



St Edmundsbury
BOROUGH COUNCIL

D93

Performance and Audit Scrutiny Committee 30 July 2012

The Apex – Report of the Venues Director

SUMMARY

This report identifies the current performance of the Apex after a year and a half's operation and is presented at a time when the outcomes from a two year management review are being considered.

PURPOSE OF THE REPORT

To update the Performance and Audit Scrutiny Committee on progress made since the last report.

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Performance and Audit Scrutiny Committee

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The Apex – Report of the Venues Director

1. BACKGROUND

- 1.1. Apex management presented a report to the Performance and Audit Scrutiny Committee in October 2011. This report is an update on progress since then.
- 1.2. The Apex has been open for a little over a year and a half. Prior to opening it had been St Edmundsbury Borough Council's intention to undertake a management review after two years.
- 1.3. On 25 July 2012, the Council's Cabinet considered the initial report of this review. At the time of publishing this agenda, the Cabinet's decision is not known, and will be reported orally at the meeting. However, the covering report for Cabinet (Paper D85) and its exempt appendices are attached as appendices to this paper.
- 1.4. The Venues Director has worked closely with the consultants carrying out the review on behalf of the Borough Council, Theatre Royal, Arts Council and Suffolk County Council. As can be seen in Appendix 1 to Paper D85, it has been concluded that the Apex has made a positive impact on the cultural offer of West Suffolk, with an estimated value to the local economy of approximately £5m a year. Since its opening, in recognition of the stunning acoustic capability of the building, the focus has been on successfully creating a reputation for musical performance excellence. Audience figure trends for all genres of performance on offer at the Apex are on an upward trajectory, commercial income continues to grow and the venue is in a strong position to develop under whatever management model is chosen as a result of the review.
- 1.5. The findings of the review suggest that the management option which will offer the greatest strategic benefits and efficiency savings is likely to be the transfer of the management of the Apex to a wider arts trust which would also manage the Theatre Royal. If the Cabinet endorse these findings, any such decision would require a detailed business plan and the approval of full Council and other partners in the autumn. The Theatre Royal's Board has already agreed to enter into discussions regarding this option.

2. BUDGET OUTTURN 2011/12

- 2.1. 2011/12 was the first full year of operation of the Apex and as such the Council was still very much on a learning curve about the operation of the building, its programming and also management systems. The setting and monitoring of the budgets was part of this learning curve. Throughout 2011/12 and into 2012/13 the Apex's budgets have been continually refined, and members will note that the Two Year Review suggests further improvements.
- 2.2. The closed accounts for 2011/12 show the following position for the Apex's budgets:

2011/12 Apex Summary			
	Provisional Budget	Actual	Variance
Apex Box Office (events)	-£57,950	£11,112	£69,062
Apex Hired Events	-£132,900	-£66,088	£66,812
Apex Catering and Bar	-£100,000	-£56,205	£43,795
Apex (building)	£874,000	£847,637	-£26,363
Total Net Expenditure	£583,150	£736,457	£153,307

NB Total figures reflect rounding

- 2.3. As mentioned in paragraph 2.1, the Apex budget was refined during 2011/12. In the summer of 2011, it was divided into four new cost centres, and provisional full year budgets were identified. Since that time, these four cost centres have been constantly reviewed, with costs being more accurately apportioned. As can be seen in Section 3 of this report, the Box Office Cost Centre in particular is now constructed to identify more of the subsidy which is required to run an arts venue, rather than just reflecting box office activity; costs which were previously in other cost centres have been re-apportioned to this cost centre during 2011/12 and again in 2012/12 to improve its accuracy. The variances shown in the above table therefore need to be given something of a health-warning. What is perhaps of more relevance to the Committee is the overall overspend of over £150,000, which is explored in more detail in the following paragraphs.

Box Office

- 2.4. Within the "Box Office (Events)" Cost Centre (outturn £11,000), the net cost of promoting the Apex's own in-house programme in 2011/12 was a subsidy of just over £8,000. This calculation excludes contracted salary costs related to the programmed events and the box office and technical staff. However, it includes all other direct costs including: artists' fees; equipment; stewarding; security; box office fees; and Performing Rights Society fees.
- 2.5. As reported in October 2011, the target is to continue to reduce the subsidy until it is at least a break-even position. The Two Year Review (exempt appendix 1) contains a more in-depth analysis of the first 18 months' programme.
- 2.6. The Box Office cost centre also includes the box office commission received from external promotions at the Apex and agency fees for events elsewhere. As with the Apex's own programme, this is also an area for further development.

Hired Events

- 2.7. The planned income target for hired events (i.e. lettings) for 2011/12 was £170,000. Allowing for the costs incurred, the targeted surplus on this cost centre was therefore £133,000, compared to an outturn of £66,000.
- 2.8. The Venues Director reported to the Committee in October 2011 that the launch of commercial hire activity at the Apex had been held back until the building and the

