

Overview and Scrutiny Committee Report

Ward(s) affected: n/a

Report of Joint Strategic Director, Transformation and Governance

Author: Charlotte Brindley (Leisure Contracts Officer)

Tel: 07890592023

Email: Charlotte.Brindley@guildford.gov.uk

Lead Councillor responsible: James Steel

Tel: 07518995615

Email: James.Steel@guildford.gov.uk

Date: 17 January 2023

Review of the Annual Report and monitoring arrangements for the operation of the G Live contract 2021-2022

Executive Summary

This report provides a summarised overview of the performance of the contractor operating G Live during the eleventh year of an extended ten-year contract term. The period covers 1 October 2021 to 30 September 2022.

G Live was not subjected to covid closures or restrictions during the period but impacts of the pandemic were still felt with the emergence of the Omicron variant and reduced attendance levels in some areas while customers slowly gained confidence in returning to entertainment venues. This period is therefore considered a recovery period, with the hospitality offering being directly impacted by the challenges the industry is currently facing.

The Council entered into a 10-year contract with HQ Theatres Guildford Limited (HQT) to operate and manage G Live on 12 August 2011. The contract was extended for a further three years to 30 September 2024. HQ Theatres has since been acquired by Trafalgar Entertainment. In the contract agreement, Trafalgar is required to optimise commercial and hospitality income in G Live as well as provide different genres of entertainment. Trafalgar's Annual Report on the operation of G Live during 2021-22 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 21 of the G Live Annual Report at Appendix 1. The Leisure Client team believe Trafalgar continue to operate the venue satisfactorily and broadly within the criteria set out within the contract.

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 at G Live on 2 December 2022 are included in Appendix 2.

The Council pays a management fee in monthly instalments for the operation of the venue. This was fixed at £328,596 per annum for the ten-year life of the initial contract and was revised to £275,000 per annum for the three-year contract extension, thus improving the council's financial position by £53,596 per annum.

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%). This year Trafalgar has reported a surplus of £276,931 (see Appendix 1) which means the Council's 20% share will be £55,386.

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

Suggested items for the Overview and Scrutiny Committee to consider

(1) Councillors may wish to comment on the performance of Trafalgar in relation to the operation of G Live over the period.

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 2021 to 30 September 2022. This is the eleventh year in an extended 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. HQ Theatres has since been acquired by Trafalgar Entertainment. This contract, which deals with the operation and management of G Live, has been extended for 3 years, until 30 September 2024. This 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.
- 3.2 The Council also granted a lease of the G Live premises to HQT (now, Trafalgar) 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, Trafalgar 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 are shown in section 4 of this report and in more detail at page 10 of the G Live Annual Report at Appendix 1.
- 3.6 The venue has over 11 contract years' history and is an established venue in the marketplace. The comparison against previous year's results is usually a good indicator of performance however it is important to note that last year was significantly impacted by the pandemic which meant G Live was only able to operate for just over 5 weeks. A direct comparison with 2020/21 would therefore be inappropriate and consideration is to be made to the current reporting period where the venue is still very much in recovery and is still experiencing the impacts of the pandemic.
- 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, there remains a level of uncertainty associated with the cost of living crisis and how this will impact on the industry and consumers and therefore G Live's performance.

Overview of the existing monitoring arrangements

- 3.8 The contract is monitored by the Leisure Client Team. Staffing changes and restructures affecting both G Live and the Council has meant that some of the formal monitoring arrangements were unable to take place in the period and were adapted accordingly.

A summary of the usual formal monitoring arrangements which are being re-established following the restructures 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 Trafalgar's Regional Director, the relevant Lead Councillor and the Director of Transformation and Governance using the same agenda as above. Scrutiny sub-group members are also invited to the mid-year (i.e., March/April quarterly meeting)
- the Annual Report is presented to a separate meeting with the same attendees as the quarterly monitoring meeting plus the four Scrutiny sub-group members.
- the venue's Facilities & Building Manager has monthly meetings with the Council's Facilities Specialist 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.

4. Performance of the Contractor – Key Performance Indicators

KPI	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	KPI	Variant	Notes
Main Hall Live programme No of shows	203	198	91	16	194	250	-56	Exc. get ins, rehearsals & non perf. events such as beer festivals
Main Hall Community Events	173	125	62	8	61	15	46	Inc. Hillsong services on Sundays
Main Hall non	47	67	19	7	6	-	6	Get ins, rehearsals &

