

<b>Mayor and Cabinet (Contracts)</b>			
<b>Report Title</b>	Libraries Savings Programme – approval of preferred provider for Manor House		
<b>Key Decision</b>	Yes	Item No.	
<b>Ward</b>	Lee Green		
<b>Contributors</b>	Executive Director for Community Services, Executive Director for Resources and Regeneration		
<b>Class</b>	Part 1 (open)	Date:	22 March 2017

## **1. Introduction**

- 1.1. On 9 December 2015, Mayor and Cabinet resolved to extend the Community Library model to the Forest Hill, Torridon and Manor House library buildings and instructed officers to identify suitable partner organisations. An initial call for applications secured partners for Forest Hill and Torridon in July 2016. Unfortunately, a suitable partner for Manor House was not found at that time and officers were instructed to carry out a further exercise to identify a suitable partner.

## **2. Purpose**

- 2.1. This report provides information about the process undertaken to find a partner organisation for Manor House and seeks approval of the preferred partner.

## **3. Recommendations**

- 3.1. Mayor and Cabinet (Contracts) is recommended to:
- 3.1.1. Approve V22 Foundation as the preferred partner for Manor House.
- 3.1.2. Give authority to the Executive Director for Resources and Regeneration to negotiate and agree the terms of a 25 year lease as outlined in paragraph 7.7 for the Manor House Library building and grounds to enable the provision of a community library in partnership with the council.

## **4. Policy context**

- 4.1. Shaping the Future, the council's Sustainable Community Strategy includes the following priority outcomes which relate to the work of the Library and Information Service and reflect the council's aspirations for the service:
- Ambitious and Achieving – where people are inspired and supported to fulfil their potential.
  - Empowered and Responsible – where people can be actively involved in their local area and contribute to supportive communities.
  - Healthy, Active and Enjoyable – where people can actively participate in maintaining and improving their health and wellbeing.

- Dynamic and Prosperous – where people are part of vibrant localities and town centres, well connected to London and beyond.

4.2. The Library and Information Service also contributes to the following Council Priorities:

- Community leadership and empowerment – developing opportunities for the active participation and engagement of people in the life of the community.
- Strengthening the local economy – gaining resources to regenerate key localities, strengthen employment skills and promote public transport.
- Active, healthy citizens – leisure, sporting, learning and creative activities for everyone.

## 5. The Proposal

5.1. The Budget Savings Proposal presented to Mayor and Cabinet in November 2015 was based on:

- The creation of three Hub Libraries – Deptford Lounge, Lewisham and Downham Health & Leisure Centre—which will carry an enhanced role for face to face contact between the local authority and the public to support the digital by default agenda.
- The extension of the Lewisham Community Library Model to Forest Hill, Torridon, and Manor House, in partnership with other council services and community organisations. And the integration of the library provision into the repurposed ground floor space within the Catford complex (Laurence House).
- The review of front line staff to include new functions through the re-training and enhancement of front line roles

5.2. Implementation of this proposal will release revenue savings of £950,000 to the Library budget. The proposal also includes efficiencies to be realised on the Deptford Lounge budget which would produce savings of £50,000.

## 6. Identifying Partner Organisation for Manor House

6.1. Following the failure to identify a partner organisation for Manor House in July 2016 some changes were made to the tender pack. Feedback from the initial round suggested that a major disincentive was the organisations' concerns about taking on full responsibility for the Grade II\* listed building through a full repairing and maintaining lease. The tender pack was amended to make clear that bidders had a choice to either request a full repairing lease or a premises management agreement. Details of the split of repairs and maintenance responsibilities between the council and the third party within a premises management agreement were included with the tender pack. The criteria relating to a capital funding plan was also removed from the pack to further reflect this change.

6.2. A revised tender pack was produced and made available on the council website and widely promoted with the support of an external consultant. Fifteen organisations registered an interest. Officers facilitated visits to the library building, responded to questions and met with interested organisations. They also facilitated meetings with community stakeholders prior to the bids being

submitted.

