time, that retains the residual risk that some or all of the monies not being returned, should be made in context of LCC's wider financial position and the funding/cost pressures that this and other Councils are currently experiencing.
- 38 Leeds Culture Trust has obtained advice about their Creative Sector Tax Relief claims from RSM UK Tax and Advisory Services LLP (RSM) and their accounts have been audited by Sagars. That advice concludes that, having tested the information provided by LCT around their claims for CSTR against the qualifying criteria which HMRC will apply in their assessments, there is little risk that the claims will not qualify for full payment of relief. Rather than relying solely on the advice which LCT has obtained in relation to its claims, LCC has sought its own independent advice from Moore Kingston Smith (MKS), which deliver accountancy and business advisory services and are well respected for the expertise in Creative Sector Tax Relief. The advice provided by MKS on LCT's Theatre Tax Relief claims is summarised in Appendix 1 and set out in full in appendix 2 to this report. These appendices comprise of information relating to the financial and business affairs of LCT.
- 39 It is clear that any agreement from HMRC is specific to the facts of any given production, but based on their experience and expertise, the advice received from MKS supports the conclusions of RSM and suggests that the claims should be supported. Whilst professional opinions have been sought and the merits of the claims proposed supported, the risk remains that HMRC could reject the claims or offer a lower amount of tax relief than anticipated. In the

context of the advice received, the potential for this risk to be realised is considered to be low. Notwithstanding this position, should this eventuality arise, it would result in LCT having insufficient funds to repay the loan to LCC.

- 40 Whilst our Year of Culture will come to an end in December 2023 the Leeds Culture Trust will continue to operate throughout 2024 in order to complete the necessary activities to close down the Trust. This will include the completion of financial, legal and legacy obligations. Leeds City Council is working in partnership with the Trust, having regard to lessons learned from previous Years of Culture in the UK and Europe, to ensure close down is managed well. As part of that work LCC has carried out due diligence (Appendix 3) with regard to Leeds Culture Trust and its financial position and will provide support to the Trust as required in order to minimise any risk of financial failure before close down activities are completed. The risk to the Council of non-repayment is therefore considered low.
- 41 Conversely, should the recommendations set out in this report not be approved, then there is a clear risk that the LCT will not be able to optimise their financial resources on expenditure on their cultural programme in-year. This would result in a reduction in their programme for the remainder of the year from its optimum level and a risk that they will not reach the outcome targets set out in the grant agreement between LCT and LCC. In turn, this would impact the extent to which the Council can reach the ambitions for the Year of Culture which are set out in the Culture Strategy and the Inclusive Growth Strategy. The council's ability to maximise the legacy benefits of the Year of Culture would also be impacted.
- 42 In terms of the wider risks around the delivery of the Year of Culture, LCC created the Leeds 2023 City Readiness Board and three sub-groups in autumn 2022 in order to establish a governance structure which allows risks to be identified and issues to be escalated to LCC directors. This board is chaired by the Director of City Development. The Executive Manager for the LEEDS 2023 Partnership provides additional oversight of key risks.

What are the legal implications?

- 43 The Council has the power to grant an unsecured loan for the purposes set out in this report, pursuant to s. 145 and s.111 of the Local Government Act 1972 which permits a local authority to contribute towards the expenses of doing anything necessary or expedient for the purposes of specified matters relating to the provision of entertainment, including the development and improvement of the knowledge, understanding and practice of the arts and crafts which serve the arts.
- 44 A specific assessment has been undertaken in respect of Subsidy Control and as LCT's activities are principally financed through public resources, and the majority of activities can be accessed by the general public free of charge or for a non-commercial fee and are not intended to be commercially exploited, the Trust is not engaged in economic activity for the purposes of the Subsidy Control Act and the loan is not seen as a Subsidy. On that basis and in the specific circumstances, an interest free and unsecured loan is permitted.
- 45 The advice provided by Moore Kingston Smith as summarised in Appendix 1 and set out in full in appendix 2 is designated as being exempt from publication as it refers to the financial and business affairs of LCT. It is considered that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing this information. It is therefore considered that this element of the report should be treated as being exempt from publication under the provisions of paragraph 10.4(3) of the Council's Access to Information Procedure Rules.

