

YVONNE ARNAUD THEATRE GRANT

22 NOVEMBER 2021 (VERSION 6)

Introduction – Yvonne Arnaud Theatre Grant

The Yvonne Arnaud Theatre (YAT) provides a mixture of professional theatre both directly produced and received in its main house, an annual programme of small-scale touring companies, local amateur and semi-professional companies in the Mill Studio and a term-time education programme for young people.

The YAT has been supported financially by the Council for many years. Following a report to the Executive in February 2015, the annual grant to the theatre was set at £310,220 for the three year period 2015/16 to 2018/19 with no provision for inflation. At that time, it was highlighted that the annual value of this grant would face significant pressure to diminish over the following years. The YAT was expected to manage a cost reduction programme and additional income generation programme over time.

Despite very substantial reductions to our own central government funding over the last decade, YAT funding has remained at the same level since 2018/19. We are now facing a projected budget deficit of £6 million over the next four years and are having to make substantial savings across our own discretionary services. Although grant funding to the YAT has been protected to date, this is not a sustainable position in future given the size of the grant and our own severe financial challenges.

YVONNE ARNAUD THEATRE GRANT - STRATEGY

1. Why should a programme/project be started now?

We are facing severe budgetary pressures and need to deliver substantial reductions in discretionary spending in the short and medium-term.

2. What is the good idea or problem to be solved?

In the context of the challenging financial position facing the Council, its corporate priorities and the outcomes of the consultation with residents on future spending priorities, we need to determine whether financial support for the YAT should continue and, if so, the appropriate level of funding.

3. What is the purpose of the project and what outputs and outcomes will it deliver?

To deliver financial savings to the Council.

4. What priority, corporate objective or strategy is fulfilled by this project?

A reduction or cessation of funding to the Yvonne Arnaud Theatre would contribute to savings required as part of the Council's Savings Strategy. Support for culture and heritage is not a priority in our draft Corporate Plan and has been identified by residents as a low priority in both the budget and future council spending consultations.

However, the YAT does make a contribution to the local economy (particularly the visitor economy) and will, therefore, have some impact on our corporate priority of "supporting our business community and attracting new inward investment".

YVONNE ARNAUD THEATRE GRANT - OPTIONS

5. What are the strategic options available to GBC to deliver a solution?

a) **Do Nothing**

Continue with grant funding at existing levels of £310,000 per annum.

b) **Do Something (1)**

Introduce a phased reduction of funding for the YAT to deliver some financial savings - £275k (2022/23), £225k (2023/24), £200k (2024/25). A further future review will be undertaken to determine funding beyond 2024/25.

c) **Do Something (2)**

Charge a full market rent (£56,000) for the lease of Old Mill Studio on renewal from December 2022 (generating additional income of £33,000 per annum), market the property for alternative uses which could deliver annual income of up to £100k or consider for heritage, gallery, museum purposes.

d) **Do More (1)**

Withdraw or make more substantial reductions to annual revenue grant funding, whilst making capital grants towards planned improvements to the YAT. It should be noted that capital grants still have a revenue cost for MRP and interest at a rate of about 3.5%. Any reduction to the revenue grant would need to be in excess of that cost before any savings are realised. As an example, a capital grant of £1 million would have an annual revenue cost of £35,000 over a 50 year period.

e) **Do Most**

Discontinue all future grant funding for the YAT with effect from 2022/23. Although delivering savings of £310,000 per annum, this would place the viability of the YAT at significant risk.

YVONNE ARNAUD THEATRE GRANT- CONSIDERATIONS

- 6. Who are the lead Director and Service Manager who will lead and direct the project and use/maintain the projects products once they are handed over?**
Dawn Hudd, Strategic Services Director
Steve Benbough, Strategy and Communications Manager
Councillor James Steel, Lead Councillor for Environment
- 7. What are the impacts on other Operational Service Leaders or projects?**
Legal and procurement advice will be required on any revised funding agreement with the YAT.
- 8. What general approach will the project take to deliver?**
Any decision will be implemented and managed by the Strategy and Communications Manager.
- 9. When and why must the project start and finish?**
A decision is required as part of the 2022/23 budget preparation process and to provide sufficient notice to the YAT of future funding.

YVONNE ARNAUD THEATRE - RESOURCES

10. Which stakeholders are or, will need to be, involved in the project?

Corporate Management Team
Lead Councillor/Executive
Yvonne Arnaud Theatre

11. What specialist resources (internal and external) are needed to consider this mandate and develop a strategic outline business case?

a) **External**
None

b) **Internal**
Legal, Procurement, Finance, Assets

12. What Rough Order of Magnitude (ROM) are the likely Whole Life Costs (WLC) of the project and live service?

The annual grant to the YAT is £310,220.