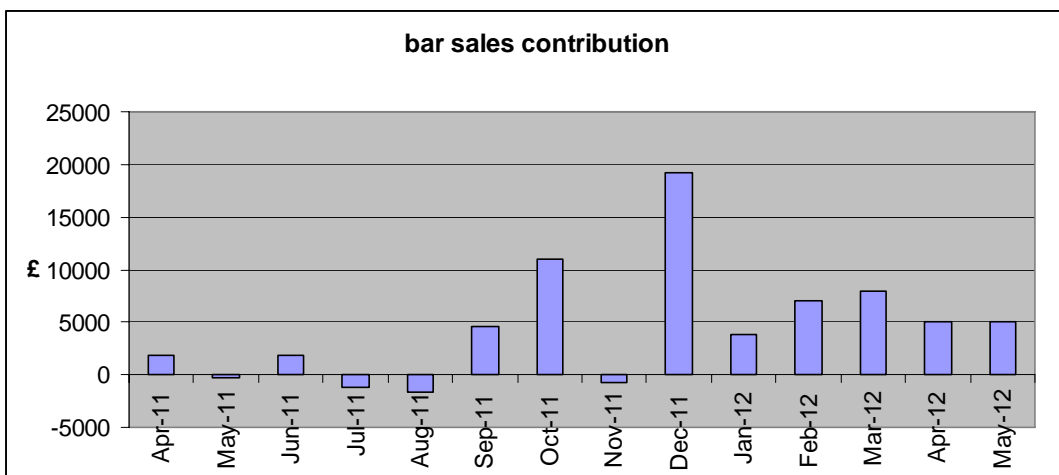
operational staff were ready to accommodate professional b2b (business to business) events. A PR campaign had been implemented in June 2011 launching the campaign to attract corporate hirers.

- 2.9. The final lettings income contribution for 2011/12 end of March 2012 was £104,000. £92,000 of that total was achieved between September and March, which correlates with the predictions that were outlined back in October. The shortfall of approximately £66,000 contributed significantly to the overall budget variance and relates to the period before the building was ready to fully accommodate this type of activity. The entire Leisure Services Department team worked cohesively throughout the year to mitigate this shortfall.

Catering

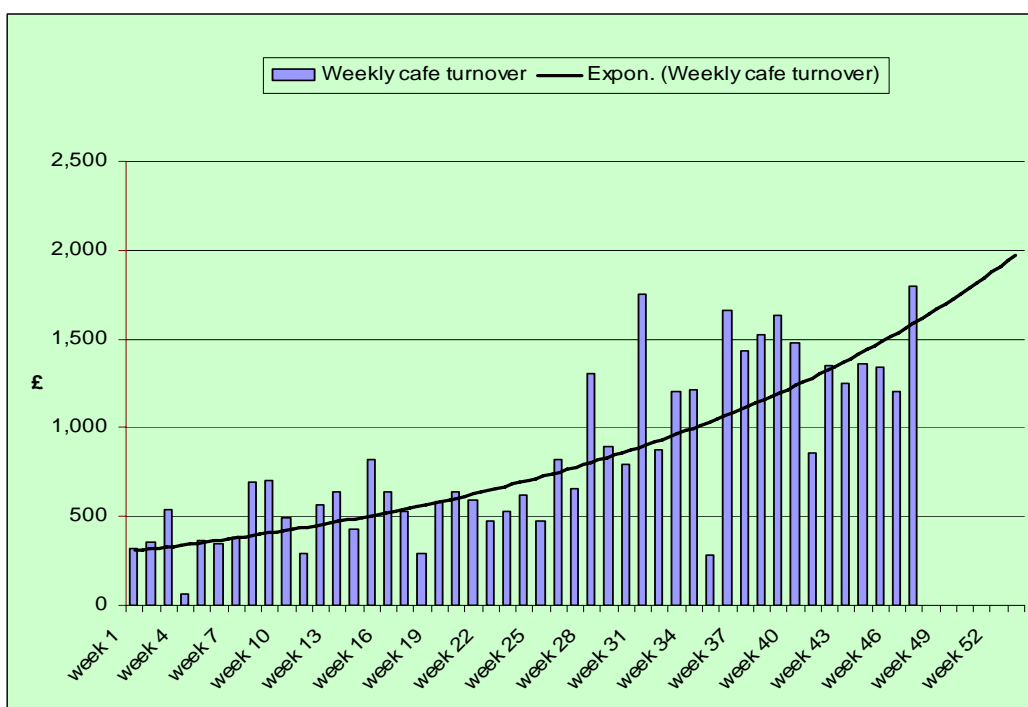
- 2.10. During the course of the year the Council decided that catering at four separate Council run sites in Bury St Edmunds (the Apex, the Athenaeum, the Abbey Gardens and Moyse’s Hall) should be tendered out to an external contractor for a minimum of 7 years. Due to the scale and complexity of the contract, and the public sector procurement rules the Council is bound by, the one-off cost of conducting this exercise for the Apex was approximately £13,000, including feasibility, market-testing, detailed specification, tendering, assessment and contract negotiation. When the 2011/12 budget was set in 2011, this expenditure had not been allocated. As a result of the exercise, Sodexo Prestige have been appointed as the Council’s commercial partner for the venues, and will take over catering at the Apex in November 2012.

- 2.11. As can be seen in the chart below, the net contribution from food and beverages in 2011/12 increased dramatically once the corporate hire business was realised post September. The first five months of the year generated a net contribution of less than £1000. However the subsequent seven months provided a net contribution of £53,000. This cost centre takes into account the costs of casual staff, but the costs of the contracted staff who manage the bar operations are included in the Building Cost Centre.



- 2.12. As the chart below shows, the café bar daytime sales also rose throughout the year. This has been achieved whilst operating at first floor level with all the constraints identified in earlier management reports. It is therefore the intention, when Sodexo start their operations in November, to trade principally during the day from the

ground floor foyer space, which should increase the profitability of this activity considerably.



Building

2.13. Overall, this cost centre was underspent by £26,000, including significant reductions in actual energy usage compared to initial estimates. Half way through the financial year, however, the Council was notified of an increase in the service charges from the arc's owners of approximately £35,000. Again, this increase was not envisaged in 2011 and represented 23% of the total overspend.

