

BODY: CABINET

DATE: 6 February 2013

SUBJECT: Royal Hippodrome Theatre – future management

REPORT OF: Tracey McNulty – Senior Head of Tourism & Leisure

Ward(s): Devonshire

Purpose: To update Cabinet on progress to secure external future management, funding and programming of the Royal Hippodrome Theatre and seek authority to enter into an alternative partnership model to that previously endorsed, enabling progress and reducing the long-term financial risks for EBC.

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Recommendations: That Cabinet:

- Note the present situation and progress of negotiations with the RHT Trust since October 2010;
- Agree the principles and proposals of transferring management and governance of the Theatre to the alternative community based company;
- Authorise the Senior Head of Tourism & Leisure in consultation with the Cabinet Portfolio Holder and colleagues in Legal and Estate services, to progress the licence and proposed lease agreements, as set out in the body of the report.

1.0 Background

1.1 The Royal Hippodrome Theatre (RHT) is managed as part of Eastbourne Theatres, following the end of the tenancy contract with Matpro productions in November 2007, which had run for 12 years. At this time (2008) EBC invested circa £150,000.00 into the venue to bring it up to current licensing legislation.

1.2 Since approximately 2006 'The Royal Project', a community based project, has been working towards the formation of an Independent Trust as a vehicle to draw down funding to restore and re-model the Theatre and to develop the venue as an arts and media centre, to act as a focal point for the regeneration of the area. An agreement was reached between the Council and members of the Project to facilitate the transfer of the Royal Hippodrome to the Project/Trust by January 2011, after which time they could run it as a community based, independent, charitable concern.

- 1.3 During the negotiations around booking the 2011 season, members of the RHT Committee then wrote to the Council stating that they were not in a position to take on the management and that they endorsed EBC contracting Matpro for the 2011 season, as had been the case for 2009 and 2010.
- 1.4 Having become a Charitable Trust officers had a series of meetings with the trustees and put forward a proposal to the then Chair and Council nominated Trustees, of how the transfer could be managed through a phased programme with financial support. This proposal was agreed by Cabinet in October 2010, after a review of the financial implications and options available, from closing the venue through to operating as a hall for hire.
- 1.5 Cabinet considered the resource and governance implications and agreed the principles as follows:

Short term

November 2010 – October 2011: EBC would contract Matpro and support the Trust and volunteers in working with EBC to define the structure of its business plan.

Medium Term

October 2011 – April 2012: EBC to continue to meet fixed costs whilst supporting the Trust taking up residence in a risk free environment, assessing the potential business opportunities and developing a business plan for 12 – 14;

April 2012 – April 2014: pending approval of the business plan the Trust would take up permanent residence and run the venue for an agreed two year period, with a level of financial support contingent with the Council's overall efficiency targets for the service area, whilst it worked on fundraising, management strategies and business planning.

Long term

It was envisaged that from April 2014 the Trust will have sole rights in governance and programming, subject to operating within the frameworks for licensing, health and safety and any leasing or financial arrangements, regarding the purpose of use for the building.

It was asserted that the future lease would be fully repairing but that the ownership of the Freehold would stay with EBC.

- 1.6 The 2011 AGM resulted in further Trustees being recruited alongside a new Chair and in the following months efforts were made to agree a Memorandum of Understanding based on the offer above, to give trustees comfort regarding our intentions, but the content and purpose of the MoU has still yet to be resolved. The resignation of the Management Committee further compounded the uncertainty around the ability of the Trust to take on responsibility for programming and management aspects.
- 1.7 Officers and Members continued to liaise with the Trust in the lead up to the 2012 season, aspiring to be able to bring into effect the transfer of responsibility for the programming. Following the assertion from the

Chair that this was not feasible, due in part to the historic nature of the summer season incurring guaranteed fees, officers sought solutions.

- 1.8 Following a tender process, the season was awarded to Lee Moon productions to bring a variety show to the RHT, with the added benefit of a partnership with the Eastbourne Hospitality Association, due to connections with one of the members.
- 1.9 As a result, members of the EHA took on personal responsibility for developing sales and marketing relationships with coach companies, sales of tickets to guests, decoration of the bar, tea and coffee areas and staffing for interval drinks and sales, press, pr and marketing event in and around the town. For the first time in recent history, local residents were also able to book tickets and seats of their choice for the show, due to the cessation of reservation arrangements with the previous sales agent and we saw more local residents enjoying this facility as a result.

2.0 Current Situation

- 2.1 In the context of this relationship, we have enjoyed a summer season at the RHT which has been welcomed by the local community. However the venue has consistently sustained a loss of £42,000 against the costs, in line with previous years, due in part to the high production costs and guarantees and overheads, against the potential sales. In addition, the building is still in decline, with many areas not yielding their potential use or value due to their condition and a recent survey revealed necessary works at an estimated value of £700,000.00, to put the theatre into a state of good repair. As a result a community partnership is still considered the optimum solution for the long-term viability of the building and its value to the community.
- 2.2 The Trust has put forward an alternative set of principles to those set out in the MoU, which engages them in discussions and decisions of the future of the venue, but which does not include taking responsibility for the building, management or programme. In particular it does not refer to the summer season.
- 2.3 Through continued dialogue, we have identified that the Trust wishes to concentrate on recruiting new trustees, having been unable to do so at its recent AGM, with the view to look to raise funds for feasibility studies on the future of the theatre. It is not clear at this stage what the study will concentrate on in terms of feasibility, i.e. whether this as managing a going concern, a redevelopment or other community facility and the Trust has yet to articulate this. A decision therefore needs to be taken on the summer season for 2013.
- 2.4 In the meantime, two of the individuals most involved in the promoting and championing the value of the RHT, enabling the 2012 programme, have come forward with a proposal to invest in the venue and set up a new Community Interest Company responsible for the financing and management of the programme and venue, with the view to taking on long-term responsibility.

