

<b>9 March 2016</b>		<b>ITEM: 26</b> <b>(Decision 01104370)</b>
<b>Cabinet</b>		
<b>Thameside Fees and Charges</b>		
<b>Wards and communities affected:</b> Grays	<b>Key Decision:</b> Non-key	
<b>Report of:</b> Councillor John Kent, Leader of the Council		
<b>Accountable Head of Service:</b> Matthew Essex, Head of Regeneration and Assets		
<b>Accountable Director:</b> Steve Cox, Assistant Chief Executive		
<b>This report is public</b>		

### **Executive Summary**

The Thameside has been a focal point of Thurrock's arts, culture and heritage scene since it opened in 1972. In recent years the future of the building has been bought into sharp focus by the austerity programme and the restrictions the design of the building places on the services it contains. For these reasons a comprehensive review of the building was completed and reported to Cabinet in December 2015. The review set out a long term aspiration to build a new theatre in Grays with accommodation more suited to meeting modern needs. Recognising that a new theatre will take time to deliver the report recommended that, in the short and medium term, the Thameside Complex will remain and efforts should be made to maximise income generation from effective use of the building.

The Theatre is an important part of the Thameside Complex and productions take place throughout the year. The operating model for the Theatre assumes income generation from hire of the auditorium and for front of house services on performance days as well as additional charges for technical services and equipment and from profits generated through the bar, kiosk, sales of tickets and merchandising. The charges for hire of the auditorium and front of house staff vary depending on the type of organisation, where it is based, the day of the week and time of day.

In February 2016 Cabinet considered the Council's fees and charges schedule including those relating to the hire of the Theatre. Concerns were raised about a fixed price charging regime which doesn't give the theatre manager the flexibility to vary rates to attract more performances, reduce the number of days the theatre isn't in use and grow the audience with a view to supporting the existing theatre offer and preparing for the opening of a new theatre complex in due course. Cabinet

concluded by asking for an in-year review of the fees and charges to be reported back at the next meeting.

This report sets out the current fees and charges associated with the hire of the theatre and front of house services and seeks to benchmark them against other theatres in the area. It concludes with recommendations for changes to the charging regime and seeks approval for the Theatre Manager to be able to vary the charges at his discretion and give concessions as required to maximise the use of the venue, provided the theatre operation is delivered within its existing budget envelope.

## **1. Recommendation(s)**

**That Cabinet:**

- 1.1 Note that a full review of the charges will be carried out alongside production of a sales and marketing plan for the Thameside Theatre as part of the Commercial Transformation work in progress;**
- 1.2 Delegate authority to the Director of Finance and ICT to agree new charges for the Thameside Theatre which move to a two tier charging regime for community and for commercial use, that include charges for all services beyond auditorium hire and that normalise the costs against the rates for other local theatres;**
- 1.3 Note that VAT charges will be added to all hire charges in line with recent clarification from HMRC;**
- 1.4 Delegate authority to the Theatre Manager, in consultation with the Head of Regeneration and Assets and the Director of Finance and ICT, to vary the fees charged for hire of the venue and front of house staff with a view to increasing the number of performances and growing the audience, provided the theatre remains within its existing budget envelope.**

## **2. Introduction and Background**

- 2.1 The Thameside Complex has accommodated Thurrock's main library, museum and theatre since it opened in 1972. The complex is a well-loved part of the cultural landscape in Thurrock, partly for the services it contains and partly for what it represents; a commitment to arts, culture and heritage in Grays – reinforcing its role as the civic centre of the borough.
- 2.2 The future of the Thameside Complex was considered by Cabinet in December 2015 following a comprehensive options appraisal which recognised the impact of the austerity programme and that the building is over 40 years old and presents real challenges to the services it contains. The options appraisal considered the wider context in which the building operates, the business plans for each service, the operating costs, repairs backlog and the implications of a number of options ranging from closure of the building

through to provision of a new theatre. The review was also informed by a cross-party Task and Finish Group which reported its findings to Cabinet in November 2015.

- 2.3 The final options appraisal was reported to Cabinet in December 2015 and recommended provision of a new build theatre in Grays with flexible, adaptable accommodation more suited to modern needs and with the potential to generate higher income. It recognised that design and development of a new theatre would be a long term aspiration and that, while further work to develop costed proposals for the new theatre continues, the Thameside Complex should remain open and efforts be made to maximise income generation from effective use of the building.
- 2.4 The current operating model for the theatre includes a number of fees and charges for hire of the auditorium, front of house and optional extras including technical services and equipment. The theatre also generates an income from the bar and kiosk and commission for tickets and merchandise sold.
- 2.5 In February 2016 Cabinet received a report on Council Fees and Charges for 2016/17 which included recommendations for charging rates for the theatre auditorium and front of house staff. Cabinet considered the fees in the light of the conclusions from the Thameside Complex review and in particular the aspiration to maximise effective use of the building, build audiences and generate income. Cabinet also recognised that the Thameside Theatre needs to take account of prevailing market conditions in its charging regime.
- 2.6 Cabinet asked for a further report on fees and charges which takes into account the recommendations of the Thameside Complex Options Appraisal. In particular Cabinet asked that the Theatre Manager should be given some flexibility to raise or lower fees to support delivery of the aspirations for the service, to help attract new productions and to grow the audience for theatre in the borough while proposals for a new theatre are developed.