2.14. The remainder of the overspend was distributed over various cost codes.

3. 2012/13 BUDGET

3.1. For this financial year we currently have budget monitoring figures up until June. These figures indicate that the Apex is currently attaining its overall budget target (to within a margin of just over 1%). The table overleaf shows the latest position against the four cost centres.

	Apex Summary Jun-12			
	Budget full year	Budget to date	Actual year to date	Variance
Apex Box Office (events)	£36,500	£9,111	£4,274	-£4,838
Apex Hired Events	-£91,500	-£22,884	-£31,023	-£8,139
Apex Catering and Bar	-£35,000	-£15,000	-£6,468	£8,532
Apex (building)	£865,600	£266,088	£273,726	£7,638
Total Net Expenditure	£775,600	£237,315	£240,509	£3,193

NB Total figures reflect rounding

3.2. More information is provided on each of the cost centres in the following section.

4. CURRENT PERFORMANCE OVERVIEW

Apex programme (Box Office Cost Centre)

- 4.1. Much of 2011/12 financial year was about establishing the Apex as a venue, learning who the audience is and what they want to see, trying out different styles of music, different layouts and different ways of communicating with the audience.
- 4.2. Awareness and enjoyment of the Apex is growing constantly and the learning process of 2011/12 has helped us to inform the programming for 2012/13 and has given us the confidence to continue developing it. There is another strong folk programme in place as well as a varied and high quality classical programme. A partnership with a world music promoter and a nationwide network of venues has opened up good access to an affordable world music programme with marketing support. The jazz programme is growing and there is increasing awareness from bands, agencies and management companies in rock and pop music, although there is still room for development in this area.
- 4.3. Word is spreading rapidly in the various musical communities about the Apex and more and more musicians in all styles are keen to come and perform in the Apex. Whatever management model is adopted, the proposals in the two-year review (see appendix), seek to build upon that start, and position the Apex as a regional centre of excellence for music.
- 4.4. In June, The Performing Rights Society, from a list of 7000 venues assessed, placed the Apex in the top 100 music venues in the country. The top three were the Southbank Centre in London, The Sage in Newcastle & Gateshead and the O2 in Birmingham. We are very proud of the fact that we have reached this position in such a short lifespan, and are now considered to be a significant national concert hall alongside such exalted company. The Apex was placed above long established local venues such as The Junction and Corn Exchange in Cambridge, and Snape Maltings.
- 4.5. The Apex database has over 9000 names; we have almost 1500 Facebook followers and approaching 1000 Twitter followers. The Spektrix box office system allows us

to scrutinise our audiences and we can now use this to great effect to target audience type, frequency of visits, and demographic make up.

- 4.6. Bonner Keenlyside (who have conducted the Two Year Review) have analysed our concert audiences and broken concerts down into music genres, as set out in exempt Appendix 1 to Paper D85. Their findings indicate that the trend for audience growth is heading upwards for every genre that we programme, most rapidly in relation to rock and pop. Overall growth in audiences since opening is over 6%.
- 4.7. It is important to emphasise that putting on a range of professional concerts at a 500 seated or 750 standing venue is unlikely to be profitable overall, even if these trends continue, particularly for classical music. Break-even remains the target we are working towards, carefully targeting and refining the programme.
- 4.8. As an example to emphasise this, a sell out rock concert, The Levellers, sold 750 tickets; the box office gross takings were £13,500. Our profit was £140. These are the margins within which a venue of this size will often operate, whilst pursuing a policy of offering a high quality professional programme.
- 4.9. However, using the same concert as an example, the gross bar takings were in excess of £4000. Likely bar sales are always a consideration when we undertake programming. The new commission arrangement that the Sodexo contract offers will remove our direct involvement in this activity, but the principle remains the same; the higher the overall bar and catering sales become, the more commission we will receive.

Apex Hired Events

- 4.10. Despite the current economic climate, bookings for business events at the apex remain encouraging. Driving brand awareness of the corporate offer continues via PR, networking and direct marketing activities resulting in a number of high calibre events booked in the months ahead, including award ceremonies, graduation ceremonies, gala dinners together with a large NHS event in September (a lead from Confex attendance in March) and networking events with Suffolk Chamber of Commerce. Craft fairs on Saturdays in the foyer are also popular and extend the reach of the venue even further in terms of new customers.
- 4.11. The Apex will also be supporting the Bury Business Festival in September with two key events taking place at the venue; The Fresh Festival for young inspiring people on 14 September and The Bury Free Press Awards dinner on 21 September.
- 4.12. Following on from the successes of last year, we have already received a number of enquiries regarding Christmas parties at the Apex and three dates have been set aside namely 8, 20 and 21 December.
- 4.13. As indicated earlier in the report, the Apex team have generated a profitable stream of business bookers since launching the campaign a year ago. The past nine months bookings have contributed a total of £145,000 from hire fees and equipment and service hires associated with hire activity. The Council's decision to contract Sodexo as a partner means that the primary responsibility now falls on Sodexo to generate the commercial bookings for which the Apex will receive a commission, although both marketing teams will work together as a partnership. The Apex team will

continue to target concert and community hirers, and retain the lettings income from these programmed activities.

Apex Catering and Bars

- 4.14. The expected trend for catering performance in 2012/13 is as already described in paragraphs 2.10-2.14 above.
- 4.15. The overall catering budget for the year has been adjusted to reflect the effect of Sodexo coming on board in November. It is anticipated that there will be a bedding in period before a substantial contribution is realised. Therefore income targets for Hired Events and Catering and Bar have been reduced for 2012/13 to avoid an overspend. Combined with any savings from the Two Year Review, it is therefore expected that the subsidy of the Apex will start to reduce from 2013 onwards.
- 4.16. Some work has also taken place to refine further the allocation of costs to this cost centre, which will assist with the monitoring of budgets after the transition to Sodexo.

