

Overview and Scrutiny Committee Report

Ward(s) affected: All

Report of Director of Services Delivery

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Review of the annual report and monitoring arrangements for the operation of the G Live contract 2019-20

Executive Summary

This report provides a summarised overview of the performance of the contractor operating G Live during the ninth year in a ten-year contract term. The period covers 1 October 2019 to 30 September 2020; however, due to the COVID-19 pandemic, G Live was forced to close in March. This report therefore mainly focuses on the performance of G Live during the five and a half months of operation (1 October 2019 to 16 March 2020).

The Council entered into a 10-year contract with HQ Theatres Guildford Limited (HQT) to operate and manage G Live 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 2019-20 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 entertainment, sport and others. The performance indicators for the previous five 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. Despite the venue only operating for five and a half months during the contract year, G Live's performance during that period was favourable. Last year was G Live's best financial performance yet, and HQT were on track to build on that, with an even stronger start to the year.

G Live remains closed until at least January 2021. The coming years will be a true test on the industry as it recovers, adapts and as customers seek to gain confidence in returning after what has been an unprecedented year.

A sub-group of five 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 via Microsoft Teams on 11 December are included in Appendix 2.

The Council pays a management fee in monthly instalments for the operation of the venue that is fixed at £328,596 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%). Last year (2018-19), a record surplus of £350,092 was made, and the element returned to the Council was £70,018. This was a significant year, as this was the first time ever that a small, genuine operating profit was made of £21,497 (i.e. excluding the fixed management fee). Despite G Live only being in operation for just less than 6 months during 2019-20, a surplus of £298,342 was made of which the Council's 20% share will be £59,686.

The Scrutiny sub-group were pleased with the performance of the venue and the operator during this difficult period.

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 reduced period, and their arrangements for the venue going forward.

Is the report (or part of it) exempt from publication? No

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 2019 to 30 September 2020, taking note that there were no staged public events or performances since 16 March 2020 due to the closure associated with the COVID-19 pandemic. This is the ninth 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, cultural, community, and recreational facilities:
- by attracting visitors to the borough and making Guildford a more attractive place in which to live. 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, which deals with the operation and management of G Live, is due to 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 30 September 2021.
- 3.3 Due to the impact of the pandemic and the uncertainty that surrounds it, consideration is being given to potentially extend the existing contract as opposed to going out to market. These discussions are only at the early stage since we are still in the midst of the pandemic and the venue is still closed.
- 3.4 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.
- 3.5 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 entertainment, sport and others.
- 3.6 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 performance indicators (which have been significantly affected this year as a result of COVID-19) are shown in section 4 of this report and in more detail at page 16 of the G Live annual report at Appendix 1.
- 3.7 The venue has now over nine contract years' history and is an established venue in the marketplace and the comparison against previous years' results is a much better indicator of performance; although this year is more difficult to compare having only been operational for five and a half months. As a direct comparison could not be made this time with previous years, a table has been produced to compare the financial performance over the first 6 months of operation (October – March) for 2019-20 against the same months in last year's 'record' year. This can be found in section 4 of this report.
- 3.8 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

- 3.9 The contract is monitored by the Leisure Services Client Team. A summary of the 'usual' (i.e. pre-covid) 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 Councillor and the Director of Service Delivery using the same agenda as above. Scrutiny sub-group

KPI	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	KPI	Variant	Notes
service								
Show/event	98%	99%	98%	99%	n/a	90%	n/a	based on rated good /very good
Service/staff	95%	93%	93%	94%	n/a	90%	n/a	
Facilities	94%	97%	95%	93%	n/a	90%	n/a	
Booking/info	92%	91%	93%	92%	n/a	90%	n/a	Main bar & pre-show cafe
Catering/hospitality	66%	65%	66%	67%	n/a	90%	n/a	
Combined	89%	89%	89%	89%	n/a	90%	n/a	

- 4.1 The table above shows the contractual key performance indicators from the operator agreement, covering the last five contract years. The performance for the full nine years can be found on page 16 of the Annual Report at Appendix 1.
- 4.2 In order to draw a more direct comparison, the table below shows the financial performance between October and March 2019-20, against the same months in G Live's strongest performing contract year, last year.