### **3. Issues, Options and Analysis of Options**

#### **Fees and Charges 2016/2017 Cabinet Report**

- 3.1 The charges for hire of the Theatre auditorium and for front of house staff were set out in an appendix to the Fees and Charges 2016/2017 Cabinet Report received by Cabinet in February 2016. The theatre uses three different tariff rates: -
  - Tariff One – for Thurrock based non-profit organisations, members of Thurrock Arts Council and Thurrock Schools and Colleges;
  - Tariff Two – Thurrock based commercial organisations;
  - Tariff Three – Commercial organisations from outside Thurrock.

The cost of hire also depends on the day of the week and time of day. Details of venue hire rates at the Thameside Theatre are included as Appendix A to this report.

- 3.2 The report also outlines an ambition for all services generating earned income to develop detailed sales and marketing plans in the coming year as part of the commercial transformation work. Furthermore it anticipates that services such as the Thameside Theatre will consider the level of demand for services, market dynamics and how charging policy helps to meet other service objectives.
- 3.3 In addition to hire charges the Theatre generates income from additional technical services and equipment charges, the profits from the bar and kiosk and from a percentage of ticket and merchandising sales associated with productions. The hire charges and all these other sources of earned income will need to be considered and reflected in the sales and marketing plan in due course.

### **Benchmarking Exercise**

- 3.4 To inform this review the charging regimes of other theatres have been considered and in particular the charges quoted by three neighbouring theatres have been used to inform a simple benchmarking exercise which is included as Appendix B to this report. The benchmarking exercise seeks to compare the Thameside Theatre with the Towngate Theatre in Basildon, the Broadway in Barking and the Queen's Theatre in Hornchurch.
- 3.5 There is no standard approach to pricing in theatres and the cost figures used have been calculated based on the information available. A hire could also include many additional charges depending on the technical specification, additional staffing and other variables. As the range and type of charges levied by each theatre varies so widely the benchmarking exercise has focussed on four 'basic' scenarios:
- Hire by a community organisation for a performance on a Wednesday afternoon;
  - Hire by a community organisation for a performance on a Saturday evening;
  - Hire by a commercial organisation from outside Thurrock for a performance on a Wednesday afternoon;
  - Hire by a commercial organisation from outside Thurrock for a performance on a Saturday evening.

For each scenario the costs have been broken down to the cost per seat per hour to take account of the different capacity in each theatre and to enable comparisons to be made. However, in essence, the figures should be treated with some caution as it is difficult to compare 'like with like'.

3.6 Nevertheless there are some general points that can be drawn from the review and the benchmarking exercise:

- The Thameside uses three tariff rates whereas most other theatres offer two – one for community groups and the other for commercial organisations, regardless of where they are based;
- In three of the scenarios the Thameside charges are higher per seat per hour than the other three theatres;
- The Thameside costs vary most widely - a commercial organisation hiring on a Saturday night will pay approximately three times the cost of a community organisation hiring on a Wednesday afternoon. The other three theatres do not vary charges as much;
- The charges made by the other theatres appear to be broadly in line with each other while the Thameside charges appear to be an anomaly;
- There are a whole range of services and equipment charges made by most theatres in addition to the basic hire rate. The Thameside Theatre also makes charges for other services however these should be reviewed to ensure they cover the actual cost of providing the service and the prevailing market rates.

### **Demand for the Theatre**

3.7 In the 2015/16 financial year the theatre is expected to be used on 277 days. There are expected to be 88 'dark days' when the theatre is unused. Typically the programme consists of a variety of different productions such as:

- Professional 'one nighter' productions
- Pantomime
- Amateur productions
- Schools / individual hire
- Arts development events
- Commercial hire by dance and drama schools

3.8 The existing charging regime does not take account of the time of year however demand for the auditorium does vary. Typically there is higher demand for the theatre between March and July and then October to January, with quieter times in late January, February, August and September. Demand is also dependent on other factors such as school holidays.

3.9 To support the Thameside Options Appraisal the Council commissioned a report from specialist theatre design consultancy Charcoal Blue. Their commission included an assessment of the potential audience for theatre provision in Thurrock. It concluded that there is the potential to grow the theatre audience if new and different productions are staged with a larger

capacity and with flexible studio and dance space. While design and development work for a new theatre is underway it is important that the existing theatre maintains its existing audience base and has the opportunity to try new types of productions and generate new audiences ready for the opening of a new facility.