- 6.3. Three full bids were received from potential partner organisations and their proposals were assessed using the following four criteria:
- Proposed use of the building and associated community benefits including the community library service provision
  - Organisational Capacity
  - Ability to take on the financial responsibilities of running the building, including income and expenditure forecast
  - Plans to involve the community

## **7. V22**

- 7.1. V22 is an arts organisation with a shared ownership model that specialises in the collection of contemporary art, the production of exhibitions and events, the provision of artists' studios, workspaces and artisans' workshops at affordable rates, and the running of community engagement and education programmes. V22 is a group of 3 companies V22 plc, V22 London Ltd and V22 Foundation.
- 7.2. The parent (V22 plc) is registered on an independent Stock Exchange regulated by the FSA and NEX. It is registered under the social impact sector for companies who have a social or environmental impact as a result of their business. It is a fully regulated plc whose accounts are published in accordance with statutory requirements. It holds an art collection and is registered in the Isle of Man for administrative and financial reasons. The company has provided a briefing note explaining the reasons for registering the company holding the art collection in the Isle of Man which is attached as Appendix 1.
- 7.3. Underneath the Parent there is a wholly owned subsidiary with different purposes. V22 London Limited is registered in the UK and is a private limited company which was set up to acquire and manage buildings in London, provide affordable studio space to artists and artisans, and promotes and manages the V22 Collection. V22 plc and V22 London Limited share one director and the plc is a guarantor of a third-party loan to V22 London as the accounts show.
- 7.4. The third company, V22 Foundation, is a not for profit organisation limited by guarantee. This organisation is currently applying for charitable status. The Foundation's objectives are to run aspects of the public programme, deliver community projects and develop educational initiatives.
- 7.5. It would be the V22 Foundation that would take on the lease for the Manor House building. V22 have extensive experience of managing buildings. They hold the lease for Louise House which is adjacent to Forest Hill Library and have successfully raised the capital funding to refurbish the building and create artist studios and community spaces. In July 2016, they successfully became the preferred bidder for the Forest Hill Library building and took on its management in October 2016. V22 has a great deal of property management experience and their bid clearly demonstrated that they have the organisational capacity to manage Manor House.
- 7.6. V22 propose to keep the library floor space the same as currently. They will draw on their experience of managing the Forest Hill Library building to ensure a smooth transition. The intention would be to employ a building manager who

would work with the current manager of Forest Hill building to provide a joined up service across the two sites. V22 would recruit a pool of volunteers. Their bid highlighted a number of areas they wish to further develop including links with primary schools, the Go-On digital access project and developing a specialist arts book collection. V22 also committed to maintaining the seven day a week opening hours. V22 intend to use the majority of non-library space as artist studios. They propose to work with each of the current building users to see how they could be accommodated. The provision of artist studios supports Lewisham's creative economy by providing affordable workspace for artists at a time when workspace is under pressure across Lewisham and the capital. Whilst the artists' studios themselves are not a direct community benefit the education activities and events that V22 offer alongside their studio provision are. The proposed uses will complement and enhance the library services whilst providing an income stream for the building. They will however reduce the available hireable community space. Overall the bid met the Community Benefit criteria, achieved the highest overall rating from community stakeholders, and the second highest feedback from the residents' survey.

- 7.7. The income and expenditure plan submitted as part of the bid was realistic with the main source of income being generated by studio rental income. Expenditure efficiencies will be realised through managing the Manor House building jointly with Forest Hill and Louise House. V22 have demonstrated that they have the skills to attract and manage capital funding should it be required. V22 proposed that they take on a 25 years lease with shared responsibility for repairs: with the council retaining responsibility for the external fabric of the building and V22 taking on internal repairs and plant, following a full service of the plant and lifts. V22 also proposed that the council temporarily retain responsibility for paying the business rates, until the V22 Foundation receives its charitable status which is pending. It is proposed that a deadline of 1 April 2018 for rates liability passing to V22 be agreed. The request for the council to retain significant repairs liabilities has been taken into account in scoring the financial viability of the bid. There would be no rent in return for working in partnership with the council to ensure the continued provision of a Community Library within the building. The 2015 audited accounts for V22 London Ltd show an accumulated deficit of £169,238. This deficit accumulated over a three year period following the unexpected loss of a large artists' studio building. V22 London Ltd has acquired more artist studio space over the last three years and the indication for 2016 – from the unaudited half year 2016 consolidated V22 plc and V22 London Ltd accounts – shows that they have moved into a surplus of ca. £190k. V22 plc is the parent company of V22 London. It holds an art collection that was valued on 31 December 2015 at £1,670,429, giving the V22 group assets that increase their financial security. Overall the bid met the Financial Sustainability criteria.
- 7.8. V22 propose to establish an advisory board made up of key local stakeholders to provide feedback from the local community and test new ideas. They also intend to ensure that there are a variety of mechanisms available for users to provide feedback. A particular emphasis was placed on engaging with local schools and with key community organisations. There was concern expressed by a small number of the community stakeholders group about V22's plans to involve the local community. Overall they felt that V22 met the Community Involvement Criteria but they were not the highest rated organisation.
- 7.9. V22 were able to demonstrate a strong track record in managing buildings both in Lewisham and other London Boroughs. Their experience of working with the library service in Forest Hill led to a carefully considered bid with the emphasis

