

## Performance and Audit Scrutiny Committee 29 January 2014

### Interim Annual Performance Report for the Apex

#### 1. Summary and reasons for recommendations

- 1.1 As part of the two-year review of the Apex in December 2012, it was agreed that a Cabinet panel would be established to oversee the future development of the venue and provide detailed monitoring of its performance. However, to ensure wider accountability, it was also agreed that this panel would make an annual report to this Committee.
- 1.2 It is suggested by the Panel that the date of future reports be moved to June, so that it will tie in with normal year-end reporting, and allow more meaningful assessments of performance. The report attached is therefore intended as an interim report to bridge the gap until the first proper annual report in June 2014.

#### 2. Recommendations

- 2.1 That the interim performance report for the Apex be noted.
- 2.1 That future performance reports be submitted to the Committee in the summer, to align with normal year-end budget reporting.

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## **Executive Summary**

The Apex continues establishing itself as an important local and regional venue, capitalising on its world class acoustic. Revenue has increased and as of the date of this report there is a positive variance of £32,300 on the annual budget. It would be reasonable to assume therefore that the Apex will be within its overall budget for 2013/14.

As OEM (Original Equipment Manufacturer) contracts come to an end during 2014 it is anticipated that some building maintenance costs will decrease as work previously contracted with OEM will either be carried out in-house or by a local contractor.

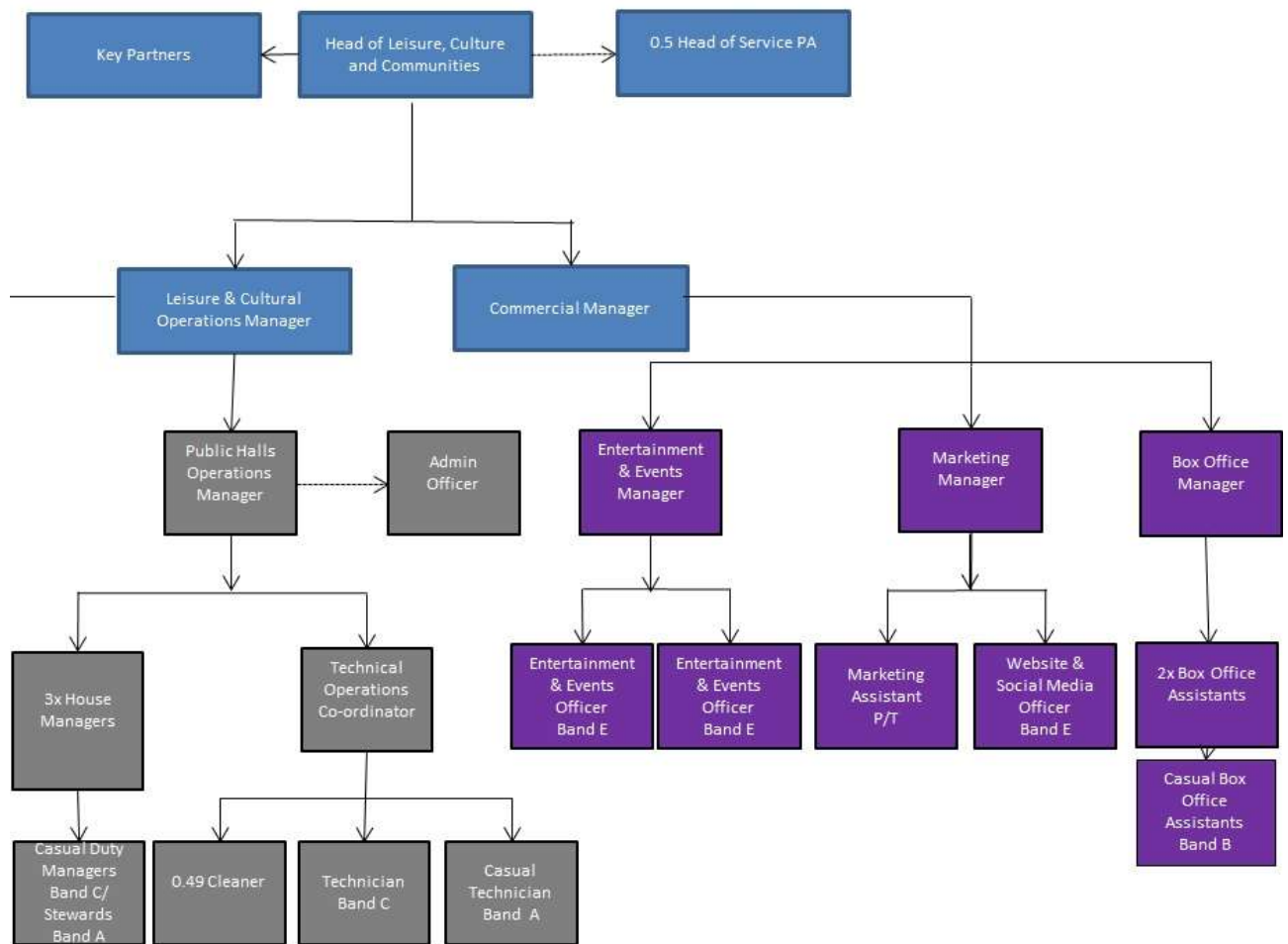
With commissioning of new facilities completed, turnover from Sodexo, the hospitality provider to the Apex, is steadily increasing and Sodexo hit above budget for the month of December 2013. It is anticipated that overall income targets will be lower than Sodexo projected to October 2014 over the whole contract (including The Athenaeum and Abbey Gardens), although there are signs that it is steadily catching up. A new staffing structure has been put in place by Sodexo to enable this and their performance is subject to regular and rigorous scrutiny by the Apex Performance Panel.

