

Executive Report

Ward(s) affected: Holy Trinity / All

Report of Strategic Services Director

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Date: 25 January 2022

Yvonne Arnaud Theatre Grant Funding

Executive Summary

The Yvonne Arnaud Theatre (YAT) has been supported financially by the Council for many years. Despite very substantial reductions to our own central government funding over the last decade, YAT funding has remained at the same level since 2015/16.

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. As part of our savings strategy, this report asks the Executive to consider reduced future grant funding for the YAT.

Recommendation to Executive

That a phased reduction of the current annual grant funding of £310,220 to the YAT be approved as follows:

£273,000 (2022/23)
£236,500 (2023/24)
£200,000 (2024/25)

Reason(s) for Recommendation:

To deliver financial savings to the Council.

Is the report (or part of it) exempt from publication?

Yes Appendix 4 Legal implications

- (a) The content contains details of legal advice provided to the Council and is therefore exempt by virtue of paragraph 5 of Part 1 of the Schedule 12A to the Local Government Act 1972 as follows: "Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings"
- (b) The content is restricted to all councillors.

- (c) The decision to maintain the exemption may be challenged by any person at the point at which the Executive is invited to pass a resolution to exclude the public from the meeting to consider the exempt information.

1. Purpose of Report

- 1.1 In the context of the challenging financial position facing the Council, its corporate priorities and the outcome of consultation with residents on future spending priorities, this report asks the Executive to consider the appropriate level of future grant funding for the YAT.

2. Strategic Priorities

- 2.1 The Council is facing a budget deficit of £6 million over the next four years. As part of our overall savings strategy, we have identified the need to reduce expenditure on discretionary services by £1.7 million. As reported to the Executive in November 2020, this included significant savings in cultural and heritage services. A reduction or cessation of funding to the YAT would contribute to these required savings.
- 2.2 Support for culture and heritage is not a priority in our recently adopted Corporate Plan and has been identified by residents as a low priority in budget 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”.

3. Background

- 3.1 The YAT provides a mixture of professional theatre both directly produced and received in its main house, an annual schedule of smaller productions in the Mill Studio and a term-time education programme for young people.
- 3.2 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 and additional income generation programme over time.
- 3.3 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.
- 3.4 As part of required savings on cultural and heritage services, the Executive Liaison Group considered a mandate on options for future grant funding of the YAT at its meeting on 3 November as follows:

(a) Do Nothing

Continue with grant funding at existing levels of £310,220 per annum.

(b) Do Something (1)

Introduce a phased reduction of funding for the YAT to deliver some financial savings:

£275,000 (2022/23)

£225,000 (2023/24)

£200,000 (2024/25)

A further future review would be undertaken to determine funding beyond 2024/25.

(c) Do Something (2)

Charge a full market rent (estimated at £56,000) for the lease of the 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. Any change to the rental would be subject to separate negotiation as part of the renewal process.

(d) Do More

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 Minimum Revenue Provision (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 £3 million would have an annual revenue cost of £105,000 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.

3.5 The Executive Liaison Group agreed that the mandate should be presented to the Strategy and Resources Executive Advisory Board with a recommendation that options (b) and (c) should be pursued and requested further information on the grant as a percentage of the Theatre's turnover.

3.6 Additional key financial data was presented to the EAB on 6 December 2021 and this is attached as Appendix 1 to this report. In a typical year, this showed that the Council's full grant represents 7-8% of the YAT's turnover. This increased

substantially in 2020/21 to 22% due to reduced turnover caused by the pandemic.

