

RIVERSIDESTUDIOS

25th May 2016

Mr. Matt Butler,
Head of Policy & Spatial Planning,
London Borough of Hammersmith & Fulham,
Town Hall,
LONDON W6

Dear Matt,

Further to your email of 19th May 2016 we refer to the points that you raised that have to be resolved.

1. This asks that the Committee be presented with a viability assessment, which we believe you have already written. We would not see this as the responsibility of Riverside Trust. We would ask that your report is presented alongside the response of Riverside Trust from its Chair, Sir Christopher Powell, written in a letter to Councillor Iain Cassidy on 10th March 2016, a copy of which is attached.
2. In terms of Section 106 we believe that all of these conditions are being met and those conditions not complied with so far are either being resolved in the next few weeks or are not due to be completed for some time.
3. We would refer to our Chair's letter of 10th March 2016, Point 3. It has always been our expectation that the amount we received from Mount Anvil would only meet the initial requirement and that bank debt and funding would be required.
4. We confirm that the Chair of Riverside Trust intends to attend the meeting.

Yours sincerely,



WILLIAM BURDETT-COUTTS
Artistic Director

Encs.

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10 March 2016

Councillor Iain Cassidy,
London Borough of Hammersmith and Fulham,
Hammersmith Town Hall,
King Street,
LONDON W6 9JU

Dear Councillor Cassidy,

We have been reviewing the report by Matt Butler on Queen's Wharf and Riverside Studios presented to the last Audit Committee on 14 December 2015. We presume that the main objective of the Audit Pensions and Standards Committee is to consider whether Hammersmith and Fulham have acted correctly in terms of their negotiation with Queen's Wharf Riverside LLP (the Developer) over the disposal by the Council of its freehold interest in the Riverside Studios property and of the terms of the planning permission granted for the Riverside Studios/Queen's Wharf site.

As a subsidiary point, we presume you are concerned whether Riverside Studios can provide the community arts facilities envisaged by all once the building reopens.

It is worth noting in this context:

- that the Council's own regeneration area strategy refers to the need for a comprehensive redevelopment of Queen's Wharf and Riverside Studios to include replacement of suitable accommodation for Riverside Studios;
- that the 2014 Labour Party manifesto under which the current administration was elected specified the following in relation to Riverside Studios: "We will take measures to ensure that it continues to be preserved as a centre of arts and cultural excellence in the future."

As an overriding premise and, as we are sure that you will appreciate, the main objective of Riverside Trust is to continue to deliver a community arts facility at Riverside Studios as we have done since 1983. We wish to do this with the full support of Hammersmith and Fulham Council. A summary of the funding history of Riverside Trust is attached for your information. There are detailed provisions enshrined in the s106 Agreement to secure our various community obligations. We continue to strive to work with the Council in connection with these and other arts initiatives and strategies within the Hammersmith and Fulham area.

Whilst we can only comment on aspects of the report of which we are aware (we were not party to the agreements that the Council entered into with the Developer), we would like to draw your attention to the following points that ought to be considered during your review:

1. The transaction we agreed with the Developer provided that in return for us giving up our existing 70 years unexpired lease, the Developer would grant us a new 200 year lease of the new studios. This will be 33% larger and will include three studios, a cinema and a screening room, all acoustically treated to shell and core state. The Developer is paying for the significant base build costs and has also agreed to provide us with a cash contribution of £8.6 million which has enabled us to fund closure costs, the retention of key staff between closure in 2014 and re-opening in 2018, our obligations to Riverside TV Studios in return for the surrender of their lease, professional fees for the

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design of the fit-out of the new studios and will fund part of the cost of the fit-out. This in itself will not be sufficient to deliver the full extent of our community arts objectives and, therefore, we have always planned to supplement this with debt and grant funding to achieve our ambitions. Your report references assurances Riverside Trust provided to the Committee on the 19 December 2013, but we were not party to this (item 2(a) in the Audit Pensions and Standards Committee report 14 December 2015).

2. Our vision for the future use of Riverside Studios is as a community arts centre to continue to create and develop arts in the Borough, and also to develop a world class National Digital Hub aimed at the interests of the Arts Council's Digital Strategy. This will require significant investment in fit out of the building and in digital technology. Our business plan requires us to obtain a bank facility to deliver our core operation. The debt interest and eventual repayment will be funded by the projected income from the pre-let TV studio, the restaurant, cafe, bars and offices, where we have been advised that there is likely to be strong demand from potential tenants. Discussions with banks who would provide this facility are progressing well.
3. The transaction that we entered into with the Developer was approved by our Board of Trustees in September 2013 and this decision was supported by independent surveyors. Approval was also sought and given by the Charities Commission. Our business plan has always been structured on the requirement of bank debt and fundraising and shows this requirement of between £10-20m. Like every arts organisation in the UK, we continuously seek grant and other funding to support our development.
4. The report implies that the Council has effectively given Riverside Trust £25m. This is misleading as no public funds have been given to Riverside Trust. The value in the new building and the lease we hold will derive from the money being spent by the developer on construction and the money we put into the fit out. It would be wrong to assume that the approval of planning permission in itself was the direct contributor and that there was a "planning gain" of £25m as this ignores the complexity of the various contracts that informed the arrangement. The development site was made up of two parcels of land – Queen's Wharf and Riverside Studios. The cost of operating from and maintaining the original premises was becoming prohibitive for Riverside Trust and a condition survey undertaken for the Arts Council in 2002 concluded that the premises were no longer fit for purpose and probably had another ten years of useful life. This comprehensive development presented a unique opportunity for Riverside Trust to move forward in brand new facilities arranged over double the floor space at ground floor level by the inclusion of the Queen's Wharf site. Our Board of Trustees, which at the time included three Hammersmith and Fulham Councillors, concluded that giving up our existing lease in exchange for a new much longer lease of purpose built facilities together with a cash contribution was in the best interests of Riverside Trust. At that meeting, funding requirements and options were discussed and approved by our Board of Trustees. The benefit that Riverside Trust will receive is a new community arts facility in line with its charitable objectives and the Council's own stated policy. Without the provision of a new facility for Riverside Trust we would not have given up our lease and therefore the comprehensive redevelopment would not have been able to proceed and Queen's Wharf would have been re-developed on its own.
5. There is reference to the Council foregoing affordable housing to a value of £25m on the basis that the public money from the planning gain will be used to fund the community arts provision. For the purposes of your report, it should be noted that we were not involved in the discussions between the Council and the Developer, and indeed, were