Audiences for music and light entertainment programmes are growing, as are lettings of the building as a hall-for-hire, although analysing year-on-year Hall for Hire figures is complicated in that, since Sodexo took over catered events, some of the turnover has shifted to Sodexo.

An initial plan for savings from contracts not renewed will result in a savings in 2014/15 in the current Apex budget, which have been set at a minimum of £2,000 for 2014/15 and £7,000 for 2015/16. Further savings will be explored, including collaboration and shared services with partners, and there will be a new approach to performance management.

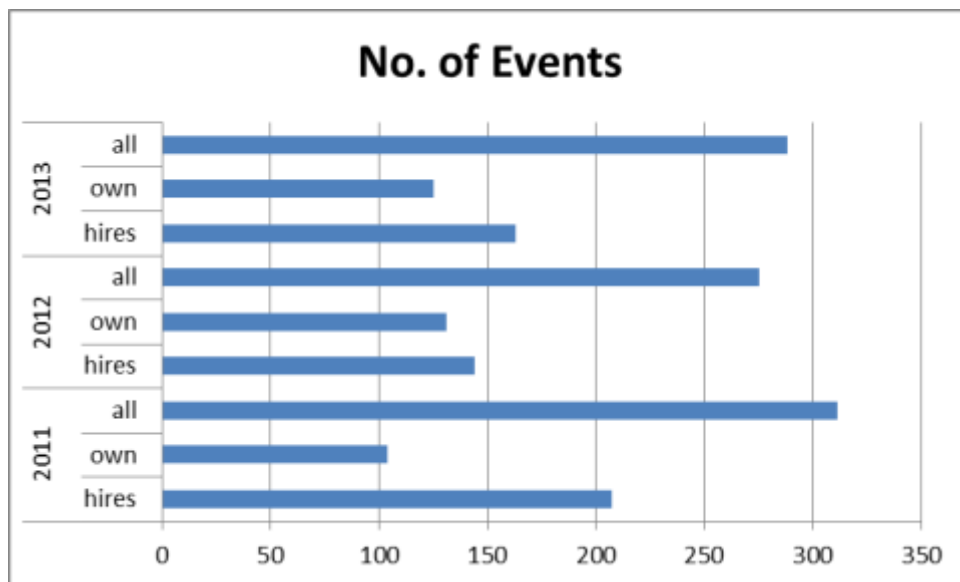
# 1. Apex Performance

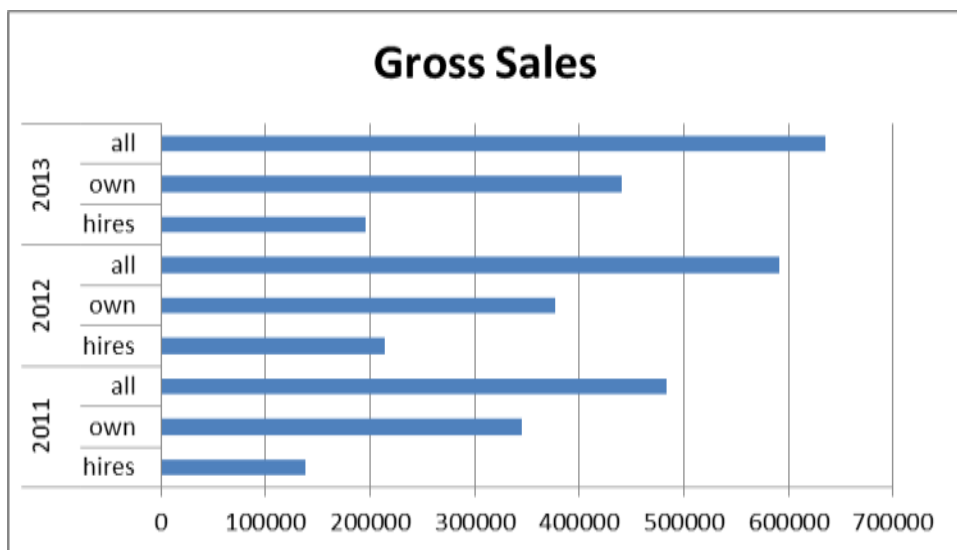
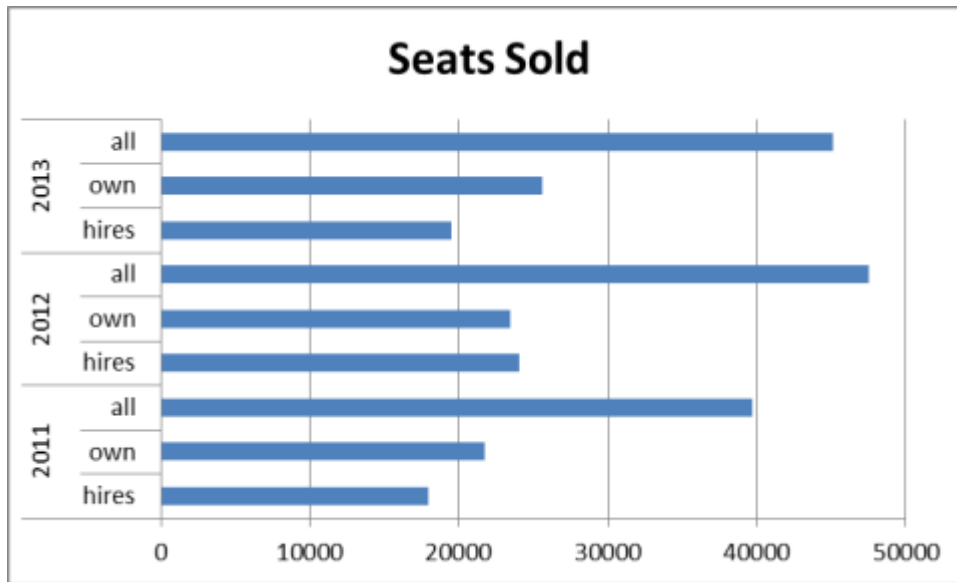
- 1.1. The structure for the new commercial team is shown below. The re-organised posts are now being filled and will ensure an even stronger offering. An on-site operations manager has been put in place and further cost savings in line with the strategic plan are anticipated. For example the stage/lighting PA maintenance contract was prepaid for three years. This runs out at the end of 2014 and will be carried out in-house by a member of staff who has been certified for PAT testing with a saving of £6,000 per annum for 2015/16.
- 1.2. Currently under operations, the overall public halls offering is controlled by the operations manager. It has been decided that the Apex hall hire specifically should come under the commercial team. This makes planning easier and allows the commercial team to pitch pricing and apply commercial sensitivities as required.



- 1.3. Moving into 2014. On the 20 December 2013, the Apex and Theatre Royal management teams met. It was agreed that for 2014 the two organisations would build on each venues strengths and sell each other’s tickets and work together to ensure a good mix of entertainment to the public within the catchment areas.
- 1.4. Following the full review of the Apex in December 2012, it has been agreed to maximise the offering at the Apex through events and hospitality and, since the restructure was carried out, time is now needed to allow the benefits of the restructuring, both financial and for the Arts, to take place.

