

CABINET

Requests from Dukes and Grand Theatres for Grant Support

27th May 2014

Report of Chief Officer (Regeneration and Planning)

PURPOSE OF REPORT				
To consider requests from the Dukes and Grand theatres for additional funding support.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
Date of notice of forthcoming key decision			n/a	
This report is public				

RECOMMENDATIONS OF COUNCILLOR JANICE HANSON

1. That neither of the requests be granted.

1.0 Introduction

- 1.1 Both the Dukes and Grand Theatres sits alongside and are effectively an integral part of the Canal Corridor North site and one of the ambitions for that project is to provide the means to improve the cultural offer of both the Grand and Dukes theatres within the city. British Land remain committed to this aim but have made it clear that in both cases the complementary investment into the theatres alongside the development will be capped in capital contributions terms, and further contributions made in kind via architectural design assistance. In short any significant business improvement proposals for each theatre would not be capable of being funded fully by that project. In both cases the theatres intend to use the potential for those contributions to assist in the development of their business plans.

2.0 The request from the Dukes

- 2.1 The Dukes have already benefitted from assistance with business planning when the council recently appointed consultants to advise it on the theatre's potential to be developed further in business terms (part of the recent service review process). Following on from the work done on the council's behalf by the business consultants a second phase of work was programmed to use

specialist theatre architects Levitt Bernstein to work on draft proposals (in concept form rather than detailed architecture) to evaluate options for developing the Dukes offer to match the potential business opportunities. These would be expected to consider extending the existing Dukes Building, potentially utilising space in the Mitchells Brewery Building or improving the screening facilities in the Storey Creative Arts Centre.

- 2.2 The Dukes have allocated a limited amount of funding towards that work being undertaken (£6.75K) but are now asking the City Council to provide additional grant amounting to £12k to complete the commission. It is also very much in British Land's interests that any uncertainty over the growth requirements of the Dukes be removed and it has been put to them that they might at this key time provide the additional funding for this commission. To date they have given a mild commitment to potentially meeting 50% of the concept design and costing element by Levitt Bernstein but this still leaves a potential £6K funding gap for the Dukes to find – assuming that British Land did not increase their potential funding offer.
- 2.3 The contributions to business planning which the council has made so far have highlighted the lack of focus that the Dukes have had on this vital area of business to date. From the Council's perspective, in particular as part funder of the theatre's current operations, it has evidenced the justification for support given so far, and the potential for business growth to reduce this level of support. Unfortunately this has also led to an expectation by the Dukes that the Council should continue to fund some of its further business development activities.

3.0 The request from the Grand

- 3.1 The details of the request are set out in some detail in the report to Cabinet on 11th March. In summary, the request is for financial assistance equivalent to the cost of the Grand's lease from the City Council for part of the car park at the front of the theatre. This equates to £3,400 per annum, noting that this includes VAT as the Grand is not VAT registered. Members will recall the officer view that if such assistance was to be offered, this would need to be in the form of a grant but that more information was needed to consider this properly.
- 3.2 In response, the Grand has provided copies of its last two completed accounts (2011/12 and 2012/13). The 2013/14 accounts are not yet available as the Grand's financial year runs to the end of April. This is expanded upon later in the financial implications section. The Chairman of Lancaster Footlights has also provided a short note (appended) explaining the context for the accounts which also contains observations on the link between the Grand's performances and the City Council's car parking revenue.
- 3.3 In terms of this latter point, the Parking Manager has confirmed that for the latest 12 months that is available the Council generated £12,700 in parking fees from evening parking and tariffs that include an element of evening parking (those customers arriving before 6.00pm and staying into the evening). When VAT is deducted this equates to £10,590. This is from Upper and Lower St Leonard's Gate and Lodge Street car parks. This

accounts for around 10% of our total revenue generated from evening parking charges. However, it is impossible to say what proportion of this income is directly attributable to the Grand Theatre or for that matter any other local businesses. The fact is that the Council has a car parking strategy which is underpinned by a pricing policy which has already been agreed as part of the 14/15 budget process, and this in turn directly supports the aims and objectives of the Council's corporate plan. It should be further noted however, that in terms of fairness this principle could also be applied to all local businesses whose customers use the council's public car parks.

- 3.4 The Grand Theatre remain in dialogue with British Land/Centros over their inclusion within the Canal Corridor scheme. These discussions need to continue in parallel with development of the Canal Corridor scheme but at the time of writing there is nothing further to add to the comments included in the March report.

