

## AYLESBURY WATERSIDE THEATRE - YEAR 5 CONTRACT REVIEW

Councillor Mordue

Cabinet Member for Finance, Resources and Compliance

### 1 Purpose

- 1.1 The purpose of this report is to advise Cabinet of the outcome of the 5 year review of the Aylesbury Waterside Theatre Contract and to agree the proposed financial terms and other items jointly proposed by the Council and the Ambassador Theatre Group.

### 2 Recommendations

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| 2.1 Cabinet is recommended to agree the financial terms and other proposals set out in this report and to instruct Officers to progress the required updated Contract documentation with the Ambassador Theatre Group for the management and operation of the Aylesbury Waterside Theatre. |
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### 3 Executive summary

- 3.1 The five year review of the Aylesbury Waterside Theatre (AWT) contract with the Ambassador Theatre Group (ATG) has been conducted in accordance with the provisions of the current 15 year contract. The contract commenced in October 2010 and included a six year funding agreement which terminates on 9 October 2016 and a formal contract review in year 5. The existing contract remains in force until October 2025.
- 3.2 A comprehensive review has been conducted by a specialist Theatre and Arts Consultancy, Artservice which has looked at the original submission from ATG and the actual delivery over the last five years. The conclusion reached was that ATG has delivered a first class programme of events and productions but that it has taken considerably longer to build audiences than was expected at the time of the bid.
- 3.3 Over the last 5 years a very strong relationship has been forged between the Council and ATG. The Council recognises the important role the theatre undertakes in terms of town centre regeneration and economic benefit. Furthermore, the Council has been very happy with the quality and range of programme and events offered, consequently, officers have met with ATG senior management to negotiate more favourable terms. The full details of the contract review and the revised financial terms will also be considered by the Finance and Services Scrutiny Committee on 12 October 2015 as part of their scheduled work programme.

### 4 Supporting information

- 4.1 The current contract with Ambassador Theatre Group (ATG) to manage the Aylesbury Waterside Theatre (AWT) commenced on 10 October 2010 for a period of 15 years, with an option to extend the contract by a further 5 years by mutual consent.
- 4.2 The initial annual management fee payable to ATG was agreed at £350,000 p.a. with a 3% uplift each year from October 2011. The contract includes a review in year 5 to consider how the contract is performing and to review the current financial arrangements. Any agreed changes will become effective

from October 2016. There is currently no financial agreement beyond September 2016 although the contract remains in force until October 2025.

- 4.3 The Council accepts that with the world wide recession and less disposable income since 2010, it has taken ATG much longer to establish AWT in the market place and to develop audiences, group bookings and repeat business.
- 4.4 Overall, the Council is very pleased with the quality and range of programme on offer at the theatre which is as good or better than other major provincial theatres around the country.
- 4.5 Equally, the Council realises that the contract entered in to in 2010 is no longer affordable and the Council wishes to negotiate a better financial deal in the future.
- 4.6 The Council has engaged the services of a theatre consultant to help with the review and to provide independent expert advice regarding the options and opportunities. Artservice Ltd has been commissioned to review the original submission, evaluate what has been delivered and comment on the options and a suggested course of action.
- 4.7 The detailed confidential report from Artservice has been completed and is included as a confidential appendix. The Consultant's report concludes *"Despite the challenges, the Waterside Theatre programme has achieved some considerable successes and brought to Aylesbury work of the highest national and international standing, along with a string of household celebrities and performers, as well as some of the UK's finest companies and actors. In addition, it has provided a top quality amenity for the local arts, voluntary and business communities and run an extensive programme of learning and participatory activities that have reached thousands of local residents and children and young people in particular."*
- 4.8 The options of re-tender, establish a charitable trust, in house operation, partnering with an existing trust or local authority or including in a larger cultural/leisure contract have all been considered and in terms of the way forward, the report recommends *"continuation of the current agreement with ATG, via re-negotiation of the lease and terms of the management agreement is the most sensible option and will allow the Council to continue the good relationship it has built up with ATG and to build on the foundations laid in the first 4-5 years of operation. The option of granting a longer lease should be explored with a view to encouraging some capital investment in the Theatre to upgrade and re-design key areas of operation with a view to increasing income from ancillary trading, hires and events and making the second space more suitable for live arts use by amateur, community and educational organisations"*.
- 4.9 Regarding the management fee, the consultant comments *"The annual subsidy paid to ATG is in line with national average for this type of management arrangement, however there may be scope to reduce it if the Theatre can build on the encouraging estimated financial outturn for 2014/15, and if it can increase income from ticket sales and ancillary trading and events. There is a limit to how much cost cutting is advisable in flexible areas of the budget such as staffing and marketing, as cutting costs further could have a negative impact on performance and, especially on the Theatre's ability to generate increased ticket sales; to undertake commercial development function; and to increase trading income"*.
- 4.10 In terms of other operators, there are only 1 or 2 comparable theatre management companies in the market place. ATG is the accepted market