Building

- 4.17. As the building is beyond its 'snagging' period, the Council now started to put aside higher maintenance contributions (1.1% instead of 0.8%) in the 2012/13 period as part of its standard asset management procedures. Higher service charges are also reflected. This has offset the savings made on energy costs for 2012/13.

5. BUSINESS DEVELOPMENT

- 5.1. Sodexo will be presenting plans for the development of the foyer space as a retail catering outlet in July. The foyer and outside spaces at the Apex could also offer a good catering opportunity but need to fit within the way in which the building design permits us to use the spaces. Getting this plan right is crucial to the success of the catering contract with Sodexo Prestige.
- 5.2. The Council will be making a final decision on the future management structure at the Apex in the autumn. This decision will determine how business planning develops at The Apex from 2013 onwards. The Two Year Review papers indicate a strong future for the Apex if it is correctly positioned in the regional market.
- 5.3. The staff at the Apex have done a tremendous job in establishing its reputation and role in the region, and we are proud of the fact that we have established a very strong foundation from which the business can develop.



St Edmundsbury
BOROUGH COUNCIL

D85

Cabinet 25 July 2012

Two Year Review of The Apex (Aug12/11)

<p>1.</p> <p>1.1</p> <p>1.2</p> <p>1.3</p>	<p>Summary and Reasons for Recommendations</p> <p>The 2009 business case for The Apex required a review of the governance of The Apex prior to the second anniversary of operation. This review has been carried out during the early part of 2012 with partners and has concluded that, in principle, a joint operating model with the Theatre Royal, Bury St Edmunds, is likely to offer the strongest benefits for the future management of The Apex; in relation to value for money for the taxpayer, and developing the social and economic benefits of the arts in St Edmundsbury and West Suffolk.</p> <p>Any formal decision to move to such a model by full Council would need to follow extensive due diligence work with partners, and this paper therefore proposes that the partners move into that next stage of feasibility and negotiation. This would include seeking the consent of other external funders. There is also an opportunity to establish if Forest Heath District Council wish to be part of the investigations as they operate a successful arts development service.</p> <p>The paper also proposes that Cabinet authorises and under-writes the submission of a <i>Grants for the Arts</i> funding application to the Arts Council for England.</p>
<p>2.</p> <p>2.1</p> <p>(1)</p> <p>(2)</p> <p>(3)</p> <p>(4)</p> <p>(5)</p> <p>(6)</p>	<p>Recommendations</p> <p>It is <u>RECOMMENDED</u> that:-</p> <p>the findings of the two year review of The Apex be noted and endorsed in principle;</p> <p>the Borough Council enter into formal discussions with the Theatre Royal Bury St Edmunds and its funders about a new strategic partnership which would provide a joint operating model for The Apex and the Theatre;</p> <p>a detailed business case for such a joint operating model be prepared for the consideration of Cabinet and full Council, the Theatre Royal Board and funders in autumn 2012;</p> <p>the Corporate Director for Community Services be authorised to commission the necessary expert advice to develop the business case, funded from Invest to Save reserves if necessary;</p> <p>discussions be held with Forest Heath District Council to establish whether it wishes to become a partner in any such arrangement in relation to arts development; and</p> <p>the Council makes an application to the Arts Council for England for <i>Grants for the Arts</i> funding to develop arts programming in St Edmundsbury, subject to the one-off funding required from future budgets not exceeding £25,000.</p>

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3. Corporate Objectives

3.1 The recommendations meet the following, as contained within the Corporate Plan:-

Priority 1: *Working together for strong, healthy and diverse communities'*

We will work with others to:-

- (a) encourage wider access to physical and cultural activities and promote healthy lifestyles to benefit as many as possible; and
- (b) promote cultural, sporting and leisure opportunities to all ages and abilities;

Priority 2: *'Working together for prosperous and environmentally-responsible communities'*

We will work with others to:-

- (a) ensure the viability of our town centres and promote the individuality of our towns and rural areas, especially through support for our markets and tourism; and
- (b) use the Apex to complement other facilities in the borough and develop the space for both cultural and commercial activities.

Priority 3: *'Working together for an efficient Council'*

We will:-

- (a) engage with staff and Councillors to create a unified staff structure with Forest Heath District Council;
- (b) ensure customers continue to receive high quality cost effective services;
- (c) put customers at the heart of our service redesigns;
- (d) continually challenge our costs so we can set realistic annual budgets that take account of the economic climate; and
- (e) continually look for external funding sources to supplement the council's own budgets.

4. Key Issues **Background to the review**

4.1 The March 2009 Business Plan for the Council's new public venue in the arc (The Apex), contained the following commitment:-

"Wider arts trust

The Council will nurture the Venue through its early years. Through Members, officers and partners working together it will establish the Venue as a leading provider of Arts and Entertainment and commercial hire in West Suffolk and the region. After two years of operation it is proposed to review the governance approach. Consideration at this time will be given to the establishment of a wider arts related trust that could bring together a range of arts and entertainment providers.