excluded from these by both parties and we cannot comment on the decision taken by the Council as to what was viable for the development.

It is, however, worth considering the facts again. The Council's Planning Department's strategy for the Borough was to see Queen's Wharf and Riverside Studios developed together. The combined site was seen as a crucial focal point in the Borough with its prominence next to Hammersmith Bridge. We talked with a number of developers that had historically owned Queen's Wharf and there were continual discussions about whether the two buildings should be developed separately or together. The final outcome, after many years and after one agreement with another developer who failed to succeed in taking the combined site project forward, was that A2Dominion managed to achieve planning permission for Queen's Wharf on its own. We understand that this involved a minimal provision of affordable housing. At this point, Mount Anvil entered the scenario and we worked with them and A2Dominion to achieve a joint development of the site. In the event A2Dominion had proceeded with the permitted Queen's Wharf development, the viability of the Trust would have been threatened as the construction work of an adjacent building site would have compromised the ability of the Studios to operate. We would still have been left with a crumbling building and without the opportunity to double the size of the ground floor across both sites which offers considerable operational benefits; such as the separation of studios to avoid the previous problem of sound transmission and enables the final section of the Hammersmith and Fulham river walkway to be completed.

In summary, our role was to exchange our leasehold interest for a new, much longer lease of a larger premises better suited to attain our objectives. It was for the Council to apply policy to its negotiations with the Developer in relation to the wider development. Whilst we initiated the relationship with Mount Anvil that led to their working with A2 Dominion and the Hammersmith and Fulham Council we were only party to the contract between Riverside Trust and Mount Anvil, not the joint venture of Mount Anvil and A2 Dominion, or the latter and Hammersmith and Fulham Council. It was the Council's own decision to sell the freehold of the Riverside Studios site to the developers for which it is receiving payment.

The development of Riverside Studios is a major opportunity for the Borough. Prior to our closure in 2014 Riverside was voted Best Venue in Hammersmith by readers of Time Out. We would like to think when we re-open in 2018 we can be an even greater asset to the Borough. We hope that the Council will publicly support the development of Riverside Studios as a community arts facility which must be in the joint interests of both the Council and Riverside Trust.

Yours sincerely,



SIR CHRISTOPHER POWELL
Chair, Riverside Trust

Encs.

Riverside Trust – Funding History

With regard to Riverside Trust's position it is important to understand something of our history. The current Trust was formed in 1983 after the failure of the two previous organisations which ran Riverside Studios. The Trust was formed with the support of Hammersmith and Fulham Council, the GLC and the Arts Council. It was presumed it would be a community centre and that public funding was an essential element in order to allow it to operate. The significant change for us happened in the early 90s when the Council decided to withdraw all its funding (£315,000) and, equally, the GLC had previously turned into the GLA and they also removed their funding. The Arts Council was a minor partner in this support and we worked with them on a Feasibility Study in 1997 to try and find a new way of sustaining the Trust given the loss of this public money. At the end of the Feasibility Study it transpired that the Arts Council had used all its capital fund at the time and the Trust was left with a continuing problem. It should be noted that as part of this Feasibility Study Hammersmith and Fulham Council were prepared to give the Trust the freehold of the site on the assumption that the Arts Council would be providing cash support for our development. This had to be approved by the Secretary of State and this was achieved.

At the time, the Trust faced a situation where it didn't have enough money to operate. It applied to the Arts Council to get on to its Recovery Programme and was successful in doing this. The Arts Council requirement was to work with an outside advisor. The strategy that resulted from this assumed that we would have to operate as commercially as possible and whilst we derived income from this the Arts Council would increase its funding to support the arts programme. Alongside this Hammersmith and Fulham agreed to guarantee a loan of £600,000 from the bank which allowed the Trust to develop its office space and catering facilities from which it generated valuable income. The loan was fully re-paid a few years ago.

As part of the Recovery Programme the Arts Council required a Condition Survey on Riverside Studios and this concluded that there was limited life left in the building. At the time the assumption was there would be something like ten years life left. We were successful in our execution of the Recovery Programme and, indeed, increased our commercial revenue as expected, which included a condition that we had to turn Studio 1 into a commercial television studios, and the Arts Council matched this by increasing its funding to the level of £500,000. We ran successfully with this for a period of some twelve years.

We lost our Arts Council funding in 2012 following a review of their requirements in London. Our Arts Council Officer supported the continuance of funding given the quality of our work, but we fell down on a strategic point from having no financial support from our local authority. Without reinventing ourselves and finding a new way to support the Trust, we would not have been able to survive in the old building. Indeed the expectation at the Arts Council was that without funding we would close. Instead the ambition and scope of the new building will allow us to deal with many operational issues and will create a centre that is fit for purpose. Throughout all this, Councillors on our Board and Council Officers were made aware of our position. The members on our Board were fully aware of the financial implications on the Trust and the funding requirement for our development and have worked tirelessly to achieve these aims.