

CABINET

Dukes Theatre – Revised Business Model 11th December 2007

Report of Head of Cultural Services

PURPOSE OF REPORT				
To advise Cabinet of the Dukes Theatre Revised Business Model.				
Key Decision	<input checked="" type="checkbox"/>	Non-Key Decision	<input type="checkbox"/>	Referral from Cabinet Member
Date Included in Forward Plan	11 th December 2007			
This report is public				

RECOMMENDATIONS OF COUNCILLOR MAIA WHITELEGG

- (1) That Cabinet note the progress with respect to the Dukes Theatre Revised Business Model.
- (2) That the City Council, via the Officer Development Team, continue to support the Dukes Theatre's transition to a Revised Business Model.

1.0 Introduction

1.1 From local press coverage Cabinet will be aware that the Dukes Theatre is developing a new business model. The situation arose from advance notification by Arts Council England, North West (ACE - NW) of a reduction in revenue funding with effect from 2008/2009. The above was taken within a context of a funding review by Art Council England (ACE) to reflect their own position with regards to the impact of the Government's Comprehensive Spending Review (CSR) and a benchmarking evaluation by ACE – NW of Theatre funding support.

1.2 The primary revenue funders are;- Arts Council England (ACE), Lancashire County Council, Lancaster City Council, and North West Vision. In 2007/2008, out of a total income budget of £1,387,700 (based on the Dukes Business Plan), those funding contributions amounted to;-

• Arts Council England (ACE)	£521,400
• Lancashire County Council	£171,600
• Lancaster City Council	£162,300
• North West Vision	<u>£ 18,000</u>
Total	£873,300

- 1.3 In response to the above the Dukes Theatre appointed a Change Project Team from among its Board of Trustee, supported by specialist consultants, management and staff from within the Dukes, and input from its primary funders (ACE, Lancashire County Council & Lancaster City Council).
- 1.4 Following the announcement by ACE, the position of the other two funding support organisations (i.e., Lancashire County Council and North West Vision) is that for 2008/2009, both intend to maintain their revenue support at the current level plus inflation.
- 1.5 For Lancaster City Council, the 2007/2008 funding allocation of £162,300 to the Dukes is made up of £13,500 rent and £148,800 revenue support. The latter is subject to a Service Level Agreement, aligned to the Cultural Services Business Plan and the Council's Corporate Objectives

2.0 Proposal Details

- 2.1 The impact of the above on the Dukes Theatre and the challenges arising are significant.

Background:-

- 50% reduction in Arts Council England (ACE) funding

Summary:-

- Change Project Team – supported by funders (ACE, Lancashire County Council & Lancaster City Council)
- New Business Model;-
 - Governance & Management (Leadership)
 - Staffing
 - Business & Marketing Plans
 - Activity
 - Audience
 - Premise – capital works

- 2.2 In terms of governance the Dukes Theatre has reviewed and revised its Board membership, with the appointment of a new Chair and governors with a background in finance and business skills. The Dukes Theatre is currently constituted as a Joint Local Authority Controlled Company (under the terms of the Local Government & Housing Act 1989), with the current City Council and County Council combined representation accounting for more than 50% of the overall board numbers. As part of the review of its governance, the Change Project Team is reevaluating the above which could lead to a reduction in local authority membership of its board and ultimately an amendment to its constitution, however the outcome of this is not yet known.

- 2.3 The Dukes Board are currently recruiting for a Chief Executive.

- 2.4 The Business and Marketing Plan reflect the new model of delivery for the organisation in terms of Activity and Audience;-

Business/Marketing Plan

- Earning more at the Box Office through increased levels of activity
- Earning more from the creative learning programme and projects
- Attracting new projects and programme funds
- Earning more ancillary income from advertising and rentals
- Recovering costs from other users of Dukes facilities
- Reducing expenditure – reducing direct production costs, reducing staffing levels, operational costs and marketing costs
- Adopting a more commercial approach

New Model of Activity/Audience

- Extended and diversified programme including music
- Extended partnerships
- Continuation of Park and Christmas shows
- Season of produced work in a refreshed studio
- Extended engagement of people throughout Lancashire
- New audiences

- 2.5 The revised business model has also highlighted to the Change Project Team how the physical configuration of the Dukes limits audience capacity within the venue. As a result of the internal layout, the main auditorium and the studio cannot operate concurrently, which clearly impacts on the Dukes' income generation.
- 2.6 As part of the revised business model the Change Project Team commissioned a specialist theatre architect to undertake a venue remodelling appraisal as part of the business plan.
- 2.7 The outcome of the above is scheme that would allow;-
- Remodelling of the Studio
 - Sound separation between the Studio and the End Stage Auditorium
- 2.8 Following consultation with the other two primary revenue funders (ACE, and Lancashire County Council), the above has been the subject of a Development Team meeting (comprising Officers from;- Cultural Services, Property Services, Economic Development & Tourism Services, and Planning Services/Building Control) who are advising on technical, professional and external funding issues. The Change Project Team is currently in the process of applying for external funding in respect of the project development cost.
- 2.9 In aligning the above to the Revised Business Model (including Business Plan) the Change Project Team has timetabled the remodelling capital works as follows;-
- October/December – short-term project development
 - February/May – installation/construction period
 - July – work to be completed for Dukes to check operations
 - September – open to the public

The Change Project Team estimate the project development costs at £23,000, with the eventual remodelling capital works at circa a further £200,000 (the project development work will determine an accurate capital estimate). The above projected capital costs are attributable to the Dukes Theatre and not the revenue support funding organisations.