on maintaining a strong library presence at Manor House whilst still allowing for some limited community use in other parts of the building. The provision of artist studio space supports the borough's cultural aspirations. V22 are the preferred bidder and it is recommended to negotiate a 25 year lease with the council retaining responsibility for the external fabric of the Grade II\* listed building and V22 taking on all other building costs with rates liability for V22 commencing on 1 April 2018. It is also proposed that the council undertakes a full service of the plant and lifts prior to handover to V22.

## **8. Family Health (Lee)**

- 8.1. Family Health (Lee) is a mental health and wellbeing organisation supporting and partnering individuals, families and communities of African and African Caribbean origin to meet their mental health and wellbeing needs. It was set up in 1987 in the London Borough of Lewisham as a charity and is one of the oldest organisations of its type in the UK. They offer a range of mental health and wellbeing services for people of African and African-Caribbean background aged 18-56 years old in Lewisham. They would be supported by People Opportunities Limited, a private limited company registered in 2005 that provides a range of organisational learning and development consultancy services. The bid gave details of the substantial experience of the key individuals who would be responsible for delivering the project. This included some property management experience. Overall the bid met the Organisational Capacity criteria.
- 8.2. Family Health proposed to retain the library space as it currently is and retain all the current library activities. They wished to place an increased emphasis on local history and education. In the lower ground floor there would be a café with the emphasis on healthy eating and space for leisure and well-being activities. They would continue to offer programmes for parents and carers and in the longer term they had an aspiration to open a day nursery. On the first and second floor Family Health intended to run an education and training centre and a cultural centre. This could include public events, film screenings, workshops, seminars and training programmes. Overall the bid met the Community Benefit criteria although it was scored significantly lower by the community stakeholders than the other bids.
- 8.3. The bid relied quite heavily on the use of existing income streams from health commissioners. It was not possible to obtain the necessary assurance that these sources of funding could be used for this project. In addition to existing income the financial projections had a number of other income streams from education activities, café, cultural events, weddings and other rents. Family Health Isis would be seeking a premises management agreement for the first five years with the possibility of requesting a long lease once established. The shared cost of repairs and maintenance that a premises management agreement entails was taken into account when assessing this criteria. Overall the bid failed to meet the Financial Sustainability criteria due to the reliance on existing restricted health funding.
- 8.4. The bid provided a great deal of detail about Family Health Isis approach to community engagement. It was clear that the organisation places great value on working closely with communities. However, the precise vehicles for community involvement were harder to identify in the bid and they received the lowest score from the community stakeholders. Overall the bid met the Community Involvement Criteria.

- 8.5. The bid included a range of interesting ideas for using Manor House to provide community benefits. However, the low scores from the community stakeholders and the failure to meet the Financial Sustainability criteria mean that the Family Health Isis bid is not considered to be viable.

