



St Edmundsbury
BOROUGH COUNCIL

D222

Cabinet

12 December 2012

Report of the Overview and Scrutiny Committee: Two Year Review of The Apex (Dec12/03)

1. Introduction

- 1.1 The Apex opened in October 2010. Prior to 2009, the Council had intended the new venue as a hall for hire, but it was decided at that time, given its potential, to invest in the building operationally as a programmed arts venue. It was recognised that this decision should be reviewed by Cabinet after two years of operation. The March 2009 Business Plan for the Apex also contained a commitment to look at alternative governance models for the project after two years.
- 1.2 On 25 July 2012 Cabinet received Paper D85 which comprised the initial report for the review. Cabinet agreed at that time to proceed to the development of a business case for a wider arts trust (or 'Single Operation') to run both the Theatre Royal and The Apex. Given the interest in the review, it was agreed that the Overview and Scrutiny Committee would not only carry out its own two year review of The Apex, but also advise Cabinet on the merits of the indicative business case for the Single Operation, and of any existing plans to achieve savings through a retained in-house operation.

2. Two Year Review of The Apex

- 2.1 Members considered a review of The Apex's performance in its first two years, consisting of an external assessment by Bonnar Keenlyside and an internal assessment provided by the Council's officers, including financial analysis. The Bonnar Keenlyside report had already been shared with Members both at Cabinet and at a briefing to all Members earlier in 2012, and included analysis of audience data and budgets, interviews with stakeholders and a market appraisal. The report provided an independent assessment of The Apex after 18 months of operation. The Council's response to the assessment was also provided to the Committee.
- 2.2 Members considered both the Bonnar Keenlyside report and the Council's response thereto, which included a financial assessment of the four distinct 'cost centres' of Box Office, Hired Events, Catering and Bar, and Building. An assessment was also made of performance and key issues which affected this.

- 2.3 This element of the report concluded that The Apex had fulfilled its original objectives and established itself as a regionally significant arts and conference centre. Although The Apex had made a slower start than expected in terms of its commercial activities, it was catching up in terms of hired events, and plans were in place to address its catering issues. Much of the increase in its subsidy had not been within the direct control of The Apex management, and there were plans and options for the future in relation to the level of the overall subsidy, and for the future management of the building.
- 2.4 Members scrutinised this part of the report in detail, questioning a number of areas including the size of the venue and its income generating potential, the potential to decrease the level of subsidy, whether it was too early to review The Apex's operation, hiring trends and capacity, and plans in place to attract younger audiences.
- 2.5 The Committee commended the Venues Director and his team on the progress made to date as outlined in the report, and in the graphs showing positive income trends circulated at the meeting.

3. **Existing In-house Plans for The Apex**

- 3.1 Next, the Committee looked at the existing in-house plans for The Apex should the option of transferral to a wider arts trust not occur for the time being. Many of the efficiencies already planned would, however, be just as beneficial to the Single Operation as they would be to the Council's own savings programme.
- 3.2 The main aim of the in-house plans was to achieve savings from the current cost of The Apex and refine the programming strategy. These savings were scrutinised by Members, and included the impact of the catering contract, gas and electricity charges, growth in ticket sales and an increase in box office agency commission. Taking into account a review of current expenditure, the net result was a likely Dynamic Review-Innovative, Value and Enterprise (DR-IVE) saving of approximately £45,000 (subject to final confirmation). Taking into account the provision for inflation in the Council's financial model, this was likely to produce an estimated reduction in The Apex's 2013/2014 budget of around £23,000. The officers confirmed that these should be seen as the initial savings plans for The Apex, and the potential for additional savings in the future was outlined in the report. These included the potential for sharing services with the Theatre Royal.
- 3.3 Members were particularly pleased to see the plans for more Member governance of The Apex, should its operation remain in-house, through the creation of a Performance Panel.

3.3 Members **RECOMMENDED** that:

- (a) **the existing in-house plans for The Apex, as set out in Part 3 of Report D209, be adopted and incorporated, as appropriate, into normal budget-setting for 2013/2014.**

4. **Indicative 'Single Operation' Business Plan**

4.1 Under this section of the report, Members were asked to scrutinise the business case for the proposed Single Operation with the Theatre Royal and identify any strengths and weaknesses in order to assist the Cabinet in making a recommendation to full Council in February 2013, if the Borough Council received a request from the Theatre Royal in the New Year to join it as a partner.

