

Overview and Scrutiny Committee Report

Ward(s) affected: whole borough

Report of Director of Environment

Author: Charlotte Brindley

Tel: 01483 444719

Email: Charlotte.Brindley@guildford.gov.uk

Lead Councillor responsible: Pauline Searle

Tel: 01483 825424

Email: Pauline.Searle@guildford.gov.uk

Date: 14 January 2020

Review of the annual report and monitoring arrangements for the operation of the G Live contract 2018-19

Executive Summary

This report will provide a summarised overview of the performance of the contractor operating G Live during the period 1 October 2018 to 30 September 2019. This is the eighth year in a ten-year contract term.

The Council entered into a 10-year contract to operate and manage G Live with HQ Theatres Guildford Limited (HQT) on 12 August 2011. In the contract agreement, HQT is required to optimise commercial and hospitality income in G Live as well as provide different genres of entertainment. HQT's annual report on the operation of G Live during 2018/19 can be found at Appendix 1.

Prior to the building opening, key performance indicators were set out on what was thought to be the desired balance between the provision of:- classical music, co-promotions, dance, rock, pop, folk, jazz and world concerts, comedy/spoken word, children's family entertainments, sport and others. The performance indicators for the previous 5 contract years are shown in section 4 of this report and in more detail on page 16 of the G Live annual report at Appendix 1. The key performance indicators and the annual report indicate a favourable performance by HQT with a record financial performance and the highest ever annual attendances, however, there is still room for further improvement.

A sub group of four councillors volunteered to represent the Overview and Scrutiny Committee to consider the G-Live annual report in detail. The minutes of the annual report presentation that took place on 27 November are at Appendix 2.

The Council pays a management fee in monthly instalments for the operation of the venue that is fixed at £328,595 per annum for the ten-year life of the initial contract.

Any net income that is generated over that break-even point is referred to as a surplus and is divided between the operator (80%) and the council (20%). The latest year's figures for 2018/19 provide a record surplus of £350,092 of which the element returned

to the council will be £70,018. This is a significant year, as this is the first time ever that a small, genuine operating profit has been made of £21,497 (i.e. excluding the fixed management fee).

The Scrutiny sub-group believe that, while HQT continue to improve the performance of the venue and is providing a good service, there remain opportunities for further improvement.

Suggested items for the Overview and Scrutiny Committee to consider

(1) Councillors may wish to comment on the performance of HQT in relation to the operation of G-Live over the period.

1. Purpose of Report

1.1 To provide a summarised overview of the performance of the contractor operating G Live for the contract year period 1 October 2018 to 30 September 2019. This is the eighth year in a ten-year contract term.

2. Strategic Priorities

2.1 The provision of the services detailed within this report support the Corporate Plan in respect of the Community theme in enhancing sporting, leisure, cultural, community and recreational facilities;

- by attracting visitors to the borough and making Guildford a more attractive place to live in. The venue offers a range of employment opportunities and facilities that businesses need.
- through providing an enhanced cultural and entertainment offer in an attractive, vibrant town.

3. Background of the contract

3.1 The Council entered into a 10-year G Live Operator Agreement with HQ Theatres Guildford Limited and QDOS Entertainment PLC (HQT) on 12 August 2011, this contract deals with the operation and management of G Live. This contract will expire on 30 September 2021.

3.2 The Council also granted a lease of the G Live premises to HQT for a period of 10 years at a peppercorn rent. This lease also expires on 30th September 2021.

3.3 The venue consists of main concert space capacity of 1,031 people seated, 1,700 standing, and a second space seating for up to 100. In addition, there are hospitality and meeting rooms.

3.4 In the contract agreement, HQT is required to optimise commercial and hospitality income in G Live as well as provide different genres of entertainment. Key performance indicators set out what was thought to be the desired balance between the provision of:- classical music, co-promotions, dance, rock, pop, folk, jazz and world concerts, comedy/spoken word, children's family entertainments, sport and others.

