
HUMANTICS

**Responsible Cabinet Members - Councillor Stephen Harker,
Efficiency and Resources Portfolio
and Councillor Nick Wallis, Leisure and Local Environment Portfolio**

**Responsible Director – Richard Alty, Director of Place
Paul Wildsmith, Director of Resources**

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is to seek Cabinet approval to write-off £18,000 of the secured loan to Humantics, reduce loan interest costs and to extend the rent free period on Humantics' lease from 5 to 10 years.

Summary

2. The Council has been working with Humantics and the Forum since approximately 2008 in order to support the development of a broad arts and cultural offer within the Borough.
3. Humantics is a Community Interest Company that was set up to support the development of arts and culture in Darlington; however as a not for profit enterprise it was set up with broad social objectives.
4. In June 2010, following a period of instability, Cabinet conditionally approved the letting of a 20 year lease to Humantics for the building known as the Forum which included an initial 5-year rent free period. Cabinet also approved an £80,000 secured loan as part of a wider package of support that facilitated Humantics securing grant funding from One North East, the former Regional Development Agency, which enabled Humantics to acquire the assets of the Forum.
5. The period up to and including the grant of the loan included a short period during which there was a risk of closure of the Forum and during which it was agreed that an interim loan be advanced to Humantics of £18,000 in order to support the Forum through a period of short cash flow and up to a point whereby the transfer of the assets could be secured.

6. All necessary legal documentation was drawn up, initially for the £18,000 advance and subsequently for the remainder of the £80,000 loan, which was completed in December 2010 once the conditions of the loan had been met.
7. Subsequent to the completion of the loan, it was found that the initial £18,000 advanced to ensure that the Forum could trade until Humantics' establishment was needed as part of the opening cash balance for Humantics and this has led to a cash shortfall.
8. A request has now been received by Humantics' directors for the initial £18,000 to be written off by the Council as a cost of securing the future of the Forum.
9. Since the transfer of the Forum to Humantics, there has been a significant change in the structure of the Arts and Culture in Darlington with the establishment of the Creative Darlington Board. This was following multi-partner the inquiry and engagement into Arts and Culture, the Arts Centre closed and many of the organisations that either occupied or used the Arts Centre have found alternative locations from which to operate.
10. The Forum is one of a number of facilities that exist that support creative and cultural organisation. It operates a range of activities and events that enable Darlington's residents to access creative and cultural training, education and events and provides a role in supporting community and social development. As well as directly delivering initiatives, the Forum provides space and resources to a range of other local groups and is a key part of the arts and cultural infrastructure.

Recommendation

11. It is recommended that:-
 - (a) Cabinet note the contents of the report.
 - (b) Cabinet approve that the Council halves its interest charges for the loan to Humantics.
 - (c) Cabinet approve that the reduction in interest charges be back-dated to the start of the loan.
 - (d) Cabinet approve a reduction in the value of the loan to £62,000, treating the first £18,000 as a cost of securing the future of the Forum.
 - (e) Cabinet note that b-d are conditional on Venturesome confirmation of halving the cost of providing the loan guarantee.
 - (f) Cabinet approves an extension of Humantics' rent free period from 5 to 10 years.
 - (g) The Borough Solicitor be authorised to conclude the legal documentation accordingly.

Reasons

12. The recommendations are supported by the following reasons :-
 - (a) To enhance the environmental, social and economic well-being of Darlington.

- (b) To support the work of the Creative Darlington Board in seeking to achieve sustainable arts venues and activities with reduced continuing public sector funding.

Richard Alty, Director of Place
Paul Wildsmith, Director of Resources

Background Papers

No background papers were used in the preparation of this report.