- 46 Leeds City Council is under a fiduciary duty to its taxpayers and therefore needs to act with reasonable care, skill and caution, balancing the interests of the Council taxpayers against the interests of those members of the public participating in, or benefiting from the Year of Culture. In order to discharge this duty, a financial due diligence exercise has been undertaken. Financial management of LCT has been judged as sufficiently robust to justify providing the unsecured loan and, given the identified level of risk, the arrangements represent a reasonable balance between the interests of the council taxpayers and others. The details of this due diligence exercise are included in Appendix 3, which is designated as being exempt from publication as it refers to the financial and business affairs of LCT. It is considered that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing this information. It is therefore considered that this element of the report should be treated as being exempt from publication under the provisions of paragraph 10.4(3) of the Council's Access to Information Procedure Rules.
- 47 As the provision of the loan to LCT is time critical, in accordance with Part 4(b) 5.1.3 of the Constitution, it is recommended that the Board resolve that the decisions arising from this report are exempt from Call In. Any delay would impact on the Year of Culture programme and seriously prejudice the public's interests, as the Call In period extends beyond the time when the payment of the first instalment of the loan is needed. This decision could not have been taken earlier so as to have been eligible for Call In, as it is in response to a specific request from Leeds Culture Trust which was made only after they had exhausted other options for cash flow assistance.

Options, timescales and measuring success

What other options were considered?

- 48 Option one was to provide no support to LCT, however, this was rejected based on the resulting impact on the Trust which would mean a significant reduction in the LEEDS 2023 programme for the remainder of the year from its optimum level.
- 49 Option two was to provide assistance via a non-recoverable grant to LCT. Given that there is already a grant agreement in place between LCT and LCC to the value of £10,665,000, it was not considered prudent to offer a further grant with no prospect of recouping the funds once HMRC provides tax relief.
- 50 The third option, for which Executive Board approval is sought, is to provide assistance via an unsecured loan to LCT which will require a loan agreement. This loan agreement would sit alongside the Grant Agreement with LCT signed in July 2019 and subsequent variation agreements which sets out the conditions for a grant of £10.665m until March 2024.
- 51 This would permit LCT to deliver the remainder of the Year of Culture programme as planned, by optimising expenditure on delivery in year, whilst giving LCC the opportunity to recoup the value of the loan from LCT once tax relief is received from HMRC.

How will success be measured?

- 52 Success will be measured by the cash flow assistance permitting the successful delivery of the Year of Culture, allowing a full programme of Signature Events and partner projects to be delivered during the final season of the year. A final report setting out a full evaluation of LEEDS 2023 will be delivered by Leeds Culture Trust by October 2024 and this will underpin the legacy of LEEDS 2023.

53 Success will also be measured by successful applications to HMRC by Leeds Culture Trust for both Theatre Tax Relief and Museums and Galleries Exhibition Tax Relief and the timely repayment of the loan provided by LCC.

What is the timetable and who will be responsible for implementation?

54 If the recommendation for the loan to LCT is approved by Executive Board, steps will be taken immediately after the meeting to complete a loan agreement between LCC and LCT, as the first instalment will be payable in October 2023. The Director of City Development will be responsible for implementation of the decisions, in consultation with the Chief Officer Financial Services.

Appendices

- Appendix 1 – Summary of Theatre Tax Opinion letter to LCC from Moore Kingston Smith designated as being exempt from publication under the provisions of Access to Information Procedure Rule 10.4(3).
- Appendix 2 -Theatre Tax Opinion letter to LCC from Moore Kingston Smith designated as being exempt from publication under the provisions of Access to Information Procedure Rule 10.4(3).
- Appendix 3 – Due diligence exercise on Leeds Culture Trust designated as being exempt from publication under the provisions of Access to Information Procedure Rule 10.4(3).
- Appendix 4 - Equality, Diversity, Cohesion and Integration (EDCI) screening form.

Background papers

- None.