In preparation for this, review work will be undertaken to prepare options for Members'

consideration as to the format that a Trust could take. This will include:-

- (a) The structure of a Trust e.g. a company limited by guarantee, a company with charitable objectives, a public interest company or some form of commercial company.*
- (b) Financial analysis – identifying revenue savings, opportunities for secondary funding, VAT evaluation, NNDR.*
- (c) The scope of the Trust – what facilities and services could be included – covering those services currently provided by the Council and services provided by others in the Public, private and voluntary sectors."*

4.2 The new public halls management team was formed in the autumn of 2009 and took control of The Apex in the summer of 2010, opening it to the public in early October 2010. To allow any changes to be put in place for 2013/2014, the 'two year review' envisaged in 2009 has been carried out in the early part of 2012, and this report contains its findings.

4.3 While the review does reflect on the first 18 months of operation, and the lessons to be learned, its main purpose is forward-looking. It is not a piece of detailed retrospective scrutiny. The intention is to ensure that The Apex is positioned properly to take it to the next phase of its development, in a tough financial environment.

4.4 This review has been a joint exercise with the Theatre Royal Bury St Edmunds, the Arts Council for England and Suffolk County Council. To provide independent and specialist advice, the review has been carried out on behalf of the partners by Bonnar Keenlyside Ltd (BK), a specialist arts consultancy who have worked extensively in the UK and abroad on similar cultural projects (see www.b-k.co.uk). BK's full reports are attached as exempt appendices for Members' background information, but the non-confidential information in them is summarised in this covering report.

Conclusions from the initial operating period of The Apex (Exempt Appendix 1)

4.5 The market research carried out for the review (some of which is exempt information) has concluded that The Apex has made a positive contribution to the cultural and entertainment scene in West Suffolk; over the period 2010 to 2012 audiences for cinema, theatre and music in Bury St Edmunds have risen from an estimated 636,300 to 702,000 a year (10.3%), and a significant proportion of this increase is related to The Apex. However, although this is a positive trend, it is the view of many consulted in the review that West Suffolk can still increase its cultural 'edge' and distinction within the region.

4.6 Using the economic impact assessment tool developed for the Arts Council as an approximate indicator, The Apex is calculated to be worth an estimated £5.2m a year to the local economy. This is an calculation of: what customers spend directly at The Apex and indirectly at shops, restaurants, etc as part of their visit; the value of the local jobs directly and indirectly supported by The Apex; and the value of The Apex's own purchasing. The economic impact of the Theatre Royal is similar, taking the added value of these two venues alone to approximately £10 million.

4.7 The Apex has quickly established itself locally as a multi-purpose entertainment and community venue. The experience of the first two years suggests there is scope to firmly position itself in the regional market as a high quality concert hall with a superb acoustic, capitalising on the premium quality of the performance space. This need not have any impact on its use as an accessible community venue or commercial hiring.

Similarly, there is scope to reposition the Festival to make it stronger.

- 4.8 Between October 2010 and the end of April 2012, The Apex sold some 70,000 tickets for 496 events and took £832,000 at the box office. For its own 121 promotions in that period, it sold 33,800 tickets and took £476,000 at the box office. Audiences have grown steadily from a linear average of 258 to 275 – an increase of 6.6%. Average audiences for rock and pop concerts have more than doubled, but these concerts represent the fewest number of events by genre. There is now enough evidence to inform a re-balancing of the overall programme.
- 4.9 Some subsidy of certain elements of the programme was always envisaged, but there is scope now to reduce this subsidy over time through more targeted programming, using the data gleaned from the initial experimental period. The Council is also committed to reducing the overall subsidy of The Apex over time and has formed a commercial partnership with Sodexo Prestige to provide catering and hospitality services in the building from November 2012.
- 4.10 The BK review has concluded that, from this positive start, The Apex needs to take the learning gained and reposition itself in the market in terms of:-
- (a) overall positioning and programming policy (scale and scope);
 - (b) the range and quality of its programmes;
 - (c) working together with the Theatre Royal to give a joined up and coherent offer to borough residents and visitors;
 - (d) reviewing and revising marketing targets and sales methods, including the box office;
 - (e) creating key operational partnerships with other promoters and providers across the region and nationally; and
 - (f) helping to find a niche role for the Bury St Edmunds Festival.
- 4.11 In relation to the arts, the key questions for the governance review to address are therefore:-
- (a) how can The Apex sustain and build upon its opening audience levels through improved programming and marketing?; and
 - (b) how can The Apex make a bigger impact across the region as a high quality hall consistently programmed for a wide variety of good music?

Preferred option and next steps

- 4.12 The BK review examined two trust options for The Apex, and also the conditions that would be required to retain the management of the venue in-house, given the financial pressures on the Council. Of these three scenarios, the option which will best address the above questions is felt to be that of a single trust (a 'new company' or 'Newco') to run both The Apex and the Theatre Royal (see Exempt Appendix 2). The features of this model (and the alternatives) are summarised in the following sections of this report.
- 4.13 On 9 July 2012, the Theatre Royal's Board of Directors expressed a preference for such a joint operating model, on the basis that it was also likely to be in the best long-term interests of the Theatre. The Theatre's Board is therefore willing to enter into formal

discussions with the Council and its funders about a new strategic partnership which would see both venues being run together by a new trust, based on the Theatre Royal's existing management company, Bury St Edmunds Theatre Management Limited, registered with the Charity Commissioners as a charitable trust. This paper proposes that the Cabinet similarly adopts the 'New Company' model as its preferred option in order to allow these discussions to take place.