John Simpson : Extension 2681

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S17 Crime and Disorder	Humantics provides a safe location for positive activities. This will contribute to reduction in crime and anti-social behaviour.
Health and Well Being	Humantics hosts a range of activities that support people with specific needs and across generations. Activities can help contribute to better health and general wellbeing.
Carbon Impact	N/A
Diversity	Humantics afford equal access to all and host events that promote diversity and tolerance.
Wards Affected	All
Groups Affected	None
Budget and Policy Framework	This decision does not impact on the Budget or Policy Framework
Key Decision	No
Urgent Decision	No
One Darlington: Perfectly Placed	The project is a "One Darlington" initiative, providing activities, training and education to Darlington's residents, bringing together individuals and groups from different areas and backgrounds. It also supports the 'Perfectly Placed' priority by sustaining part of the cultural life of the Borough.
Efficiency	N/A

MAIN REPORT

Information and Analysis

13. The Forum Music Centre has been operating in Council owned premises since 2004. The founder and former proprietor, David Cox, invested a significant amount in the building which has been operated on a philanthropic basis as it has developed into a youth-focused music and cultural, education and training facility. The Forum is used to host a range of community, council and private activities and has developed a business plan to expand the range of services it provides within its current location.

14. The Forum experienced financial difficulties since its establishment, approaching the Council for support to identify funding to achieve a more stable financial position.
15. In July 2010, the Forum announced that it would have to close. This was midway through negotiations to secure grant funding from One North East and a secured loan from the Council. As a result of public reaction and an approach from Humantics' board, the Council agreed to provide an interim loan to Humantics of £18,000 in order to support the Forum until negotiations could be concluded. This enabled a short period during which the Council and Humantics commissioned an independent review of Humantics' business plan. This in turn was used to inform the decision on whether the full £80,000 loan could be finalised and to secure confirmation of grant funding.
16. All necessary legal documentation was drawn up, initially for the £18,000 advance and subsequently for the £80,000 loan. The £80,000 loan was completed in December 2010, once the conditions of the loan had been met. The Council also granted a 20 year lease with an initial 5 year rent free period for the building.
17. Owing to the negative impact of the announcement of the closure of the Forum on its business and the application of the first £18,000 to sustain the Forum during a period of uncertainty, Humantics have advised the Council that the £18,000 was needed as part of £80,000 opening cash balance and that a £18,000 shortfall has arisen.
18. A request has now been received by Humantics' directors for the initial £18,000 to be written off by the Council as a cost of securing the future of the Forum.
19. At the time of the initial (interim) £18,000 loan it was agreed that if the full loan could not be agreed and owing to Humantics financial position, that the £18,000 would have to be written off as Humantics had no assets against which to secure the loan.
20. Having considered Humantics' request, it is apparent that the initial £18,000 used to secure the Forum prior to Humantics acquiring its assets was identified as needed for working capital as an "opening cash balance".
21. One impact of this has been that Humantics have had to secure further funding with a corresponding increase in finance costs. In order to reduce finance costs and move onto a more sound financial footing, action is needed to reduce finance costs.
22. The Council has met with Humantics and Venturesome (who act as loan guarantor) to discuss potential solutions. Subject to Cabinet approval, the following solution has been jointly proposed:
 - (a) That Venturesome halves the cost of providing the guarantee.
 - (b) That the Council halves its interest charges.
 - (c) That the Council's reduction in interest charges be back-dated to the start of the loan.

(d) That the Council reduces the value of the loan to £62,000, treating the first £18,000 as a cost of securing the future of the Forum.

23. Since the transfer of the Forum to Humantics, there has been a significant change in the structure of the Arts and Culture in Darlington with the establishment of the Creative Darlington Board. This was following multi-partner the inquiry and engagement into Arts and Culture. The Arts Centre has closed and many of the organisations that either occupied or used the Arts Centre have found alternative locations from which to operate.
24. The Forum is one of a number of facilities that exist that support creative and cultural individuals and organisations in Darlington. It operates a range of activities and events that enable Darlington's residents to access creative and cultural training, education and events and provides a role in supporting community and social development. As well as directly delivering creative and cultural activities and events, the Forum provides space and resources to a range of other local groups and is a key part of the arts and cultural infrastructure.
25. Humantics staff numbers have increased and since September 2012, having recruited three full-time members of staff who were previously on Job Seekers Allowance.
26. Humantics is now a registered centre for training with the Accreditation of Experiential Learning (AEL) and with two qualified NVQ assessors plus an Internal Verifier on board.