YVONNE ARNAUD THEATRE GRANT – RISKS, ASSUMPTIONS & ISSUES

13. What are the strategic Risks, Assumptions, Issues, Dependencies, Constraints & Opportunities?

Risks

The viability of the YAT could be threatened beyond certain funding levels.

Should the theatre cease to operate, we would potentially be responsible for the costs of maintaining or mothballing the building.

Criticism from strong supporters of the arts (including local media) about any cessation or reduction of YAT funding.

Failure to reduce funding in an area of low corporate priority and with lower support from residents (as expressed through the budget consultation) will undermine other challenging decisions in higher priority areas.

Assumptions

That the Council wishes to review priorities for funding in light of current financial constraints.

That the Council wishes to maintain a viable, sustainable theatre.

Issues

The YAT Trust owns the theatre. The Council owns the land on which the theatre stands. There is a long-lease of the land to the trust at a peppercorn rent. Should the theatre cease to operate, we would potentially be responsible for the costs of maintaining the building.

Subject to the preferred option, to determine whether an equality impact assessment is required.

Impact of Covid on the YAT's finances.

Replacing annual funding with a capital grant would still have revenue consequences for us (e.g. a capital grant of £3 million would have revenue implications of around £90,000 per annum). Capital improvements may not substantially improve YAT income and, therefore, viability would remain an issue.

YVONNE ARNAUD THEATRE GRANT – DEPENDENCIES, CONSTRAINTS AND OPPORTUNITIES

Dependencies

Ability of the YAT to deliver cost reduction and income generation opportunities.

Constraints

Decisions are required by January 2022 to be included in 2022/23 budget.

Financial pressures require savings in discretionary services

Opportunities

Possible opportunity to consider alternative uses of the Old Mill Studio.

The Theatre will take over the Council's box office/ticketing function providing a new income stream.

Internal GBC Stakeholders (Contributors to this Issue/Mandate)

Involved or sighted so far

Steve Benbough, Strategy and Communications Manager (author)

Sam Adam, PMO Officer

Claire Beesley, Senior Specialist Legal

Ian Doyle, Service Delivery Director

Faye Gould, Procurement Manager

Dawn Hudd, Strategic Services Director

Claire Morris, Resources Director

Louise Odell, Interim Project Officer

Diane Owens, Lead Specialist Legal

Jonathan Sewell, Leisure Services Manager

Vicky Worsfold, Lead Specialist Finance

Corporate Management Team

Councillor Joss Bigmore, Leader of the Council

Councillor James Steel, Lead Councillor

Executive Liaison Group

To be consulted at the next step

Strategy and Resources EAB

YVONNE ARNAUD THEATRE GRANT – NEXT STEPS

CMT considered the mandate at its meeting held on 26 October 2021 and agreed that it should be presented to the Executive Liaison Group on 3 November 2021.

The Executive Liaison Group considered the mandate at its meeting on 3 November 2021. The Group recommended that options (b) and (c) should be pursued, but requested further information on the grant as a percentage of the Theatre's turnover.

In a typical year, the Council's full grant represents 7-8% of the Theatre's turnover. This increased substantially in 2020/21 to 22% due to reduced turnover caused by the pandemic. Key financial data is attached as Appendix 1. A Dun and Bradstreet credit check has also been undertaken and that shows the Theatre to be in a sound financial position.

Officers met representatives of the Yvonne Arnaud Theatre on 18 November 2021 to discuss the mandate and set out the opportunities to submit representations.

YVONNE ARNAUD THEATRE GRANT - KEY DATA AND RATIOS

	2016-17	2017-18	2018-19	2019-20	2020-21
<u>Figures from Statutory accounts</u>					
Council Grant	310,220	310,220	310,220	310,220	310,220
Turnover as per statutory accounts	4,010,459	3,897,836	4,288,670	4,249,187	1,400,327
Expenditure	4,009,147	4,011,386	4,283,522	4,250,256	1,392,436
Net Profit (Loss)	1,312	-113,550	5,148	-1,069	7,891
Other additions	0	239,177	0	0	0
Reserves b/f	7,680	8,992	134,619	139,767	138,698
Reserves C/F	8,992	134,619	139,767	138,698	146,559
Council grant as a % of Turnover	7.74%	7.96%	7.23%	7.30%	22.15%