4.14 Final approval to transfer the management of The Apex to a trust would require a decision by full Council

4.15 These formal discussions would include the necessary due diligence and disclosure by both parties in respect of financial, legal and staffing considerations, and also the seeking of formal consent from the Theatre Royal's other funders, the Arts Council for England and Suffolk County Council. Forest Heath District Council would also be consulted to see if they wished to widen the remit of the New Company within West Suffolk in respect of arts development and outreach. The Council's catering partner, Sodexo Prestige, would also be fully involved, as that contractual arrangement would not be affected.

4.16 The ownership of The Apex itself would remain with the Council, so the relationship with such a New Company, if agreed, would be similar to that between the Council and Abbeycroft Leisure who manage the Council's sports centres. The Theatre Royal already has a similar arrangement with the National Trust and Greene King.

4.17 Staff at both venues, and Unison, have been briefed on the proposal and, if approved, any transfer process would need to adhere to staffing policies and employment legislation, including the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE).

Summary of the potential New Company ('Newco') model
(see Exempt Appendix 2)

4.18 The potential timing of this preferred option is ideal because both the Theatre Royal and The Apex are at a crossroads in their respective development. In the case of The Apex, it has been open for almost two years and now needs to take stock of its clear achievements, learn from its past experiences and plan for the future. In the case of the Theatre Royal, the company has recently achieved financial stability after the restoration project, and has been undertaking a review of its artistic and commercial ambitions going forward, also supported by BK.

4.19 Although both venues could continue as separate entities, for different reasons both operations would be stronger together:-

- (a) Bury St Edmunds would have a wider and more coherent cultural offer, unique in the region, with the opportunity for creating new partnerships locally, regionally and nationally;
- (b) there would be a single box office and sales operation for Bury St Edmunds;
- (c) the commercial opportunities would be maximised;
- (d) public funding for the two venues would be more secure; and
- (e) initial efficiency savings, likely to be over £100,000, would allow the protection of frontline services.

Policy, positioning and programming

- 4.20 If The Apex and the Theatre Royal were to join together under a single new trust structure, the same policy and programming targets would initially remain the same but be significantly enhanced in terms of quality, for example:-
- (a) the new operation would seek to join 'old' and 'new' Bury St Edmunds together and improve the important links between these two parts of the town;
 - (b) there would be an opportunity to reposition the two venues together as a unique cultural facility in the wider region;
 - (c) there would be an even more strategic approach to creating partnerships and developing the arts, and the new larger organisation would have more cultural influence;
 - (d) there would be a single centralised sales and marketing point in Bury St Edmunds;
 - (e) other local partners could be engaged, such as the Smiths Row, Moyse's Hall and the Cathedral to create the sense of greater cultural capital;
 - (f) the venues would be able to programme in tandem, not across one another and also to create an environment where the Bury St Edmunds Festival could be repositioned working with both venues to create an exceptional moment during the year;
 - (g) the venues could continue to maximise their potential commercial opportunities, whilst making them distinct from the cultural offer; and
 - (h) further benefits could be a greatly enhanced offer to young people including learning, training, arts and entertainment, plus the opportunity to develop a high quality programme of outdoor work.
- 4.21 The current training and learning development activities of the Theatre Royal would work across both venues, and with partners, offering a broader and more interesting mix of opportunities.
- 4.22 Within the New Company, both venues would retain their unique identity. They would be programmed in a complementary manner, without directly competing with one another and with intelligent partnering with one another when appropriate, particularly where the Festival is concerned.
- 4.23 The Theatre Royal would remain an excellent artistic amenity of which the town's residents are justifiably proud, providing a rich mix of drama, children's work, light entertainment and also some dance and literary events.
- 4.24 Building on its first two years, The Apex will be positioned as an excellent music venue of the highest quality in the region, offering a rich mix of sophisticated programmes appealing to a broad public from the borough and the surrounding region. With a strong profile, it will clearly differentiate itself from other music venues in the region and create dynamic partnerships with other regional and national promoters.
- 4.25 For The Apex, the New Company will plan a programme that is complementary to and stimulated by that of the Theatre Royal and other venues such as the Cathedral, with whom it will also work in partnership. It will actively support and nurture local

community and amateur groups and work closely with Sodexo Prestige to maximise the potential for commercial earnings.

4.26 Features of the new programming policy will be:-

- (a) a coherent and regular programming strand and / or dedicated season for each music genre;
- (b) the number of Apex promoted events will remain at some 125 per annum, but be more focused; and
- (c) the marketing strategy and website will be adapted to reflect the more refined positioning of The Apex as a venue.

4.27 From the funders' point of view, close consideration will be given to:-

- (a) the balance and number of performances overall;
- (b) the balance and number of performances within each programming strand; and
- (c) the net return from each programming strand.

4.28 Specifically, the programme will be designed with the aim that there is a:-

- (a) positive financial net return from folk, jazz, blues, world, pop and rock music;
- (b) positive financial net return from light entertainment;
- (c) subsidised classical music programme, requiring no more than £20,000 per annum.

4.29 The overall plan will be to aim to make a zero cost net return on The Apex's own promotions.

4.30 Part of the development plan of the New Company will be to develop a properly specified rehearsal space, which will also allow the development of more activities for young people and the creation of a wider range of local and regional partnerships.

4.31 As the New Company becomes established, it may be able to take on wider local and regional responsibilities, for example:-

- (a) for accessing more rural communities and working particularly to present a better offer for young people; and
- (b) taking over the management of appropriate events on behalf of the Council.

4.32 If Forest Heath wished to pursue this option, there is also scope to investigate the opportunities for the trust to extend its arts development role across the whole of West Suffolk as part of the two councils' shared services agenda. These discussions are yet to take place.

