

Overview and Scrutiny Committee Report

Ward(s) affected: n/a

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 2020-2021**

### **Executive Summary**

This report provides a summarised overview of the performance of the contractor operating G Live during the tenth year in a ten-year contract term. The period covers 1 October 2020 to 30 September 2021; however, due to the COVID-19 pandemic, G Live was forced to close in March 2020 and could not reopen until 22 August 2021. This report therefore mainly focuses on the performance of G Live during the five weeks of operation and the effects arising from the pandemic.

The Council entered into a 10-year contract with HQ Theatres Guildford Limited (HQT) to operate and manage G Live on 12 August 2011 and the contract has now been extended for a further three years to 30 September 2024. 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 2020-21 can be found at Appendix 1.

The performance indicators for the previous five contract years are shown in section 4 of this report and in more detail on page 11 of the G Live annual report at Appendix 1. However, as the venue could only operate for five weeks it is not appropriate to compare this year's performance against the KPIs. The Leisure Client team believe HQ Theatres continue to operate the venue satisfactorily and within the criteria set out within the contract.

During the contract year HQ Theatres was acquired by Trafalgar Entertainment. The co-founders of Trafalgar Entertainment, Sir Howard Panter and Dame Rosemary Squire, previously built Ambassador Theatre Group (ATG) from scratch into the UK's leading theatre operator.

A sub-group of 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 16 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. The contract has been extended by three years at a revised management fee of £275,000 per annum, improving the council's financial position by £53,596 per annum. The Council supported HQ Theatres in accordance with the government guidance set out in PPN 02/20 in order to ensure the ongoing viability of the operator and that venue was fully prepared to reopen.

During its period of closure due to Covid restrictions, G Live was used as a venue to successfully deliver 175,000 vaccinations. Working in partnership with HQT, we also arranged for Willmott Dixon to undertake their remedial works to the building on the identified latent defects to minimise any impact on the customer.

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%). Unsurprisingly this year resulted in a significant loss of £196,518 to the operator (see Appendix 1). No surplus payment is therefore due from the operator.

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 significantly 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 2020 to 30 September 2021, taking note that there were no staged public events or performances till 22 August 2021 due to the closure associated with the COVID-19 pandemic. This is the tenth 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 values by:
- attracting visitors to the borough and making Guildford a more attractive place in which to live
  - offering a range of employment opportunities and facilities that businesses need. The venue makes a significant contribution to the local economy
  - 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, has been extended for 3 years, until 30 September 2024.
- 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 was also extended until 30 September 2024.
- 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 entertainment, 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 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 11 of the G Live annual report at Appendix 1.
- 3.6 The venue has over 10 contract years' history and is an established venue in the marketplace. The comparison against previous year's results is normally a good indicator of performance however this year, due to the venue only being able to operate for just over 5 weeks, a direct comparison is inappropriate.
- 3.7 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. However, HQT do have concerns over the uncertainty the future holds, with audiences not feeling comfortable attending shows due to the risk of contracting the Covid-19 virus.

#### **Overview of the existing monitoring arrangements**

- 3.8 The contract is monitored by the Leisure 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 members are also invited to the mid-year (i.e., March/April quarterly meeting); however, this did not take place this year due to the COVID-19 pandemic.
- The annual report is presented to a separate meeting with the same attendees as the quarterly monitoring meeting plus the Scrutiny sub-group members.
- The venue's Facilities & Building Manager has monthly meetings with the Council's Asset & Properties Manager to discuss the technical aspects of the venue.

3.9 Minutes are prepared in respect 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 their obligations under the contract.

3.10 During the unique circumstances brought on by COVID-19, the client team maintained regular contact with HQT throughout the closure to keep updated on HQT's building hibernation plans and the re-mobilisation plan and implementation.

#### 4. Performance of the Contractor – Key Performance Indicators

KPI	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	KPI	Variant	Notes
Main Hall Live programme No of shows	205	203	198	91	16	250	-234	Exc. get ins, rehearsals & non perf. events such as beer festivals
Main Hall Community Events	166	173	125	62	8	15	-7	Inc. Hillsong services on Sundays
Main Hall non performance events	49	47	67	19	7	-	7	Get ins, rehearsals & hospitality events
Total main hall event activity	420	423	390	172	31	265	-234	
Main hall attendance	230,527	246,492	258,022	136,185	16,760	161,257	-144,497	
Non-main hall hospitality events STUDIO	49	25	29	19	3	125 to 156*	-117	Studio only. * KPI tolerance 20% permissible
Other hospitality events	167	171	182	126	5			All other spaces
Education projects	212	275	263	142	0	100	-100	