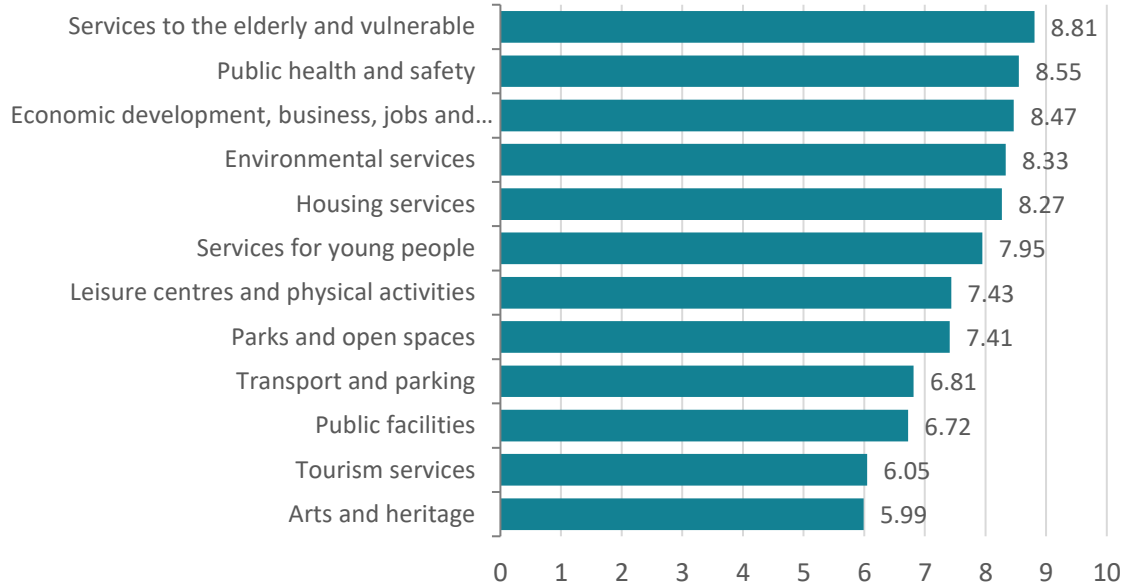
- 3.7 The YAT has received a number of Covid support grants during the pandemic, including three grants totalling £953,000 from the Cultural Recovery Fund, £92,000 from mandatory and discretionary grant schemes administered by the Council and £35,000 from the Arts Council. A Dun and Bradstreet credit check has been undertaken and this shows the theatre to be in a sound financial position.
- 3.8 The Executive Liaison Group reconsidered the options, together with the EAB's comments (Appendix 2) and the YAT's representations (Appendix 3), at its meeting on 5 January 2022. The proposed phased reduction of grant funding was endorsed, but it was considered that this should be tapered more evenly over the three-year period. It was also agreed that the various options for the YAT's lease of the Mill Studio should be considered as part of the lease renewal process.

4. Consultations

- 4.1 Residents were consulted on future spending priorities in late 2020/early 2021. To ensure the research was robust and reflected the profile of the local community, a representative sample survey of 1,100 residents was completed by telephone. This representative sample provides a confidence level of 95% to a margin of +/- 3% that the results represent the views of all residents.
- 4.2 Respondents were asked look at a series of council services and to use a scale to rate each service in terms of priority. A prompt was provided for each group of services to provide clarity on the meaning so, for example, arts and heritage included the description "Guildford Museum, Guildford House Gallery and support for arts organisations such as the Yvonne Arnaud Theatre".

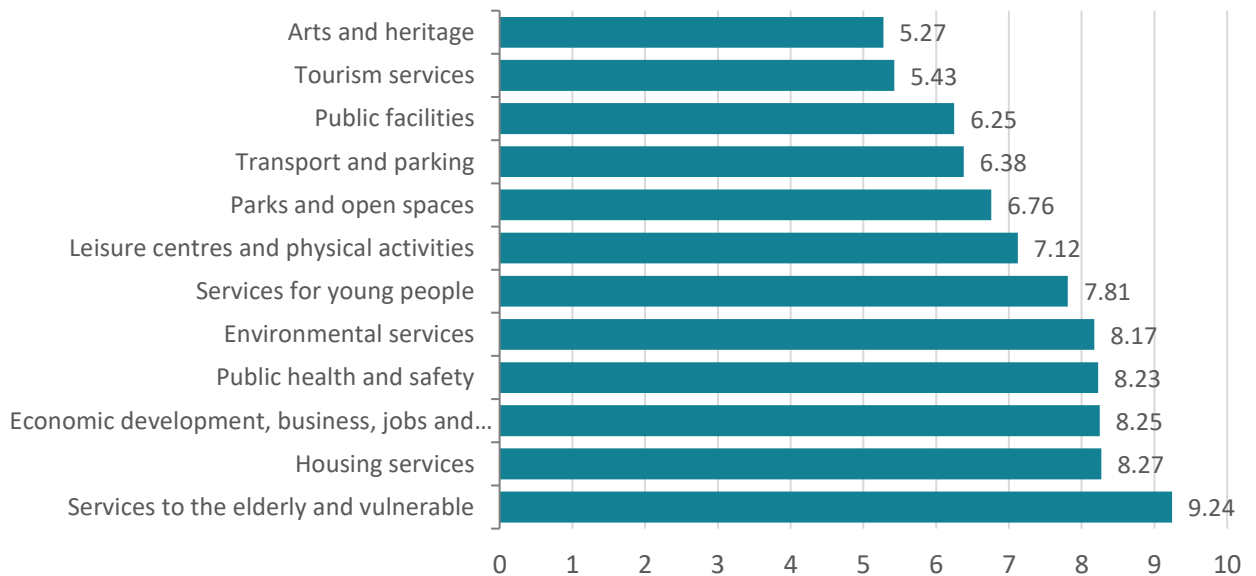
4.3 Residents views on how much they value various services are shown in the following chart:

Please tell us how much you value the following services, using a scale of 1-10 with 1 being not important at all and 10 being extremely important. Mean Scores (Telephone n=1100)



4.4 Similarly, residents were asked to use a scale of 1 to 10 to rate which services the Council should consider stopping or reducing spending on.