3.0 The Alternative Proposals

3.1 Overall the proposal is to establish a Community Interest Company of local hoteliers, performing arts groups and possibly EBC, to run the RHT long term. In the short to medium term, the intention is to relocate the main office of the Eastbourne Hospitality Association to the RHT, to ensure an ongoing presence and open a Tourist Information service. The company will stage a summer programme and facilitate use of the venue by local amateur dramatics groups, education and training providers. In return, the Council would retain a stake in the facility's success, if it proves feasible to be a partner in the CIC, with the company taking all the risk and EHA members promoting and conducting sales via its hotel stock and in the longer term, the CIC taking on full responsibility for the building and revenues, including all repair and maintenance and programming costs. Two local hoteliers are leading this proposal and have set out a two tier phased approach as follows:

3.2 **March 2013 – April 2014:**

Phase 1a: With the two local hoteliers at the helm, a Management Group to be set up with a commercial production company; At this stage, EBC are requested to grant the company a licence to enable the company to occupy the premises, put in place required improvements and programme the summer season and other activities as appropriate. The responsibilities of the company may be described as:

- Compliance with the licence to programme and hire out the venue;
- Day to day security of the building;
- Overseeing full use of the venue in areas (where safe) currently unused, except the box office;
- Utility bills over and above the levels paid by the council for the previous year (2012);
- Staffing of the venue;
- Day to day maintenance;
- Paying commission to EBC for box office services;
- Internal décor;
- Employers Liability Insurance;
- Contents insurance (if applicable);
- Cleaning costs & provisions;
- Telephones;
- Premises Licence (Council to facilitate change);
- Refreshment and bar sales;
- Programmes.

At this stage it is proposed that EBC will retain responsibility for:

- All structural aspects of the building, rates, alarms and insurance;
- Utilities, up to the level of 2012;
- Any other Statutory responsibilities ;

- Advertising, within existing framework;
- Box office services, subject to commission.

3.3 **Phase 1b: EHA to establish TIC in Box Office – immediate implementation**

Further discussion and research will be needed into building use, regulations and services but the intent is to generate a 5 year lease which enables The EHA to:

- operate the present box office area as their main office, whilst also operating a Tourist Information Service, which the EHA would develop at their expense;
- Create the EHA as theatre ticket agents;
- Install a separate telephone line and electric meter.

We would also agree a suitable break clause in the event that plans for the RHT should change in the future.

3.4 **Phase 2: Establishment of the Community Interest Company** and drafting of lease to enable the CIC to be able to obtain funding for the RHT in the future. EBC and RHT management to work together with the formation of this with EBC Legal team.

4.0 **Consultation**

4.1 Over the last three years, extensive dialogue, discussion and consultation has been undertaken with the Chairs and trustees of the Royal Hippodrome Trust and management committee members. The Trust and Friends of the Theatre have been advised, since last summer, of the interest from another party and have also been engaged in dialogue with the hoteliers since last summer. Officers have steered the two parties to collaboration as there may be a mutually beneficial relationship to be gained from a partnership approach but this is in the hands of the individuals involved. Relevant Portfolio Holders and other Councillors and Cabinet members have been engaged in the dialogue at various stages and the Eastbourne Hospitality Association members have been consulted on the proposals and endorsed the position. Legal Services, Eastbourne Theatres' management and representatives of the Theatres Trust have also been party to the discussions.

5.0 **Resource Implications**

- 5.1 Finance: We are progressing the alternative proposal within the current budget structures agreed as part of the former proposal, which takes account of the removal of all income targets whilst retaining some costs for utilities, insurances and building rates, with a structural impact on the budget of £46,000.00 pa, until 2014.
- 5.2 Staffing: In the first stages, EBC will supply some staffing resource to the company, to be recharged at cost to the company. In addition, support and advice will be required from Eastbourne Theatres management, legal, finance and HR regarding the establishment of the CIC and ongoing staffing arrangements.

6.0 Other Implications, Human Rights, Community Safety, Youth, Anti-poverty.

6.1 No direct implications at this stage, although realising the proposal will provide ongoing presence at the RHT and contribute to the community provision and opportunities for young people in the Devonshire Ward.

7.0 Conclusion

7.1 EBC has sustained its commitment to the RHT Trust, which was established to support the long term viability of the Royal Hippodrome Theatre. We have worked with successive Chairs and trustees and accepted and worked with their requests to defer decisions, strategies and proposals. The Trust has now asserted that it is still not able to take on the programming or management of the Theatre in the short to medium term and that it wants time to recruit new trustees and consider what it may propose in the future. In the meantime EBC continues to incur liabilities and costs for a venue that another party is willing and able to absorb.

7.2 Agreeing the recommendations will effectively terminate negotiations between EBC and the Trust regarding the lease of the Theatre, but supporting and enabling the new proposal will move the transfer of governance forward, retaining the community focus, without closing the opportunities for the Trust to still be involved in the future viability of the Theatre. It enhances an existing strategic relationship with the Hospitality Association and contributes to the year round visibility and promotion of cultural activity in the Devonshire/ Seaside area, with the full commitment to be self-financing within a fully repairing lease.

8.0 Recommendations

That Cabinet:

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Senior Head of Tourism & Leisure

Background Papers: None.

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