leader and is also the largest theatre management company in the world following the recent merger and financing changes. It is thought there would be little to be gained by terminating the current contract with ATG and going out to the market place.

- 4.11 Furthermore, this could result in a worse/more expensive outcome for the Council in terms of cost and quality and scope of programme offered. The best scenario is to negotiate new acceptable terms with ATG. In summary, the Council is very happy with the quality and range of service provided by ATG but wishes to renegotiate the contract on more favourable and less expensive terms.
- 4.12 The consultants report was received in June and discussed with Cllr Howard Mordue and the Director of Finance. In order to meet the contract deadlines, informal negotiations were conducted at local level between AVDC and ATG to find common ground, clarify expectations and work through various scenarios. These were discussed with Cllr Mordue and AVDC,s Director of Finance to seek agreement in principle.
- 4.13 As a result of these informal discussions, formal contract review meetings have taken place between AVDC and ATG on 25 June and 30 July 2015 and a series of joint proposals were discussed and agreed. The meetings have been very positive and ATG took away the proposals for discussion and agreement with ATG MD Rosemary Squire and other members of the board.
- 4.14 The ATG board has now considered the proposals and are in support of the joint recommendations. These proposals should be considered as a package and represent the best negotiated outcome for the Council. The details are given below;
- 4.15 **Proposals Jointly Agreed by AVDC and ATG**
  - a) That AVDC continues to acknowledge and champion the theatres' pivotal role and contribution to the development of Aylesbury town centre and night time economy.
  - b) That AVDC continues to use its' best endeavours to ensure that coach drop off and pick up arrangements remain a high priority and that signage, way-marking and the public realm continue to be improved wherever practicable, for visitors, both pedestrians and by vehicles to the theatre.
  - c) That AVDC continues to work with ATG to seek affordable solutions to reduce maintenance and utility costs for mutual benefit.
  - d) To confirm the 6 year Funding Agreement from October 2016 until 31 March 2023 as detailed in the confidential appendix.
  - e) To include a formal review of the contract in year 5 (2021/22) to seek a new funding Agreement for the remaining period of the contract and any other relevant considerations at that time.
  - f) ATG will pay AVDC an agreed percentage of the gross proceeds arising from the Building Levy once ticketed admissions exceed the threshold of

250,000 p.a., payable annually in arrears in order to help with maintenance costs, as detailed in the confidential appendix.

- g) AVDC and ATG will each make an agreed annual payment to the “Special Maintenance” sinking fund in accordance with the current contract Agreement in new contract years 1 – 6, as detailed in the confidential appendix
- h) All Contract Terms and Specification to be updated to reflect date changes and to remain as now except those details referred to above or that have been previously jointly agreed during the first five years.

4.16 The AVDC negotiating team are very pleased with the outcome of the negotiations and consider that these are the best terms and outcome possible for the Council at the present time.

## **5 Options considered**

5.1 The Contract Review has included a comprehensive report by a Theatre and Arts Consultancy, Artservice. The options of re-tender the contract, establish a charitable trust, consider in house operation, partnering with an existing trust or local authority or including in a larger cultural/leisure contract have all been considered. The option to negotiate with ATG is recommended by the Consultant.

## **6 Reasons for Recommendation**

6.1 The negotiated new terms and financial agreement are considered the best terms available at this time and provide the Council with a much improved financial arrangement and also provide for a further review in 5 years time.

## **7 Resource Implications**

7.1 The effect of accepting these proposals mean that the Council will reduce substantially the cost of the management fee over a tapering 5 year period This arrangement provides ongoing savings to the Council and also allows ATG to continue to build audiences and visitors to the theatre whilst ensuring a first class quality programme of events is offered to residents and visitors to the district.