- 1.5. The Council's budget book shows the net cost of individual service areas. The Apex budget has been reduced in 2013 from £775,000 a year to £742,250 with a current net positive variance (to November 2013) of £32,300 which is encouraging. A review of maintenance costs will be carried out in early 2014 by the newly appointed Public Halls Operations Manager and will be reported to the Apex Performance Panel.
- 1.6. It should be noted that the commercial team which now runs the Apex for the Council also manages the Festival and the wider events offering within West Suffolk including West Stow and Moyse's Hall, and some of their staffing costs in 2014 will be allocated to those budgets, pro-rata. This is done to show the true costs of these services. The box office is also now forming part of the Council's new wider commercial offering and has recently started offering ticket sales for a theatre in Saffron Walden, in addition to the other local venues it already works with.
- 1.7. The box office at the Apex will offer the sale of tickets for all council events and visitor attractions over the wider region of West Suffolk through websites which will have a wider reach than any other in the region. As it becomes more popular as both an online and physical destination point for all ticket purchases, this will result in increased revenue for the box office. Subsequently, due to the increased footfall and coffee/snack purchases, the Apex will become better known as a place to visit and relax in, as well as an entertainment centre. It is anticipated that turnover will subsequently increase and we have seen evidence of this already. There is a programme in place to consolidate the Council's leisure websites and offer tickets for sale across all of them
- 1.8. In the last 3 years the venue has performed as follows:





The figures above show performance based on calendar years. The Apex continues to show a healthy increase in sales of 22% from 2011 to 2012 and a 7% increase from 2012 to 2013. This increase in overall value is a reflection of the programming team's hard work to show a return on investment by programming our own events where the rewards are potentially greater. Although the number of overall seats shows as falling this is not necessarily indicative of what is happening in the auditorium as some events included are ticketed events such as workshops or walks where a volume of events and lower attendees alter the figures somewhat but need to be included for revenue purposes. There is scope to increase hall hire and also increase the number of events in certain genres. It is now up to the new team to capitalise on experience gained to date and move the Apex to a new level of service offering. Working with the community and getting pricing right for all concerned will increase both the numbers of people using the Apex and also, through ensuring greater variety, increase any offering to a wider audience. This will be further enhanced once the full team is in place. The Apex name continues to grow amongst artists' agents and has an excellent reputation.

#### 1.9. First Floor Gallery

This is currently under review following Sodexo's investment in kitchen facilities meaning they are now able to offer pre-concert dining. There are many

initiatives being considered. These include opening up the bar area for early evening clubs/events particularly at a time when there are performances and that there is already a continuous staff presence. Early evening events such as a jazz café or piano bar could encourage diners to come into the Apex and enjoy the pre-show food now being offered by Sodexo. The events team is also establishing a club evening. There are embryonic conversations taking place including the establishment of a book club. This could be complemented with a chess and bridge club. As highlighted in the last report, folk concerts in the first floor bar area would continue to get equal billing.

- 1.10 Online and social media represent the best value for marketing budgets and deliver targeted marketing communications. The Council is currently recruiting an extra person to fulfil the role of Web and Social Media officer as is evidenced on the staffing chart earlier in this report. This will continue to be supported with high quality printed material and media work.

## **2. Sodexo Catering and Hospitality Contract**

- 2.1 Since the commencement of Sodexo's contract with SEBC there have been a number of successes both operationally and financially, including the completion of the outdoor facilities which have been very well received. This contract operates across both public halls, the Abbey Gardens and Moyses Hall.
- 2.2 Central to this has been the development of a number of key accounts with local and national businesses. Further development will be achieved through dedicated account management with the aim of increasing revenue from each one. There is potential revenue of approx. £100k per year from one national company alone across both the Apex and the Athenaeum. Sodexo currently operates on a 70% repeat business rate across the whole contract against a national average of 50%.
- 2.3 Operationally, some successful large-scale events have included three awards ceremonies each one including an element of sponsorship from Sodexo. The high volume of enquiries received for charity/fundraising events has led to the introduction of a new Charities Policy which has been very well received and to date has generated a reasonable income as well as a lot of goodwill locally.
- 2.4 The biggest success story for Sodexo has been the enquiry and conversion rates for events at the Athenaeum, currently converting around 40% of enquiries. This is largely due to the appointment of a dedicated on site sales co-ordinator who actively works at lead-generation and conversion. Over the last year the venue has been established as the local registry office and this contract has recently been renewed for a further 12 months to March 2015.
- 2.5 However the past year has not been without its challenges. There is a balance to be achieved when it comes to the concert scheduling and event availability from both a sales and revenue perspective. High ticket sales for music concerts do not necessarily generate significant bar revenue and analysis is underway to show exactly where profit and substantial commission payments come from. It is hoped with some joined-up thinking the programme of music concerts can be planned to allow adequate availability for events such as Christmas parties etc. Successful and high income-generating events such as *The Fillers* on 28th December (£8k bar spend) prove that this balance is achievable, and good pre-planning on both sides is key to the success of this.