Targets and marketing strategy

4.33 The new operating model will need a new marketing and sales strategy which will involve:-

- (a) a single marketing and sales approach;
- (b) a single box office and sales operation;

- (c) repositioning the two venues into a single operation, whilst retaining their own distinctive positions; and
- (d) sharing and merging audience intelligence, allowing a more sophisticated and segmented engagement with a wider audience.

Governance, management and staffing

4.34 Although in principle a new charitable company is envisaged, it will be sensible to use the existing Theatre Royal charitable trust as the vehicle for the new operation:-

- (a) if a wholly new trust were to be formed, the Theatre would have very complex issues transferring its assets;
- (b) the costs of setting up a new trust would be considerable;
- (c) it is assumed that the Council will retain ownership of The Apex, as well as its current fixtures and fittings; and
- (d) The new operation would be responsible for repairs and renewals but not the fabric of The Apex building.

4.35 A new governing board of directors will be required to meet the challenge in terms of managing a much wider operation and new skills will be required. A strong and experienced Chair will be needed, as well as skilled and experienced board members who reflect the diversity and scope of the new operation. These skills will include management, finance, law, commercial trading, marketing, cultural planning, theatre, music of more than one genre and service-based operations.

4.36 The board of the New Company will include appropriate representation from external funding bodies (assumed to be St Edmundsbury Borough Council, Arts Council and Suffolk County Council). The Borough Council will have voting representatives on any board, as it does with Havebury Housing Partnership and Abbeycroft Leisure.

4.37 The new board will also have to develop its own systems for artistic, managerial and financial reporting. This will be significantly different from present management arrangements and, effectively, these systems will need to be redesigned from scratch.

4.38 The overall structure of The Apex and the Theatre Royal can be merged relatively simply as the majority of the functions are broadly similar:-

- (a) overall leadership;
- (b) finance and administration;
- (c) programming and artistic development;
- (d) sales and marketing;
- (e) technical and operations;
- (f) customer service/ Front of House.

4.39 The Theatre Royal has two particular capacities which The Apex does not have, Creative Learning and Fundraising and Development. These will be migrated to the new operation and operate accordingly.

4.40 The most obvious efficiencies will arise from creating a single sales team, responsible for marketing and ticketing. As with the shared services agenda for other council services, there are also potential efficiencies from merging management roles and in the operational areas.

4.41 There are several similar cultural operations in the UK which have benefited from creating such teams and which have overcome the obvious challenges arising from creating a new culture, harmonisation of terms and conditions, and the split site working. The process is complex and obtaining appropriate financial, human resources and legal advice will be essential to protect the interests of all stakeholders.

'Grants for the Arts'

4.42 As part of the review, it has been identified that there is scope for The Apex to submit an application to the Arts Council this summer for *Grants for the Arts* funding to assist in developing its programme and audience, particularly for young people. This could be collaborative work with other partners, particularly the Theatre. While success with the application is obviously not guaranteed, the process of applying for the grant will in itself be useful as it will allow the new approach to programming identified in the two year review to be thoroughly tested with the Arts Council.

4.43 If the bid is successful, the Council would need to provide an element of one-off match-funding. This would need to be a minimum of 10% of the project cost (the average is 65%), but could include income earned from the activities themselves. Grants awarded can be up to £100,000. If any additional funding were to be required to achieve an investment from the Arts Council, this would be known in time to build it into budget setting in the autumn. At this stage, therefore, Cabinet is simply asked to agree that a bid can be submitted on the basis that the maximum additional subsidy the Council would have to under-write to attract the investment would not exceed £25,000 over a two-year period.

Bury St Edmunds Festival

4.44 The Bury St Edmunds Festival could also become the responsibility of the New Company, and the management fee offered would reflect this. It is important to note that, if agreed, this would apply from 2014 onwards. The 2013 festival is already being reviewed by the Festival Manager, in consultation with the Portfolio Holder.

Athenaeum

4.45 The New Company, with its focus on the arts, would not take on the management of the Athenaeum, which will remain a high quality hall-for-hire. Instead, the Council would examine options to disaggregate the management of this building from the current functions of the public halls team prior to the transfer. It is worth noting that, from November 2012, Sodexo Prestige will be the hospitality and catering provider for the Athenaeum and will be marketing the building for private, commercial and community hire.

5. Other Options considered

5.1 The review has confirmed that, as originally envisaged, some degree of public subsidy (reducing over time) will continue to be required to provide a quality arts programme at The Apex, as is the case with equivalent venues. The economic and community arguments for maintaining this subsidy are explained in Section 4 above. Since the Council wishes to maintain a locally controlled arts programme at The Apex, this means that the option of outsourcing to a completely commercial management model was not considered in detail as part of this review. The Council has, however, already secured a commercial partner for hospitality and catering.

5.2 Alongside the New Company model, there were therefore two other options considered in the review: transfer to a new separate trust; or retain in-house. Doing nothing was

not seen as an option due to the need to reduce the public subsidy of The Apex over time.

Separate Trust (see Exempt Appendix 3)

- 5.3 BK have examined in detail the potential for The Apex to be managed by a separate trust formed specifically for the purpose, and the business case for this is set out in Exempt Appendix 3. Their proposals on the positioning, marketing and programming of The Apex are essentially the same as for the New Company model, and are not repeated here.
- 5.4 The reason that this option is not recommended as the preferred option is that it does not offer as many strategic benefits for the community as a wider arts trust. Furthermore, although there would be savings from the transfer (such as internal Council recharges) these would be almost entirely off-set by the overheads of the new organisation in relation to management, governance and independent support services.
- 5.5 Therefore, the only way in which the level of savings the Council will need in future years could be achieved is by a significant intervention in the current operating model i.e. a large cut to the capacity to programme and market it as an arts venue. Given the economic and community benefits outlined in paragraph 4.6, it is important that wherever possible savings are made from the overheads of the operation, and not from the delivery (as with all shared services).

