

STRATEGY AND RESOURCES EXECUTIVE ADVISORY BOARD
6 DECEMBER 2021
MINUTE EXTRACT

YVONNE ARNAUD THEATRE GRANT MANDATE

The Executive Advisory Board (EAB) received an introductory presentation from the Strategy and Communications Manager regarding the mandate in respect of the Yvonne Arnaud Theatre (YAT) grant. The mandate addressed the following areas:

- Introduction
- Strategy
- Strategic options to deliver a solution
- Considerations
- Resources
- Risks, assumptions and issues
- Dependencies, constraints and opportunities
- Internal stakeholders
- Next steps
- Appendix 1 – Key Financial Data and Ratios

The presentation explained that the YAT provided a mixture of professional theatre both directly produced and received in its main house, an annual programme of small-scale touring companies and a term-time education programme for young people. In addition, the Mill Studio hosted theatre by local amateur and semi-professional companies.

The YAT had been supported financially by the Council for many years. Following a report to the Executive in February 2015, the annual grant to the Theatre had been set at £310,220 each year for the three year period from 2015/16 to 2018/19 with no provision for inflation. At that time, it was highlighted that the Council would face financial pressure to reduce the amount of the grant over following years and the YAT was expected to manage cost reduction and additional income generation programmes over time to compensate for the reduction.

Despite substantial reductions to the Council's central government funding over the last decade, YAT funding had remained at the same level since 2018/19. The Council was now facing a projected budget deficit of £6 million over the next four years and needed to make substantial savings across its discretionary services. Although grant funding to the YAT had been protected to date, this was not a sustainable position in the future owing to the amount of the grant and the Council's financial challenges.

The mandate set out five options for future funding of the YAT in the context of the Council's challenging financial position and corporate priorities. The Options consisted of (a) Do nothing, (b) Do something [1], (c) Do something [2], (d) Do more [1] or (e) Do most. Having considered the mandate at its meeting held on 3 November 2021, the Executive / Management Team Liaison Group recommended that Options (b) and (c) should be pursued and requested that further information regarding the grant as a percentage of the Theatre's turnover be provided. In response, the Group was advised that in a typical year, the Council's full grant represented 7-8% of the Theatre's turnover. This percentage increased substantially in 2020/21 to 22% due to reduced turnover caused by the Coronavirus pandemic. A credit check had been undertaken and indicated that the Theatre was in a sound financial position.

Officers met representatives of the YAT on 18 November 2021 to discuss the mandate and set out the opportunities to submit representations. The Theatre subsequently submitted a recent response and this was circulated to the EAB as a late sheet to its agenda.

The Leader of the Council advised that the mandate contained the necessary facts regarding the YAT's financial situation and the past financial support provided by the Council in order to inform a decision in respect of future grants to the Theatre, given the financial constraints currently being experienced by the Council. The EAB's views were sought in this regard to test whether it supported the Options endorsed by the Executive / Management Team Liaison Group. A consistent approach to funding reductions was welcomed.

The Resources Director declared an interest in this item as the Council's representative on the YAT Board and explained that, for this reason, she had distanced herself from this particular mandate process. The Director acknowledged that the Council's Savings Strategy posed some challenging decisions around funding reductions in relation to discretionary services in the light of the Council's projected budget deficit, which had been reported to the EAB on previous occasions.

The following points arose from related questions, comments and discussion:

1. The Council's Tourism Service had previously provided a box office service for local events and organisers that involved the provision of a ticketing facility through the Tourist Information Centre, which would receive a commission from the ticket sales. However, the YAT, which already operated its own box office function, sought to take over that service which would provide it with an additional modest income stream. When the Council was operating the box office service it was receiving income of approximately £16,000 per annum, although staffing costs would be deducted from that amount.
2. Reference was made to a presentation to councillors made by the chief executive officer of the YAT some months previously and how that might compare to the presentation given earlier in the day of this meeting.
3. Having recently attended a production at the Theatre, a councillor expressed the view that the building appeared dated and the clientele largely fell into the older age group which may require the YAT to consider offering productions which attracted an audience in a wider age range.
4. Another councillor felt that the YAT was widely valued as an artistic and cultural entertainment offering in Guildford and the rarity of touring and original theatre productions was highlighted.
5. The poor state of repair of the Mill Studio had been raised by the YAT and it was questioned whether the premises were suitable to be let at a full market rental from renewal of the lease, which was a possibility indicated in the mandate, without prior investment to improve the Studio's condition. It was envisaged that the upkeep of the main Theatre building and the Mill Studio would represent a considerable cost to the Council should it become responsible for its maintenance in the event that the YAT ceased to operate and there was a need to identify an alternative use.
6. It was highlighted that Culture and Heritage services had been identified as a low priority in recent public consultations whereas the services provided by local Citizens' Advice Bureaux had been rated as a priority. The recently approved new Corporate Plan had confirmed that the Council's priorities were homes and employment, climate change and supporting vulnerable people.
7. Although the café at the YAT had previously been let to an external provider, it had not been financially viable and therefore the offering had been re-established in-house and was achieving a modest income stream to support the Theatre.
8. The projection of films in the Theatre had occurred in the past and was suggested as an additional future use of the premises to attract income.

9. The addition of £239,177 shown in the YAT's statutory accounts for 2017/18 was a one-off amount resulting from closure of one of the Theatre's subsidiary companies in that financial year as part of a management restructure.
10. Notwithstanding Covid-19, the YAT's finances appeared to be reasonably buoyant in 2020/21 owing to its receipt of pandemic related grants, Business Rate reduction, qualification for the furlough scheme and reduced expenditure owing to fewer theatre productions being offered.
11. There was an impression that other local authorities were not in a position to offer financial support to sustain their local theatres to the same level as that provided by this Council.
12. In response to the YAT's comment that it had understood that there were certain guarantees of ongoing funding from the Council, councillors noted that the mandate stated that this was not the case. The EAB was advised that the prior three year rolling funding agreement had lapsed and the amount of and duration of future grants were at the Council's discretion. However, the YAT had requested a multi-year funding agreement in future to aid its financial planning.
13. A view was expressed that the amount of savings to be achieved by the Council in relation to the implementation of Option (b) in the mandate was a relatively small sum. Accordingly, Option (a) was favoured by the same councillor who suggested that, in the event that Options (b) or (c) were widely supported, the YAT should be consulted in respect of its preference in this regard.
14. A further councillor expressed on balance support for pursuing Option (a).
15. Another councillor expressed support for a staged reduction in the grant to the YAT, similar to that suggested in Option (b), whilst giving the Theatre an opportunity to make further representations to the Council in the event that its financial circumstances changed significantly due to the impact of the pandemic or other factors.
16. A further view preferred Option (b) implemented in a phased manner to achieve the desired saving over a three year period with the funding reduction weighted towards the latter part of the period to minimise any immediate impact on the YAT.

In summary, although there was no overall consensus amongst the EAB in respect of the Option(s) to be recommended to the Executive, two councillors favoured Option (a) and two further two councillors expressed support for Option (b). The preferences for the latter Option were on the basis that the YAT should be given an opportunity to make further representations to the Council in the event of changes to its financial circumstances and that the reductions be implemented in a phased manner weighted towards the latter part of the period to minimise any immediate impact on the YAT. As the Executive / Management Team Liaison Group had recommended that Options (b) and (c) should be pursued, under these circumstances it was felt that the YAT should be consulted in respect of its preference between these Options and that the condition of repair of the Mill Studio be borne in mind.