3.5 The original KPI targets prepared at the start of the contract were based on an unopen venue and without the benefit of recent information on the performance of a suitably equivalent venue in Guildford. These KPI targets have shown themselves to be of limited value compared to comparing performance against

previous years. The venue has now over eight contract year's history and is an established venue in the marketplace and the comparison against previous year's results is a much better indicator of performance. The performance indicators are shown in section 4 of this report and in more detail at page 16 of the G Live annual report at Appendix 1.

- 3.6 G Live is reliant on touring product, so promoters will either hire the venue or enter into an agreement for a percentage share of the box office. Promoters will seek to share the risk (i.e. share the box office proceeds) where they believe there is a risk the production may not do as well as anticipated. As G Live has matured, more promoters have looked to hire the venue at a fixed cost.

Overview of the existing monitoring arrangements

- 3.7 The contract is monitored by the Leisure Services Client Team. A summary of the current formal monitoring arrangements are as follows:-

- Monthly client monitoring meetings with the venue's Director using a structured agenda to discuss the operation and management of the venue
- a quarterly client monitoring meeting attended by the venue's Director and HQT's Regional Director, the relevant Lead Councillors and the Services Delivery Director using the same agenda as above. Scrutiny sub group members are also invited to the mid-year (i.e. March/April quarterly meeting)
- the annual report is presented to a separate meeting with the same attendees as the quarterly monitoring meeting plus the four Scrutiny sub group members who are also invited to this meeting
- the venue's Facilities & Building Manager has monthly meetings with the Asset and Properties Manager to discuss the technical aspects of the venue.

- 3.8 Minutes are prepared of all issues discussed at these meetings. The formal monthly client monitoring meeting includes a report on the outcomes and, where appropriate, will discuss any outstanding issues. Officers consider that HQT are meeting the asset management criteria detailed within the Operator Agreement.

4. Performance of the Contractor – Key Performance Indicators

KPI	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	KPI	Variant	Notes
Main Hall Live programme No of shows	164	169	205	203	198	250	-52	Excludes get ins, rehearsals and non perf. events such as beer festivals, antiques fairs etc.
Main Hall Community Events	92	136	166	173	125	15	110	Inc. Hillsong services on Sundays
Main Hall non	63	51	49	47	67	-	N/A	Get ins, rehearsals

performance events								and hospitality events
Total main hall event activity	319	356	420	423	390	265	125	
Main hall attendance	177,079	198,900	230,527	246,492	258,022	161,257	96,765	
Non-main hall hospitality events STUDIO	27	40	49	25	29	125 to 156*		Studio only. * KPI tolerance 20% permissible
Other hospitality events	59	128	167	171	182			All other spaces
Education projects	193	230	212	275	263	100	163	
Main hall dark days	91	85	64	67	57	80	23	
Customer service								90% KPI is based on rated good /very good
Show/event	98%	98%	99%	98%	99%	90%	+9%	
Service/staff	93%	95%	93%	93%	94%	90%	+4%	
Facilities	94%	94%	97%	95%	93%	90%	+3%	
Booking/info	89%	92%	91%	93%	92%	90%	+2%	
Catering/hospitality	64%	66%	65%	66%	67%	90%	-23%	Main bar & pre-show cafe
Combined	88%	89%	89%	89%	89%	90%	-1%	

- 4.1 The table above shows the contractual key performance indicators from the operator agreement, covering the last five years. The performance for the full eight years can be found on page 16 of the Annual Report at Appendix 1.
- 4.2 The key performance indicators and the annual report indicate a favourable performance by HQT with a record financial performance and the highest ever annual attendances, despite the slight decrease in the number of Main Hall events.
- 4.3 There is an isolated area of catering/hospitality that appears low by comparison to the other criteria and the benchmark, however it may be the benchmark score of 90% rated as “good” or “very good” is inappropriate e.g. if a customer is purchasing a drink at the interval it is likely to be quite difficult for the operator to exceed customer expectations. The KPI’s for customer service provide limited information in relation to identifying what the issues actually are and whether there are particular trends in a given area. Further information can be found on page 18 of the Annual Report at Appendix 1.