KPI	Yr 7	Yr 8	Yr 9	Yr 10	Yr 11	KPI	Variant	Notes
performance events								hospitality events
Total main hall event activity	423	390	172	31	262	265	-3	
Main hall attendance	246,492	258,022	136,185	16,760	179,309	161,257	18,052	
Non-main hall hospitality events STUDIO	25	29	19	3	41	125 to 156*	12	Studio only. * KPI tolerance 20% permissible
Other hospitality events	171	182	126	5	127			All other spaces
Education projects	275	263	142	0	125	100	25	
Main hall dark days	64	67	57	199	73	80	-7	
Customer service								
Show/event	99%	98%	99%	n/a	n/a	90%	n/a	90% KPI is based on rated good /very good
Service/staff	93%	93%	94%	n/a	n/a	90%	n/a	
Facilities	97%	95%	93%	n/a	n/a	90%	n/a	Main bar & pre-show cafe
Booking/info	91%	93%	92%	n/a	n/a	90%	n/a	
Catering/hospitality	65%	66%	67%	n/a	n/a	90%	n/a	
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 eleven years can be found on page 21 of the Annual Report at Appendix 1.
- 4.2 Year 9 and particularly year 10 of the contract were impacted by the pandemic and associated closures. The above table shows a strong recovery during G Live's eleventh contract year which too was impacted by Covid with the emergence of the Omicron variant. The number of re-scheduled events into this year helped to mitigate the impacts of this and G Live was able to deliver a strong and diverse programme albeit this was slightly different to normal programming due to the level of re-scheduling that took place.
- 4.3 The speed at which the programme recovered varied between genres, with comedy, spoken word and live music seeing a significant recovery in contrast to classical music and corporate events which saw a subdued recovery.

- 4.4 As a result of industry-wide challenges relating to recruitment and staffing levels, the catering and hospitality provision at G Live has been significantly impacted, so much so that Trafalgar has had to take the decision to pause the restaurant function and reduce the café operating hours. With the exception of this, Officers consider that Trafalgar are meeting their obligations under the contract and are pleased with the day to day operation and recovery of the programme.
- 4.5 The builder of G Live, Willmott Dixon, has now completed the various latent defect works associated with the structural insulation. These works did not affect the operation of the venue.

5. Scrutiny sub-group monitoring process 2021/22

- 5.1 The sub-group of four 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 Trafalgar. All councillors have received background detail of the contract in the past by the Leisure Client team and are familiar with its operation now that it is a well-established venue.
- 5.2 This year, Cllr James Steel was joined by Cllr Nagaty and Cllr Searle from the sub-group. The presentation by the newly appointed Venue Director, Andy Locke and Trafalgar’s Group Commercial Director, Chris McGuigan, covered the performance of the venue during its eleventh contract 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 related to the current challenges posed by inflation, particularly in regard to rising utility costs and how this would impact not only on the venue itself but on consumer spending. Other challenges faced by the industry such as staffing levels and recruitment were also discussed and acknowledgement was made to the impact these have had on the hospitality offer at G Live. The group expressed a desire for Trafalgar to undertake a detailed analysis of the customer feedback to enable a clear understanding of the feedback received and the ways in which Trafalgar are addressing these.
- 5.4 The Scrutiny sub-group recognised the impact that the pandemic has caused for the entertainment industry and was pleased that the venue has so far seen a strong recovery overall.

6. Financial Implications

- 6.1 All income and tariff receipts at G Live are the property of Trafalgar (subject to the agreements with the promoters) i.e. Trafalgar 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. This is fixed at £275,000 per annum for the three-year contract extension which was negotiated from the original 10-year contract management fee of £328,596. The new management fee improves the council's financial position by £53,596 per annum.

- 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%). Trafalgar has reported a surplus this year of £276,931 (see Appendix 1) which means the Council's 20% share will be £55,386.

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 Trafalgar 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 3-year contract extension was granted via a contract modification under Regulation 72 of the Public Contracts Regulation 2015.

8. Equality and Diversity Implications

- 8.1 This duty has been considered in the context of this report and it has been concluded that there are no equality and diversity implications arising directly from this report. Prior to any future decision to change the G Live arrangements, an Equalities Impact Assessment will be required.

9. Human Resource Implications

- 9.1 There are no HR implications arising from this report.

10. Climate Change/ Sustainability Implications

- 10.1 There are no direct Climate Change/ Sustainability implications arising from this report.

11. Suggested items for Overview and Scrutiny to consider

- Councillors may wish to comment on the performance of Trafalgar in relation to the operation of G Live over the period.

12. Conclusion

- 12.1 The eleventh contract year saw a strong recovery overall. The Scrutiny sub-group recognised the challenges faced by the industry and were pleased with the performance of the venue and the Operator during this recovery period.
- 12.2 The reported surplus of £276,931 means the Council's 20% share will be £55,386.
- 12.3 The hospitality provision at G Live has been hampered by challenges experienced across the industry which has led to a temporary change to the venue's café and restaurant provision.
- 12.4 Overall, this has been a positive 'recovery year' from the impact of the pandemic and the venue is positioned well for a strong 2022/23.

13. Background Papers

- 13.1 None.

14. Appendices

Appendix 1: G Live Annual Report 2021-22

Appendix 2: Minutes of Annual Report Presentation 2 December 2022