What services should the council consider stopping or reducing spending on? Please rate each service using a scale of 1-10 with 1 being stopping spending completely and 10 continuing to fully fund the service. Mean Scores (Telephone n=1100)



4.5 Therefore, consultation with residents indicated that spending on arts and heritage was their lowest priority and the area with the least opposition to spending reductions.

5. Key Risks

5.1 We have assumed throughout the mandate process that the Council wishes to review priorities for funding in light of current financial constraints, but that it wishes to maintain a viable, sustainable theatre. There is a risk that the viability of the YAT could be threatened if grant reductions are made beyond certain funding levels or within shorter timescales. Should the theatre cease to operate, the Council would potentially be responsible for the costs of maintaining or mothballing the building. Therefore, this report recommends a gradual, tapered reduction of grant funding over a three-year period.

5.2 It is also likely that any cessation or reduction of YAT funding will result in criticism from supporters of the arts, local media and some residents. However, the opportunity was taken in early 2021 to seek representative views of residents and these are set out in Section 4 of this report. There is a risk that failure to reduce funding in an area of low corporate priority and with lower support from residents may undermine other challenging decisions in higher priority areas.

6. Financial Implications

6.1 The annual grant to the YAT is currently £310,220. The report recommends a reduction of funding over the next three years to deliver financial savings as part of the agreed saving strategy as follows:

£273,000 (2022/23)
£236,500 (2023/24)
£200,000 (2024/25)

6.3 As mentioned previously, it should be noted that one of the options which involved replacing annual funding with a capital grant would still have revenue consequences for the Council. As an example, a capital grant of £3 million would have revenue implications of around £105,000 per annum over a 50-year period. Also, capital improvements may not substantially improve the YAT's income and, therefore, viability would remain an issue.

7. Legal Implications

7.1 We have the power to give grants to voluntary and community organisations under the general power of competence in Section 1 of the Localism Act 2011. A grant has been provided to the YAT Trust at the current level since 2015/16. The terms of this grant are somewhat unclear as no formal grant agreement appears to have been entered.

7.2 Prior to 2015/16 the grant was awarded on an annual basis and in 2016/17 approval was given to enter a rolling three year grant agreement, cash limited to £310,220 for the first three years, including performance indicators and efficiency measures.

- 7.3 If the Executive agrees the recommendations, the Council will need to enter into a three-year funding agreement with the YAT Trust to reflect the agreed level of future grant funding, provide clarity about the expectations and arrangements, the outcomes to be delivered (including in terms of community outreach programmes) and how these will be monitored.
- 7.4 The YAT Trust owns the theatre and the Council owns the land on which the property 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. Any disposal of the land including the Mill Studios would need be in line with the charitable objectives of the Trust.

8. Human Resource Implications

- 8.1 There are no human resources implications.

9. Equality and Diversity Implications

- 9.1 When deciding whether to recommend grants and financial support to external organisations, we must have due regard to the public sector equality duty by consciously thinking about the need to:

- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
- (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
- (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

(Protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.)

- 9.2 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications.

10. Climate Change/Sustainability Implications

- 10.1 There are no climate change or sustainability implications.

11. Executive Advisory Board comments

- 11.1 The Strategy and Resources EAB considered the mandate on options for future YAT funding at its meeting on 6 December 2021. The draft minute from that meeting setting out the EAB's comments is attached as Appendix 2.
- 11.2 The YAT was consulted on the mandate and its comments, which were presented to the meeting of the EAB, are set out in Appendix 3.

12. Summary of Options

12.1 The full options are set out in paragraph 3.4 of this report.

13. Conclusion

14.1 The report sets out options for future funding of the YAT in the context of the challenging financial position facing the Council and the need to make savings as part of our savings strategy. It concludes that there should be a gradual, tapered reduction in funding over the next three years.

15. Background Papers

Yvonne Arnaud Theatre Funding Mandate
Guildford Borough Council Budget Survey 2021

16. Appendices

Appendix 1: YAT Key Data and Ratios
Appendix 2: Strategy and Resources EAB Minute
Appendix 3: YAT's Response to Guildford Borough Council Grant Mandate
Appendix 4: Legal Implications (Exempt)