Ongoing and Regular Activities include:

27. Home to Access to Music (A2M), comprising 48 students aged 16 – 24 yr olds, studying the music industry. Access to Music is a national training college which links students to London Birmingham Bristol and Manchester. Darlington is quoted as a flagship centre due to the excellent facilities. Humantics expect student numbers to double within the next two years.
28. Students from other A2M facilities also have also visited for an audition day. One Student band from Darlington got through to the finals to be the Band to go on Tour with Atom Live and perform around the country at festivals on a tour bus. The event was radio broadcast live on a music channel. Judges included Industry consultants who have developed artists such as Ed Shearing.
29. Regular visits from guests from the industry include record labels, producers and high profile artists. Currently accreditation is Level 4 however recruitment for a September intake of a Foundation Degree is looking positive.
30. Darlington Business Club – This has been run since summer last year and attendance to the business mentoring plus networking sessions currently stand at a consistent 25 new business start ups per week.
31. Newblood Live – Monthly live gig nights for 14+.

32. Yamaha Music Point – student numbers for 7 – 11yr olds currently stand at 96 per week.
33. Music with Mummy – toddler and baby sing a long music sessions have relocated from the Arts Centre.
34. Darlington Film Club – Moved from the Arts Centre. Humantics also run a youth film night and have been approached by local police to introduce a social event for a local ethnic community group.
35. Rhythm and Blues Club – Moved to the Forum in January the monthly gigs are consistently a sell out as we have helped in marketing and also introduced our clients to RnB.
36. A weekly Sunday Jazz Club, working with Darlington Jazz Club and Durham Music Services.
37. A Monthly Comedy Club with Hilarity Bites, always sold out at 120 seated with tables. Regular surprise celebrity acts including Russell Kane as it is a popular venue for touring comedians.
38. Darlington Mind –Weekly music sessions.
39. Castlebeck Care- Monthly music workshops for adults with learning difficulties.
40. Physio-led Pilates – Specialist Pilates for people with injuries run on a weekly basis.
41. Humantics facilitate RockSchool, RGB and LCM Examinations.
42. Live Music is provided on average three nights a week.
43. Fortnightly rehearsal space for Alumni Band and Durham Youth Orchestra Four band rehearsal rooms fully equipped and booked three days in advance. Recording studio plus engineer.
44. Humantics has an ICT suite with ten Apple MAC computers.
45. Estimated total annual user is as follows:
 - Artists – 1,040
 - Participants – 157,975*
 - Audience live – 20,800
 - Audience broadcast/online – 2,900
 - Total – 182,715 per annum*
- *Includes regular repeated uses
46. Paragraphs 26-45 demonstrate the significant role played by Humantics within Darlington. In order to further support Humantics, it is suggested that Cabinet

consider extending the rent-free period on the building from 5 to 10 years. This will demonstrate the Council's support for the arts and creative sector and contribute to stabilisation of Humantics financial position.

Financial Implications

47. The Council will be writing off £18,000.
48. The Council will be foregoing £12,000 p.a. of rent for 5 years, totalling £60,000. In practice, if this building was not let to Humantics it could be difficult to let for other purposes.
49. The Council will be reducing its loan interest receivable for the first four years of the loan from £3,600 pa to £1,395 pa back-dated to the start of the reduced loan. This equates to £8,820 in reduced interest payments.
50. The remaining 10 years of the loan period will see the rate fall from 3.5% above the Bank of England base rate to 1.75%. This equates to £7,700 in reduced interest payments.

Conclusions

51. The Council has proactively sought ways to support the ongoing delivery of arts and cultural activity in Darlington following the closure of the Arts Centre in ways that do not create continuing needs for revenue support from the public sector. Humantics has not been a recipient of arts-related grant funding and strives to operate on a self-funding basis. As a not-for-profit organisation, it seeks to deliver affordable access to a range of creative and cultural experiences for the benefit of the Darlington Community.
52. The Forum building run by Humantics plays an important part in the cultural life of the Borough. It also contributes to the future vision for the Town Centre Fringe and the development of creative businesses in the Parkgate/Civic Theatre vicinity.
53. The recommendations in this report are made in recognition of the important role that Humantics plays in the cultural life of the Borough. They are proposed as a 'one off' change in the Council's loan and lease arrangements which, alongside the corresponding changes proposed by Venturesome, should help Humantics to establish a more round long-term financial future.