## **9. Arts Network**

- 9.1. Arts Network is an arts and crafts charity for people who access mental health services. Using creative practice, Arts Network works to reduce stigma and provide a safe, creative environment for people to develop new skills and self-confidence. Arts Network has been running spaces to house their own activities since 1996. Arts Network is based in Lee Green, currently working out of the Lee Centre. They are a membership organisation, with all members being people with severe and enduring mental health needs. The bid gave a detailed description of their intended approach to managing this project which would be a substantial growth for what is a relatively small organisation. Overall Arts Network met the Organisational Capacity criteria.
- 9.2. Arts Network's bid was very clearly expressed. In addition to ensuring the continuation of library services and providing a base for Arts Networks own activities, the proposal would also bring a range of new creative activities to Manor House and retain a substantial amount of space for community hires. The intention would be to have paid staff managing the building, supported by volunteers. Arts Network also identified a number of volunteering opportunities for their members including maintaining the gardens. The range of community benefits that would be delivered by the bid meant that Arts Network scored highly for the Community Benefit Criteria. However, there was one factor that reduced the score which is that initially Arts Network proposed slightly reduced opening hours with no Sunday opening until Year 2. Their financial modelling also showed that should they fail to meet their income targets they would need to reduce opening hours further. Arts Network's proposal was well received by the Community Stakeholders, being rated only slightly lower than V22 for Community Benefit. They received the most positive feedback from the residents' survey.
- 9.3. Arts Network are a registered charity with a small turnover. Their accounts show that they have a very prudent approach to financial management with a year's operating costs in reserves. This project will however, double their turnover and therefore is a considerable undertaking. The income projections rely on rental and hire fees as well as funding from trusts. Arts Network provided a letter of support from one of their key funders. The assumptions for rent and hire income are realistic in the long term although any delays in agreeing initial rentals could impact on Year 1 income. Arts Network provided modelling for their income and expenditure based on lower earned income which would further reduce the opening hours until income levels improved. The information provided was very clear and detailed. Overall Arts Network met the Financial Sustainability Criteria although the risks of not meeting income targets and the potential knock on to opening hours would reduce the community benefits from their bid.
- 9.4. Arts Network demonstrated a strong knowledge of the Lee Green area and many existing connections with local groups. Their bid outlined their commitment to ensuring that local residents felt a sense of ownership over the building. They propose to establish a working party with representatives from local groups and establish partnerships with schools and cultural organisations. Overall Arts Network met the Community Involvement Criteria and received

good scores from the Community Stakeholders.

- 9.5. Arts Network submitted a detailed and well thought out bid. It met all the criteria and was considered to be a viable option. However, they have less experience in managing buildings and were proposing lower opening hours than V22. There was also some concern about the scale of this project for a relatively small organisation. For these reasons Arts Network are not the preferred bidder but officers did consider this to be a viable proposal.

## 10. Stakeholder Engagement

- 10.1. Officers have worked with local community stakeholders in developing the proposals. Meetings were held to discuss the draft tender pack and ideas and information about the kinds of community activities that stakeholders felt would be appropriate were included.
- 10.2. The Lee Green Assembly established a working party to assist the council in identifying the right organisation to take on Manor House. Officers met with the working party to agree how they could be included in the tender process. Pre-application meetings were arranged with interested bidders to assist them in further understanding community needs and expectations. The working party also took part in interviewing the three final bidders and provided input into the Community Benefit and Community Involvement Criteria scoring.
- 10.3. In addition to the work with the Assembly Working Party local residents were asked to give their views on the three proposals in terms of their plans for Community Benefit and Community Involvement. An online survey ran for four weeks with hard copies available in the library. 222 responses were received. The survey asked for feedback in general terms of the value of the proposals to the community. Information about the organisations' finances and capacity were not shared. The responses from the survey were taken into account in scoring the community benefit criteria. A summary of responses is included below:

	Would you make use of the activities and facilities being proposed?					Do you see the activities/ events proposed as being of value to the local community				
	Yes	No	Maybe / Unsure	No response	Total	Yes	No	Maybe/ Unsure	No response	Total
<b>Arts Network</b>	145	27	26	24	222	172	3	22	25	222
<b>Family Health (Lee)</b>	61	85	40	36	222	97	54	34	37	222
<b>V22</b>	107	49	36	30	222	119	40	32	31	222

- 10.4. In addition to requesting feedback on the proposal, individuals were asked if they would be interested in volunteering at Manor House. 37 respondents said that they would and agreed for their details to be passed on to the successful bidder.
- 10.5. A total of 13 letters from residents have been received by the Mayor's or Councillors' offices expressing concern about the Community Library approach for Manor House.
- 10.6. The main themes in the letters relate to the value of library services and of the Manor House building. They also reflect some misconceptions about the perceived disposal of the building, the loss of the library provision in it, and

question the value for money delivered by the Community Library Model, suggesting the return to a fully council staffed library provision.

- 10.7. The rationale for extending the Community Library Model was included in the report to Mayor and Cabinet on 9 December 2015. There has been no significant change since this time to suggest that there is a better solution that would meet the need to achieve the savings whilst retaining the library provision at Manor House.

## **11. Equalities implications**

- 11.1. Partner organisations working with the council to support the community library service are required to have comprehensive equalities policies and procedures to ensure that library services remain accessible to residents from all protected characteristics. V22 are able to demonstrate that they meet this requirement.

## **12. Comments from Regeneration and Asset management**

- 12.1. The Market Rental Value of Manor House is assessed as being £65,000 per annum. A 25 year lease at nil rent would therefore result in the council foregoing a total rent of £1.625m. However, it is noted that the council will also benefit from the reduction in property related management and staff costs which result from progressing with this proposal. These savings significantly outweigh the annual rental value for the building and this proposal enables the council to continue to provide library services at Manor House with other ancillary community benefits.