	Oct to Mar (2019-20)	Oct to Mar (2018-19)	Variance
REVENUES:			
Theatre Rentals	271,915	297,631	-25,716
Ancillary Spaces	6,696	0	6,696
Ticket Sales	978,430	848,869	129,561
	1,257,041	1,146,500	110,541
THEATRE COSTS			
Artist Fees	733,582	644,766	88,816
Royalties	8,734	16,566	-7,832
Performing Rights Society	11,358	9,401	1,957
Credit Card Commission	11,278	13,511	-2,233
	764,952	684,244	80,708
Theatre Gross Profit	492,089	462,255	29,834
Gross Profit %	39%	40%	
Total Other Income	325,301	338,658	-13,357
Total Hospitality Contribution	171,736	120,825	50,911
Total Revenues	989,126	921,737	67,389
THEATRE OVERHEADS:			
Total Staffing Costs	425,672	329,747	95,925
Total Administrative Costs	258,357	319,716	- 61,359
Total Capex	13,010	6,275	6,735
Total Utilities	80,577	83,020	-2,443
Total Theatre Overheads	777,625	738,756	38,869
Surplus/ (Deficit)	211,501	182,979	28,522
Subsidy	164,298	164,298	-
Total Surplus/ (Deficit)	375,799	347,277	28,522

- 4.3 The performance of the first half of 2019-20 was exceptional and G Live was well on track to exceed last year's record performance.

5. Scrutiny sub-group monitoring process 2019-20

- 5.1 Five Councillors volunteered to represent the Overview and Scrutiny Committee to consider the G Live annual report in detail; namely, Councillors Colin Cross, Graham Eyre, Tom Hunt, Ramsey Nagaty, and Pauline Searle. This 'Scrutiny sub-group' were invited to the annual report presentation by HQT. Prior to this, those councillors that were available attended a detailed briefing and discussion (held remotely) on the contract from the Leisure Services Client team with Councillor Steel.
- 5.2 There was strong attendance this year at the remote presentation of the Annual Report on 11 December 2020. The Lead Councillor and four sub-group Councillors attended the presentation by the Director, Derek Aldridge, who covered the performance by HQT during, what has been, an unprecedented year. The minutes of the presentation were circulated afterwards, to allow for any further questions or comments to be made, including by the few who were unable to attend.
- 5.3 The councillors considered the contents of the report and asked a number of questions covering a variety of topics. The minutes of this meeting are at Appendix 2. Some of the questions asked were around the financial impacts of the closure and the implications of this on subsequent years' performance and pricing. Councillors also asked for updates on proposed refurbishment projects investment, as well as future arrangements for the building to enable a Covid-secure opening.
- 5.4 The Scrutiny sub-group:
- were pleased with the performance of the venue and the operator during this difficult period.
 - recognised that the venue was heading for an outstanding year until the pandemic required the venue to be closed in March.
 - felt that the operator had behaved appropriately during the shutdown and recognised that HQT were preparing carefully for the re-opening of the venue when the pandemic eases.
 - felt that strong, ongoing communication with the customer was the best way to ensure a successful return.

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 £328,596 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 2019-20 provide a surplus of £298,342 of which the element returned to the Council will be £59,686.
- 6.3 The financial performance for this contract year was driven by a strong performance during the first six months of operation. The second six months of

the period, the venue was closed and in line with the government guidance set out in Procurement Policy Note (PPN) 02/20, the Council made additional monthly support payments to ensure the ongoing viability of the contractor. These monthly payments were in addition to the management fee and this funding will be carried forward to ensure the venue is suitably prepared for customers to return at the appropriate time.

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 reduced period, and their arrangements for the venue going forward.

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 2019-20 provide a surplus of £298,342 of which the element returned to the Council will be £59,686.
- 10.3 The Scrutiny sub-group were pleased with the performance of the venue and the operator during this difficult period. It recognised that the venue was heading for an outstanding year until the pandemic required the venue to be closed in March. The group felt that the operator had behaved appropriately during the shutdown and recognised that HQT were preparing carefully for the re-opening of the venue when the pandemic eases. The group felt that strong, ongoing communication with the customer was the best way to ensure a successful return.

11. Background Papers

None.

12. Appendices

Appendix 1: G Live Annual Report 2019-20

Appendix 2: Minutes of Annual Report Presentation 11 December 2020