2.6 A joint approach to marketing is being adopted and better relationships being built; with a robust marketing strategy in place there is every reason to be optimistic for the future of both main venues and significantly reducing the forecasted shortfall in revenues. The market (corporate and individual) in Bury St Edmunds and the surrounding area appears to be buoyant, there is a significant amount of loyalty connected to both the Apex and the Athenaeum and, by working together to build on this, we will ensure the coming 12 months are productive and lucrative for both SEBC and Sodexo.

### 3. Analysis of budgets

3.1. The Apex's budget is currently disaggregated into four cost centres: building (overheads such as staffing and premises costs); box office; hired events; and catering. From April 2013, the catering code no longer operates due to the new contract and is included here for historic purposes only.

#### 3.2. Budgets and Actuals

	<b>2011/12</b>				
	Budget for Year £	Actual for Year	Actual to Nov-11	Budget to Nov-11	Variance to Nov-11
<b>Expenditure</b>					
Box office	-	217,868	105,031	0	105,031
Hired events	53,750	55,958	25,974	35,833	-9,859
Catering	189,000	138,440	82,220	126,000	-43,780
Building		898,211	555,271	568,833	-13,562
Total Expenditure	1,201,700	1,310,477	768,496	730,666	37,830
<b>Income</b>					
Box office	-57,950	-206,756	-161,671	-38,634	-123,037
Hired events	-186,650	-122,046	-58,610	-124,433	65,823
Catering	-289,000	-194,645	-97,735	-192,672	94,937
Building	-84,950	-50,574	-35,563	-76,634	41,071
Total Income	-618,550	-574,021	-353,579	-432,373	78,794
Net Expenditure	583,150	736,456	414,917	298,293	116,624

	<b>2012/13</b>				
	Budget for Year £	Actual for Year	Actual to Nov-12	Budget to Nov-12	Variance to Nov-12
<b>Expenditure</b>					
Box office	239,050	375,435	215,334	162,611	52,723
Hired events	65,000	49,817	33,863	43,332	-9,469
Catering	70,000	114,770	112,762	70,000	42,762
Building	944,400	934,658	634,483	642,254	-7,771
Total Expenditure	1,318,450	1,474,680	996,442	918,197	78,245
<b>Income</b>					
Box office	-202,550	-314,103	-180,190	-135,034	-45,156
Hired events	-156,500	-162,952	-117,561	-104,336	-13,225
Catering	-105,000	-145,100	-137,990	-105,000	-32,990
Building	-78,800	-56,863	-31,625	-44,692	13,067
Total Income	-542,850	-679,018	-467,366	-389,062	-78,304
Net Expenditure	775,600	795,662	529,076	529,135	-59

	<b>2013/14</b>	<b>To date</b>		
	Budget for Year	Budget to Nov	Actual to Nov-13	Variance
<b>Expenditure</b>				
Box office	236,450	161,908	236,870	74,962
Hired events	44,650	30,481	22,624	-7,857
Catering	-	0	-	
Building	977,550	667,335	661,976	-5,359
Total Expenditure	1,258,650	859,724	921,470	61,746
<b>Income</b>	-516,400	-302,942	-396,986	-94,046
Box office	-275,800	-160,900	-264,454	-103,554
Hired events	-87,500	-57,822	-86,662	-28,842
Catering				
Building	-153,100	-84,218	-45,870	38,348*
Total Income	-516,400	-302,940	-396,986	-94,048
Net Expenditure	742,250	556,784	524,484	-32,302

\* Variance due to Sodexo commission being behind target (see section 2 above).

In future the Sodexo Hospitality contract will be shown separately to the Buildings Cost Centre to assist monitoring.



- 3.3. As the table 3.2 above shows, the Apex is continuing to show improving figures despite the understandable impact of the re-organisation on the team. Projecting forward, performance is picking up.
- 3.4 The Apex team have their own detailed budgeting for each event, and the current year-end estimate for 2013/14 is that the programme will be close to meeting the targets set for it.

#### **4. Conclusion**

- The Apex management team has been successful in the initial three year period of operation.
- The team are well placed, particularly with the new structure, to capitalise on successes of the past and also learn from experiences to-date. The combination of continuity of expertise combined with the new focus on delivering more commercially will start to pay dividends in 2014.
- The team will continue to push income levels through a consistent and varied programme of performances. The Apex will also continue to serve as a centre for the community and it is the intention of the current team, which should be fully recruited by the end of March 2014, to increase activity with new and vibrant ideas and events that will attract people into the venue.
- The team will work tirelessly to help Sodexo Prestige increase turnover and capitalise on their expertise in event and catering management.
- Costs will be saved on maintenance of the building and further ways of saving on energy bills will be investigated.