## **13. Legal implications**

- 13.1. The Public Libraries and Museums Act 1964 makes provision for regulating and improving library services.
- 13.2. Section 7(1) sets out the duty of every library authority to provide a “comprehensive and efficient library service for all persons desiring to make use thereof”.
- 13.3. Section 7(2) provides that, in fulfilling its duties, a library authority should have regard to the desirability “of securing ...by any other appropriate means” that facilities are available for the borrowing of, or reference to, books and other printed matter, pictures, records, films and other materials in sufficient number, range and quality to meet the general requirements and any special requirements of adults and children.
- 13.4. Section 9(1) provides that “a library authority may make contributions towards the expenses of ..... any person providing library facilities for members of the public”.
- 13.5. This report recommends that a 25 year lease of the Manor House building is given to the not for profit company within the V22 group, the V22 Foundation, on the terms set out in this report. The final terms of the lease will need to be agreed with V22. However, the lease will contain obligations for V22 to support the agreed community library services in the form of specified outputs, failing which the council will have the ability to terminate the lease and take the property back.



- 13.6. Under Section 123 of the Local Government Act 1972 the Council may not dispose of non-housing land otherwise than for the best consideration reasonably obtainable, except with the consent of the Secretary of State. The council will not be receiving best consideration for the lease. However, the Secretary of State has issued a general consent under Section 123 which applies where:
- (a) the authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of the following objects in respect of the whole or any part of its area, or all or any of the persons resident or present in its area:
- the promotion or improvement of economic well-being
  - the promotion or improvement of social well-being
  - the promotion or improvement of environmental well-being; and
- (b) the difference between the unrestricted value of the land to be disposed of and the consideration for the disposal does not exceed £2,000,000.
- 13.7. The Mayor should therefore be satisfied for the reasons set out in this report, the grant of the lease to V22 will contribute to the improvement of the social well-being of persons resident in the borough.
- 13.8. The company structure of the V22 Group is referred to at paragraph 7 of this Report and the attached Appendix 1 contains a statement from a Director holding directorships in both V22 PLC and V22 London Limited explaining why the PLC is registered in the Isle of Man.
- 13.9. It should be noted that the subsidiary V22 London Limited – to which the council granted the lease of Louise House offering studios for local artists and has entered into an agreement for a lease in relation to the Forest Hill Library building – is registered in the UK.
- 13.10. If awarded, it is the intention that the lease of Manor House will be granted to the not for profit V22 Foundation, which is currently applying for charitable status. This company is independent of the PLC and cannot share any surplus with any other company in the group.
- 13.11. The Equality Act 2010 (the Act) introduced a public sector equality duty (the equality duty or the duty). It covers the following protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 13.12. In summary, the council must, in the exercise of its functions, have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
  - advance equality of opportunity between people who share a protected characteristic and those who do not.
  - foster good relations between people who share a protected characteristic and those who do not.
- 13.13. It is not an absolute requirement to eliminate unlawful discrimination, harassment, victimisation or other prohibited conduct, or to promote equality of opportunity or foster good relations between persons who share a protected

characteristic and those who do not. It is a duty to have due regard to the need to achieve the goals listed at 13.11 above.

13.14. The weight to be attached to the duty will be dependent on the nature of the decision and the circumstances in which it is made. This is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. The Mayor must understand the impact or likely impact of the decision on those with protected characteristics who are potentially affected by the decision. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations. The extent of the duty will necessarily vary from case to case and due regard is such regard as is appropriate in all the circumstances.

13.15. The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled "Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice". The council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-codes-practice>

<https://www.equalityhumanrights.com/en/advice-and-guidance/equality-act-technical-guidance>

13.16. The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

- The essential guide to the public sector equality duty
- Meeting the equality duty in policy and decision-making
- Engagement and the equality duty: A guide for public authorities
- Objectives and the equality duty. A guide for public authorities
- Equality Information and the Equality Duty: A Guide for Public Authorities

13.17. The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at:

<https://www.equalityhumanrights.com/en/advice-and-guidance/public-sector-equality-duty-guidance#h1>

## **14. Financial implications**

14.1. This report relates to savings proposal L6 considered by Mayor and Cabinet on 16 September 2015. The proposal was for a reduction of £1m against the current net library budget of £4.18m, phased £400k in 2016/17 and £600k in

2017/18.