4. Details of consultation

- 4.1 No consultation has been necessary

5.0 Options and Options Analysis (including risk assessment)

	Option 1: That neither request be granted.	Option 2: To award grant funding in full to one or both theatres.	Option 3: To award one or both theatres grant funding in part (e.g. lower amount, or for shorter period).
Advantages	<p>No further draw on the Council's budget at a time of budgetary pressure.</p> <p>Reduces the likelihood of a future conflict of interest with the Canal Corridor redevelopment.</p> <p>May help maintain / encourage financial independence of the theatres, and/or encourage greater financial contribution from British Land.</p>	<p>Supports the theatres at a time when they need to make provision for development proposals.</p>	<p>The draw on the Council's budget is less than the full cost.</p>
Disadvantages	<p>The theatres may not be able to advance their preparations for developing their offers alongside the Canal Corridor</p>	<p>Additional cost to the Council at a time of increasing budgetary pressure.</p>	<p>As per option 2, albeit a lesser amount.</p>

	redevelopment.		
Risks	Could be perceived as showing a lack of support for well-known cultural facilities in the area and the theatres might not support the council in its ambitions for the Canal Corridor redevelopment.	<p>May raise future expectations.</p> <p>Runs contra to aims for moving towards a commissioning approach.</p> <p>Could lead to other similar applications for grant aid, or perceived unfairness.</p>	<p>As per option 2.</p> <p>May fail to meet either theatre's objectives.</p>

5.1 Officer Preferred Option

Option 1 is the preferred option for the reasons given below.

6.0 Conclusion

6.1 Successful theatres benefit the district in a number of ways and are a key element of the Canal Corridor scheme. The case for providing more financial support must be balanced against the potential for other similar operators to approach the council for support (given the current budgetary climate) and possible conflicts of interest in terms of the Canal Corridor scheme.

RELATIONSHIP TO POLICY FRAMEWORK

The development of the district's arts offer is highlighted as a key economic development objective in the Council's Cultural Heritage Strategy. This form of economic development activity aligns with the Corporate priority for economic growth in the Corporate Plan.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

No impacts on the above

LEGAL IMPLICATIONS

The two requests relate to discretionary grants and there are no direct legal implications arising from this report. However the Canal Corridor Development Agreement with Centros/British Land places obligations on the Council and the Developer which may influence the aspirations for both theatres and it would be premature to consider offering financial assistance at this time until the development proposals are crystallised, as they may offer a more holistic solution to the ambitions of both theatres.

FINANCIAL IMPLICATIONS

There are no additional financial implications arising from the officer preferred option 1.

The Dukes reported a £33.1K deficit within their audited accounts on their general unrestricted operating reserve for the period ending 31 March 2013. The Trustees report states that going forward the Dukes have set a budget for the 3 years to March 2016 with the aim of achieving a forecast £64.9K on their general unrestricted reserve. It is not possible to comment fully on their latest financial position however, as the 2013/14 draft accounts will not be available until the end of May. It is worth noting that the Dukes have recently advertised a new senior Executive Director role within the organisation to take on responsibility for the financial direction and increasing complex tasks in managing the theatre, although it is not clear how this will be funded at this stage.

The Grand has provided accounts for the years ending 30 April 2012 and 2013 and these show that at the end of their 2012/13 financial year, they hold an operating reserve totalling £36K (exceeding their stated policy of maintaining an operating balance of £20K). A further note has been provided by the Chairman of Footlights predicting a £5K loss for the period ending April 2014 compared to an underlying £7K surplus in the previous year after accounting for one off income and capital expenditure funded from reserves. Again, at this stage as there are no accounts available for 2013/14 it is not possible to comment fully on the Grand's latest financial position.

It is re-iterated that to date neither theatre has provided a clear reason/strong business case to support their respective request for grant funding. Should Members be minded to support either option 2 or 3, however, then there will be an additional one-off cost to the Council of up to £12K relating to the Dukes and a further additional cost of up to £3.4K per annum relating to the Grand, for as many years as the grant is awarded with the following sources of funding identified:

- Performance Reward Grant Reserve (from the £15K allocated for voluntary sector initiatives)
- Arts Development Budget (from the £4.6K uncommitted balance remaining in 2014/15, noting that this could mean a redirection of resources from other Arts Development activities as and when they come forward meaning they might not be able to progress in the current financial year).

OTHER RESOURCE IMPLICATIONS

Human Resources:

None

Information Services:

None

Property:

The Dukes Theatre is owned by the City Council so any expansion or improvement of the building would have a direct impact on the council's property portfolio.

Open Spaces:

None

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer advises Cabinet to consider carefully the considerations outlined in this report in reaching any decision; she is in support of the officer preferred option.

MONITORING OFFICER'S COMMENTS

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

BACKGROUND PAPERS

None.

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