5. Scrutiny sub group monitoring process 2018/19

- 5.1 The sub group of four councillors who volunteered to represent the Scrutiny Committee (the “Scrutiny sub-group”) to consider the G-Live annual report in detail were invited to the annual report presentation by HQT. Councillors

- Redpath, Hunt, Sheard, and Eyre received a detailed briefing and discussion on the contract from the Leisure Services Client team with Councillor Searle prior to the annual presentation.
- 5.2 Unfortunately, Councillor Sheard, Eyre and Steel were unable to attend the presentation of the Annual Report on this occasion. The minutes of the meeting (at Appendix 2), were circulated to the sub-group as well as copies of the Annual Report so that those who could not attend the presentation, still had the opportunity to comment.
 - 5.3 The Venue Director, Derek Aldridge, delivered a presentation on site covering this contract year's performance by HQT. A venue tour was also undertaken, which was arranged as a result of a request by the sub-group.
 - 5.4 The councillors considered the contents of the report and raised questions relating to the programming, the catering offer and also how challenges such as ticket touts are managed. The KPI's were also discussed, with a particular focus on the future contract. Councillors also passed on positive feedback over their recent experiences at G Live relating to the Creative Learning programme and excellent customer service. The minutes of this meeting are at Appendix 2.
 - 5.5 The Scrutiny sub group concluded that while HQT continue to improve the performance of the venue and is providing a good service, there remain opportunities for further improvement.

6. Financial Implications

- 6.1 All income and tariff receipts at G-Live are the property of HQT (subject to the agreements with the promoters) i.e. HQT keep the income attributable to the venue from hires, bookings and ticket sales and secondary income (such as catering, refreshments, programmes, souvenirs etc.). The council pays a management fee in monthly instalments for the operation of the venue that is fixed at £328,595 per annum for the ten-year life of the initial contract.
- 6.2 Any net income that is generated over that break-even point is referred to as a surplus and is divided between the operator (80%) and the council (20%). The latest year's figures for 2018/19 provide a surplus of £350,092 of which the element returned to the council will be £70,018.
- 6.3 This year was an exceptional year as a small, genuine operating profit (£21,497) was made for the first time. This is very pleasing, however it must be noted that the expenditure is expected to grow as the building and plant age.

7. Legal Implications

- 7.1 Section 3 of the Local Government Act 1999 requires that the Council as a best value authority to "make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness". Reviewing and where required monitoring the Council's contractual approach is an important way in which that obligation can be fulfilled.
- 7.2 Any formal changes to the current contractual arrangements will have to be agreed with HQT and varied by agreement.

- 7.3 As the Overview and Scrutiny Committee has no decision-making powers, any recommendations that may arise would need to be referred to the relevant decision making body of the Council for a decision.

8. Human Resource Implications

- 8.1. There are no HR implications arising from this report.

9. Suggested items for Overview and Scrutiny to consider

- Councillors may wish to comment on the performance of HQT in relation to the operation of G-Live over the period.

10. Conclusion

- 10.1 The Scrutiny sub group received suitable background information and briefing sessions and followed a robust process to review the annual report of the operator at G-Live.
- 10.2 The latest year's figures for 2018/19 provide a surplus of £350,092 of which the element returned to the council will be £70,018. This year was an exceptional year as a small, genuine operating profit (£21,497) was made for the first time.
- 10.3 The Scrutiny sub-group believed that whilst there was scope for further developing and enhancing the offering to the community, the performance of HQ Theatres during the period was satisfactory and in accordance with the expectations of the Council.

11. Background Papers

G Live Annual report Presentation 2018/19

12. Appendices

Appendix 1 – G-Live Annual Report 2018/19

Appendix 2 – Minutes of Annual Report Presentation 27 November 2019