4.2 As part of the information gathering stage of this scrutiny hearing, Members took evidence from the Chairman of the Theatre Royal and its Chief Executive, a representative of the Theatre Support Group, and representatives from Arts Council England and Suffolk County Council, as well as the Council's own officers, and the expert who had advised the partners on the review.

4.3 A rationale for the Single Operation was provided in the Indicative Business Plan, from which it could be seen that the Single Operation was likely to meet the Council's strategic and operational priorities for The Apex and the arts in general. The Committee's main focus, however, was on the due diligence required in respect of the financial and governance elements of the proposal. There was more detailed work required, but the indicative model indicated that, in its first full year, savings for the Single Operation itself could be approximately £145,000, rising to £188,500 in year two with significant room for improvement. The Council would receive half of any savings, but would need to use these to off-set the additional costs it might incur (for instance retained central overheads, charitable rate relief, set-up costs and potential Transfer of Undertakings Protection of Employment (TUPE) liabilities). With careful management, the officers had concluded that it was likely that the Single Operation would not result in any additional cost to the taxpayer, or undermine the ability to deliver existing savings plans. Additionally, the Single Operation could provide increased financial resilience and stability for the Theatre and The Apex, both of which had a significant impact on the local economy and quality of life in St Edmundsbury.

4.4 Although the Committee did not feel the Council was yet in a position to support any specific proposals, there was a consensus that the work with the Theatre Royal to develop the collaboration between the two venues should continue. Accordingly, it was formally **RECOMMENDED**:

- (b) **that all opportunities for collaboration with the Theatre Royal, Bury St Edmunds, continue to be explored.**

- 4.5 The Committee noted that the Theatre Royal had not yet finalised its view on what model of collaboration it would actually consult stakeholders upon in the New Year and, therefore, there was no certainty on what model, if any, the Council would be asked to consider.
- 4.6 The potential benefits for the community, economy and taxpayer of collaboration between two complementary performing arts venues were recognised. However, Members of the Committee held different views on the best way forward for any collaboration with the Theatre. Some Members also felt it was too early to consider changes for The Apex at such an early stage of the project. Their general view, in keeping with the above recommendation, was to 'leave the door open' for the Theatre Royal to make a proposal.
- 4.7 In relation to both the indicative business plan for a Single Operation, and the general principle of sharing any services with the Theatre, the Committee identified the following issues which would need to be taken into account in any subsequent decision making by the Council:
- (a) the risks associated with the various sources of external funding received by both venues (particularly their public funding), and the impact this could have upon any collaboration;
 - (b) the need to preserve the identities of the two venues;
 - (c) the need for appropriate safeguards in any legal agreements to protect the interests of the Theatre Royal charity and the taxpayer;
 - (d) the need for a fully-developed financial model reflecting the 2013/2014 budget of The Apex and including an analysis of VAT and TUPE implications; and
 - (e) the need to translate the risks identified in the due diligence report into a full risk register.
- 4.8 The Committee also expressed its concern about what was now an extremely tight timetable for any decision by the Council in order to accommodate the Theatre Royal's requirement to agree a new operating model with the Arts Council by the end of March 2013. Members asked the Cabinet and officers to ensure that there was proper time built into any new decision-making timetable for further detailed deliberations by Councillors, whether through scrutiny or full Council.
- 4.9 Cabinet is therefore asked to **NOTE:**
- (c) **the issues identified by the Overview and Scrutiny Committee in relation to any proposals for collaboration with the Theatre Royal, as set out Section 4 of Report D222.**

Contacts:

David Nettleton, Chairman of the Overview and Scrutiny Committee, (01284-702212)
Ian Houlder, Vice Chairman of the Overview and Scrutiny Committee, (01284-810074)
Alex Wilson, Director, (01284-757695)
Adriana Stapleton, Scrutiny Manager, (01284-757613)

W:\Democratic WP Services\Committee\Reports\Cabinet\2012\12.12.12 Special\D222 Report of the O&S Cttee -
Two Year Review of The Aoex.doc