Retained in-house

- 5.6 No detailed business case has been prepared for this option, as it is simply a development of the status quo. Again, the full strategic opportunities are missed, and the only way in which to make savings will be through large cuts to the frontline service.
- 5.7 If Councillors chose to retain The Apex as an in-house service, it would be necessary to introduce the tighter performance and programming mechanisms outlined in the two trust business cases, which could be done immediately.

6. Community Impact

6.1 Crime and Disorder Impact *(including Section 17 of the Crime and Disorder Act 1998)*

Not applicable.

6.2 Diversity and Equality Impact *(including the findings of the Equality Impact Assessment)*

Changing the management model for The Apex will not have any diversity and equality impact in its own right. Any new trust would be expected by its funders to maintain their equality and diversity standards, and to deliver their objectives for accessibility to services.

6.3 Sustainability Impact *(including completing a Sustainability Impact Assessment)*

Not applicable.

7. Consultation *(refer to the Consultation and Community Engagement Strategy)*

- 7.1 As set out in Exempt Appendix 1, the review has involved extensive consultation and market research with stakeholders, partners and interested parties who are involved with or are customers of The Apex and Theatre Royal. A detailed analysis of box office data and relevant research reports (such as the recent retail study) has also been undertaken. Both sets of staff have been briefed. Consultation has taken place with the relevant Portfolio Holders, Councillors who are observers at the Theatre Royal Board

and the Chairman of the Overview and Scrutiny Committee.

- 7.2 Further consultation, including with external funders, will be required in any future phases of the project. All Councillors will be involved in the final decision at full Council, having had a chance to read the initial and final reports, and to feed into the next stage of the review. Councillors will also be invited to attend a briefing if they wish to receive more information prior to full Council.

8. Resource implications *(including asset management implications)*

- 8.1 As set out in Exempt Appendix 2, initial modelling for the New Company suggests that between £135,000 and £150,000 a year could potentially be saved from the current net costs of The Apex and Theatre Royal, subject to the outcome of the further discussions with partners, and of the due diligence work. For prudence, this modelling assumes that the current cost structure for both venues remains the same under new management, excepting salaries and some overheads (including internal charges and recharges to and from the Council). Nor does the modelling include any significant increases in targets for programming costs or audience attendances.
- 8.2 The model assumes that the Theatre Royal will continue to receive grant funding from the Arts Council and Suffolk County Council. As explained previously, this is an assumption at this stage, since both funders would need to confirm their support for their grants to be transferred to the New Company.
- 8.3 Any savings would need to be shared commensurately by all stakeholders, which will be the subject of negotiation in the next phase, along with any conditions the funding bodies wish to attach to their continued grant support. In the case of the Council, the savings would be assessed against the aggregated budgets for The Apex, Athenaeum, Corn Exchange, Bury St Edmunds Festival and Theatre Royal grant. The net total of these budgets is currently over £900,000 a year (excluding asset rent depreciation).
- 8.4 The negotiations would also cover the contribution to be made by the funders to the capital cost of the new rehearsal hall/space for young people included in the business plan, and the one-off budget required to cover the costs of implementation of the New Company itself, including initial cash-flow considerations.
- 8.5 There will also be a cost of obtaining further expert advice for the next stage of the review which will be met from Invest to Save reserves if required.
- 8.6 Potential asset management implications are covered in Section 4 above.

9. Risk/Opportunity Assessment *(potential hazards or opportunities affecting corporate, service or project objectives)*

Risk area	Inherent level of Risk (before controls)	Controls	Residual Risk (after controls)
	High/Medium/Low		High/Medium/Low
The Council does not achieve the optimum model of governance for The Apex to take it forward beyond its opening period	Medium	Carry out a detailed two-year review with partners, drawing on expert external advice to reposition The Apex	Low
The Council cannot afford to subsidise the current programming levels at The Apex	High	Seek a management vehicle which reduces overheads and protects frontline services	Medium
The opportunities to build upon the existing community and economic benefits of the	Medium	Develop strong strategic partnerships with other providers and funders	Low

arts in West Suffolk are missed			
The current economic and community benefits of the arts in West Suffolk are reduced	High	Seek a management vehicle which reduces overheads and protects frontline services	Medium
Commercial opportunities for The Apex are missed	Medium	Remain focused on the mobilisation of the contract with Sodexo Prestige	Low
There is a dip in performance at The Apex during any transitional period/staff do not feel supported	Medium	Engage with staff throughout process and provide strong leadership	Low
External funders do not support the New Company	Medium	Engage external funders in review from outset and allow them to carry out their own due diligence in the next phase	Low
Expected benefits of the New Company are not delivered (or the New Company fails)	Medium	Carry out full due diligence, and prepare detailed implementation plan, including risk analysis, before final approvals	Low
Stakeholders, customers, partners, staff, councillors and board members do not feel informed about the review	Medium	Carry out extensive consultation and implement communications plan. Final decision to be taken by full Council.	Low

10. Legal or policy implications

10.1 At this stage, the decision is in principle one to proceed to the next stage of detailed investigations, which will involve all legal considerations involved in transferring the Apex to the management of a charitable trust. There are no policy implications to this decision.

Wards affected	All
Background Papers	2009 Apex Outline Business Case (Paper Z598)