KPI	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	KPI	Variant	Notes
Main hall dark days	64	67	57	199	336	80	+256	
Customer service								90% KPI is based on rated good /very good
Show/event	99%	98%	99%	n/a	n/a	90%	n/a	
Service/staff	93%	93%	94%	n/a	n/a	90%	n/a	
Facilities	97%	95%	93%	n/a	n/a	90%	n/a	
Booking/info	91%	93%	92%	n/a	n/a	90%	n/a	
Catering/hospitality	65%	66%	67%	n/a	n/a	90%	n/a	Main bar & pre-show cafe
Combined	89%	89%	89%	n/a	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 ten years can be found on page 11 of the Annual Report at Appendix 1.
- 4.2 HQT expressed thanks to the Council for their financial support and partnership working which has assisted G Live by providing stability during the pandemic and enabled them to prepare for the future.
- 4.3 The venue became a vaccination centre for the NHS for 6 months from January 2021 to July 2021, during which time 175,000 vaccinations were administered.
- 4.4 The builder of G Live, Willmott Dixon, has been working on site during the period of closure to correct various latent defects discovered within the structural insulation during a routine inspection. These works are now nearing completion, but HQT have confirmed they have not affected the normal operation of the venue.
- 4.5 During the contract year HQ Theatres was acquired by Trafalgar Entertainment. The co-founders of Trafalgar Entertainment, Sir Howard Panter and Dame Rosemary Squire, previously built Ambassador Theatre Group (ATG) from scratch into the UK's leading theatre operator. Becoming part of a larger group is viewed as providing exciting additional opportunities including potential increases in capital investment and access to in-house Trafalgar Entertainment productions.

## 5. Scrutiny sub-group monitoring process 2020-21

- 5.1 The sub-group of councillors who volunteered to represent the Overview and Scrutiny Committee (the "Scrutiny sub-group") to consider the G Live annual report in detail were invited to the annual report presentation by HQT. All councillors were offered training on the background detail of the contract by the Leisure Client team.
- 5.2 This year Cllr James Steel was joined by Cllr Nagaty and Cllr Cross from the sub-group, and also Cllr Hunt of the Executive. The remote presentation by the Venue Director, Derek Aldridge, covered the performance of the venue during what has been yet another unprecedented year.

- 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 regarding expanding the opportunities for the venue, the proposed investment projects, particularly in relation to the hospitality offer, and the impacts of Covid on the business both financially and operationally.
- 5.4 The Scrutiny sub-group recognised the impact that the pandemic has caused for the entertainment industry and the fact the venue could only open for just over 5 weeks during this contract period from 22 August to 30 September 2021. The councillors all congratulated HQT on their outstanding efforts during the pandemic to enable the venue to be used as a vaccination centre.

## **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 was fixed at £328,596 per annum for the ten-year life of the initial contract.
- 6.2 As a result of renegotiation for the three-year contract extension, this fee has changed from 01 October 2021 and during the three-year contract extension period, will now be £275,000 per annum. This improves the council's annual financial position by £53,596 per contract year. The three-year extension will hopefully allow the marketplace to recover from the effects of the pandemic to ensure the council receives the best possible offers for the operation of the venue in the future.
- 6.3 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%). Unsurprisingly, HQT have reported a deficit this year of £196,518 (see Appendix 1) as the venue was only able to operate for five weeks. Unfortunately, due to this year's circumstances, no surplus has been generated.
- 6.4 The Council made additional monthly support payments in accordance with the government guidance set out in PPN 02/20 to ensure the ongoing viability of the contractor. These monthly payments were in addition to the management fee and this funding ensured the ongoing viability of the operator and enabled the venue to be suitably prepared for customers to return.

## **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.
- 7.4 The supplier relief provided to HQT during the Covid 19 lockdown periods was in line with the government procurement policy note (PPN) 02/20 and the venue was unavailable to HQT whilst it was being used as a vaccine centre. The 3-year contract extension was granted via a contract modification under Regulation 72 of the Public Contracts Regulation 2015.

## **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 were all provided with the opportunity for 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 pandemic has resulted in another unprecedented year for the venue with it only being able to fulfil its normal purpose for a little over 5 weeks. The limited period of operation made it pointless to undertake some of the normal monitoring activities or to compare with normal KPI arrangements. Unsurprisingly, the venue operated for the period at a deficit of £196,518. HQ Theatres continue to operate the venue satisfactorily and within the criteria set out within the contract.
- 10.3 G Live was used for six months of the year as a vaccination centre resulting in 175,000 vaccinations.
- 10.4 The 3-year extension of the contract improves the Council's financial position by £53,596 per annum. The period of extension will hopefully allow the marketplace to recover from the impacts of the pandemic before the operation of the venue is re-tendered.
- 10.5 Working in partnership with Willmott Dixon and HQ Theatres, the period of closure was utilised to facilitate the rectification of a number of latent defects without any impact on the customer or the normal operational use of the venue.

## **11. Background Papers**

None.

## **12. Appendices**

Appendix 1: G Live Annual Report 2020-21 (including operational financial summary)

Appendix 2: Minutes of Annual Report Presentation 16 December 2021