### **Recent Changes to VAT**

- 3.10 Traditionally theatres (including the Thameside) have separated out charges for the hire of the theatre from the additional services that can be provided because the hire could be treated as VAT exempt. However, recent judgements have led to a clarification of the rules and HMRC now state that the hire of a Local Authority venue is only exempt from VAT where no other services have been used. If any of these services are used then the transaction is no longer regarded as exempt and VAT should be applied. Given that the Thameside Theatre is not a self-contained building and in almost every case some additional services are provided for anyone hiring the venue, it is considered highly likely that VAT should be added to the hire charge of the auditorium.
- 3.11 The other local theatres benchmarked against are all clear that their charges are exclusive of VAT. This report recommends that the Thameside Theatre follows suit and makes clear that its revised charges are exclusive of VAT which will be added where applicable.

### **Conclusions**

- 3.12 A number of conclusions can be drawn from this report:
- The three-tier charging structure used by the Thameside Theatre is unusual. To simplify the charging regime it is recommended that there should be two tiers – one for community groups and another for commercial organisations;
  - The benchmarking exercise carried out has highlighted the need to be able to adjust hire charges and to ensure they reflect actual costs associated with the theatre, market conditions and the Council's aspiration to grow audience and reduce the number of days when the theatre is unused;
  - Similarly there are a whole host of other costs and charges associated with theatre productions ranging from hire of technical equipment to the percentage fee for selling merchandise. These charges should also be reviewed and adjusted in the light of the actual cost of services provided, market conditions and the Council's ambitions for the service;
  - Demand for the Thameside Theatre varies according to the time of year and the theatre needs to be able to offer concessions to attract productions particularly at quiet times. Conversely charges at peak

times should also be considered to see if there is scope to increase income and offset losses at other times;

- A more fundamental review of costs should be carried out over the course of the year as described in the Fees and Charges 2016/17 Cabinet report and in line with the proposals from the Commercial Transformation Programme;
- VAT charges should be levied on hire charges where appropriate to comply with guidance from HMRC. The costs of VAT should be considered when re-shaping hire charges at the theatre.

#### **4. Reasons for Recommendation**

- 4.1 Since Cabinet approved plans to keep the Thameside Theatre operating while a new theatre can be designed and built, the importance of retaining and building on the existing audience base has become even more important. Cabinet considered the fees and charges proposed for the next financial year and considered that the Theatre Manager needs to be offered some flexibility to maximise the number of productions and audience members as well as income to support the Council's objectives for culture and the arts in Thurrock.
- 4.2 While a thorough review of all the fees and charges will be carried out as part of the commercial transformation of the Council in the coming year, the desktop review and benchmarking exercise carried out to inform this report has highlighted some areas where changes and flexibilities can be introduced in 2016/17 to maximise income and audience numbers.

#### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 The conclusions in this report are based on the Fees and Charges report received by Cabinet in February 2016. The recommendations reflect the comments made by Cabinet members at that meeting.
- 5.2 Fees and charges are made known to customers before they make use of the services they are buying.

#### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 The recommendations in this paper propose some changes to the charging regime for the Thameside Theatre which may impact on the local community. However, overall the changes are designed to improve access to performances at the theatre and the impact on audience figures and the number and type of productions will be carefully monitored. Any changes required will be brought forward to Cabinet as part of a wider report on all fees

and charges through the Commercial Transformation of the Council programme.

## **7. Implications**

### **7.1 Financial**

Implications verified by: **Laura Last, Senior Finance Officer**  
**Chris Buckley, Senior Financial Accountant**

Given the proposed changes to the charging regime at Thameside; the figures will need to be closely monitored to ensure that it stays within budget.

Traditionally theatres (including the Thameside) have separated out charges for the hire of the theatre from the additional services that can be provided because the hire could be treated as VAT exempt. However, recent judgements have led to a clarification of the rules and HMRC now state that the hire of a Local Authority venue is only exempt from VAT where no other services have been used. If any of these services are used then the transaction is no longer regarded as exempt and VAT should be applied.

### **7.2 Legal**

Implications verified by: **David Lawson**  
**Deputy Head of Law and Governance**

There are no direct legal implications arising from the report – it appears sensible to confirm a delegation to the theatre manager of an operational discretion to vary charges dependant on the market being addressed.

### **7.3 Diversity and Equality**

Implications verified by: **Natalie Warren**  
**Community Development and Equalities Manger**

The Thameside Theatre is an important resource for some local community groups and voluntary organisations. The new pricing policy will continue to recognise the value of these groups by offering concessions when compared to commercial rates.

### **7.4 Other implications** (where significant) – i.e. Staff, Health, Sustainability, Crime and Disorder)

There are no other significant implications arising from this report



**8. Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- 9<sup>th</sup> December 2015 Cabinet Report – *Thameside Complex Stage 2 Report*
- 10<sup>th</sup> February 2016 Cabinet Report – *Fees and Charges 2016/2017*

**9. Appendices to the report**

- Appendix A – Thameside Theatre Charging Schedule for 2015/16
- Appendix B – Benchmarking Exercise

**Report Author:**

Stephen Taylor

Programmes and Projects Manager

Regeneration and Assets