- 2.10 The above is seen as a short/medium-term project and does not affect any long-term proposals that may or may not emerge as a consequence of the Centros Miller development proposals.
- 2.11 In the event that the Change Project Team fail to secure external funding in respect of the project development cost and/or the remodelling capital works, the Dukes Theatre Revised Business Model and Plan will be revised. Any such requirements to further amend the Business Model are on the assumption that the contributions from the primary revenue funders;- Arts Council England (ACE), Lancashire County Council, Lancaster City Council, and North West Vision, remain the same. Any requirement for the Dukes Theatre, via its Change Project Team, to further revise its Business Model and Plan would include an assessment by the Development Team (comprising Officers from;- Cultural Services, Property Services, Economic Development & Tourism Services, Planning Services/Building Control and Financial Services).

3.0 Details of Consultation

- 3.1 Lancaster City Council has representation on the Board of Trustee of the Dukes Theatre.

4.0 Options and Options Analysis (including risk assessment)

- 4.1 To reduce or withdraw the City Council's funding support to the Dukes Theatre.

A reduction or withdrawal of the City Council's funding support to the Dukes Theatre would not only jeopardise its revised business model but also threaten its existence. It would likely produce a domino effect in respect of support funding that the other partners (Arts Council England and Lancashire County Council) make, not only to the Dukes, but to the whole arts offer and other arts revenue clients within the Lancaster District.

- 4.2 To continue supporting the Dukes Theatre's transition to a Revised Business Model.

The Dukes is regarded as a theatre of local and regional significance and is supported by the Arts Council England (ACE), Lancashire County Council & Lancaster City Council. The Dukes Theatre is an integral part of the District's Cultural offer to residents and visitors, through its youth and school work – Dukes Youth Theatre (known as DT3), and its Promenade Productions at Williamson's Park, etc.

5.0 Officer Preferred Option (and comments)

- 5.1 Option 4.2, for the reasons set out above.

6.0 Conclusion

- 6.1 The Dukes Board via its Change Project Team has made significant progress in difficult circumstances to achieve the outcomes of its revised business model. To see that process through to a successful conclusion the Dukes requires the continued support of its key strategic partners (ACE, Lancashire County Council & Lancaster City Council).

RELATIONSHIP TO POLICY FRAMEWORK

The Dukes Theatre contributes to the Corporate Priorities of Culture and Tourism.

CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

The Dukes is regarded as a theatre of local and regional significance.

FINANCIAL IMPLICATIONS

In terms of Financial Implications paragraphs 1.2, 1.5 and 2.1 of the report outlines the current level of financial support given by Lancaster City Council and the amount that it levers in from its partner funding organisations (Arts Council England, Lancashire County Council, and North West Vision).

As part of the revised business model prepared by the Dukes Theatre's Change Project Team, there is no additional call on City Council budgets (capital or revenue) beyond the current level of support. For the period of "remodelling capital works" from now to September 2008, would require officer time and input from various elements of the Development Team (comprising Officers from:- Cultural Services, Property Services, Economic Development & Tourism Services, Planning Services/Building Control, and Financial Services). It is not anticipated that the input requirements from the Development Team would be onerous or overly time-consuming at this time, therefore should be able to be absorbed within existing Service budgets.

There are no additional financial implications for the Council to consider as a result of this report, however should Members resolve to pursue whether or not to reduce or discontinue awarding a grant to the Dukes in future years, then it should be noted that the full year grant award is currently £162,300 (including grant in lieu of rent) with inflation usually applied for future years as part of the annual budget process.

SECTION 151 OFFICER'S COMMENTS

The s151 Officer notes that a representative from Financial Services will now be included in the Development Team's future discussions, should Members wish to continue supporting the Dukes under the revised arrangements.

As yet, therefore, there has been no assessment by Financial Services of any financial information associated with the revised business model, and Members should note this risk. Such assessment needs to be undertaken from the City Council's perspective, to help ensure that should the Council wish to continue supporting the Dukes, it has reasonable assurance that the business is still financially viable – especially given the level of change in external funding.

The nature of the Dukes and the level of City Council support also has implications for the Council in terms of reporting as part of the annual Statement of Accounts.

LEGAL IMPLICATIONS

There are no legal implications arising from this report.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments.

BACKGROUND PAPERS

None.

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