- 14.2. The report seeks approval to appoint V22 Foundation as the preferred partner for Manor House and to grant authority to the Executive Director for Resources and Regeneration to negotiate and agree the terms of a 25 year lease as outlined in paragraph 7 for the Manor House building and grounds to enable the provision of a community library service in partnership with the council
- 14.3. Reasons for recommending V22 Foundation over other bidders are set out in paragraph 7.
- 14.4. Paragraph 7.7 shows the latest available financial information for V22 PLC and V22 London. Unaudited accounts for V22 Foundation for the period 1 May 2016 to 31 December 2016 showed a small deficit (£1,442 on a turnover of £114,746).
- 15. Crime and disorder implications**
- 15.1. There are no direct crime and disorder implications arising from this report.
- 16. Environmental implications**
- 16.1. There are no direct environmental implications in this report.

### **Background Papers**

30 November 2015 Safer Stronger Select Committee Proposed changes to the Lewisham Library and Information Service

[http://councilmeetings.lewisham.gov.uk/documents/s40112/4\\_LibrariesConsultation2015Update\\_30112015.pdf](http://councilmeetings.lewisham.gov.uk/documents/s40112/4_LibrariesConsultation2015Update_30112015.pdf)

9 December 2015 Mayor and Cabinet Revenue Budget Savings Report

<http://councilmeetings.lewisham.gov.uk/documents/s40314/Appendix%20i%20-%20SSSC%20libraries%20consultation%20outcome.pdf>

13 July 2016 Mayor and Cabinet Libraries Savings Programme Update

For further information please contact  
Liz Dart, Head of Culture and Community Development on 020 8314 6115.

## **Appendix 1: Note from V22**

### **A Note on Reasons for V22 IOM Status**

#### **The V22 Group:**

**V22 plc** – listed on the NEX stock market and Social Stock Exchange; holds the art collection; incorporated in the Isle of Man for the reasons outlined below.

**V22 London Ltd** – subsidiary of plc; runs our studio buildings; incorporated in England and Wales to meet our tax responsibilities.

**V22 Foundation** – not-for-profit with non-distribution clauses written into its articles; runs community centres and community libraries; incorporated in England and Wales for our not-for-profit objectives; in the process of registering as a charity.

#### **History:**

The founding principle of V22 was to create a shared ownership structure which allows artists more direct ownership of the infrastructure of their sector and enables aspiring patrons to have a direct ownership role in the culture of their time.

A public company listed on the stock exchange was the structure we chose for shared ownership. The stock market is a proven system of asset-sharing, supported by reliable and transparent rules and structures, and provides a model which opens possibilities to develop the existing processes, forms and conditions for collecting art.

For budding patrons the only way to invest is directly with cash, but for artists (often short of cash as they build up their careers) we wanted them to be able to invest with their art. As we were growing an art collection this seemed an ideal way to incorporate them into the ownership. Thus we buy work - through a stringent selection process - for a mixture of cash and shares. In the ten years since our formation, the artist' shareholding of V22 has grown to 39.25% (and counting) and we are very proud of the structure which has enabled this.

However, when we came to set up the company, allowing for this investment with art, we found that the rules governing paying with shares in the UK were extremely administration-heavy. Each time we wanted to buy a work of art we would have had to have the transaction externally verified. The costs of this would have made our model impossible and so full of paperwork I doubt anyone would have wanted to work with us.

We thus set about looking for alternatives. One that presented itself, without having to change our aspirations for a shared ownership structure, was incorporation in the Isle of Man. Because our art collection is international in its scope we could set up our company there. Because we had no intention of trying to sidestep our tax responsibilities, we set up at the same time a wholly owned subsidiary of the plc, incorporated in England and Wales, which does all our day-to-day business in the UK and pays all its taxes: V22 London Ltd. The plc only holds our art collection and as it is not set up as an investment fund or for regular sales of art, the lack of capital gains in the IOM does not have much impact on us.

In 2011 we set up a third company: V22 Foundation. This is a not-for-profit company limited by guarantee which prohibits any distribution of its profits. We set this up so that one structure could be entirely about our not-for profit initiatives. This company shares one director with both V22 plc and V22 London Ltd: our founding director Tara Cranswick – however she is not paid for her services and will not be for as long as she is an officer of the other companies. V22 Foundation is in the process of registering as a charity in response to its successful bid – alongside a management board formed of local residents and organisations – for running the Forest Hill Library as a community library.