

REPORT TO: OVERVIEW WORKING GROUP

DATE: 11 FEBRUARY 2016

TITLE: REVIEW OF SUSTAINABILITY OF THE HARLOW PLAYHOUSE

PORTFOLIO HOLDER: COUNCILLOR EMMA TOAL

LEAD OFFICER: JANE GREER, HEAD OF COMMUNITY WELLBEING (01279) 446406

CONTRIBUTING OFFICERS: MAUREEN PEARMAN, COMMUNITY, LEISURE AND CULTURAL SERVICES MANAGER

SCOTT RAMSAY, PLAYHOUSE MANAGER

RECOMMENDED THAT:

- A** The Overview Working Group notes the progress made by the Playhouse Working Group.
- B** The Overview Working Group recommends to Cabinet that the current subsidy for the Playhouse of £491,000 per annum is maintained, as indicated until 2018/19.
- C** The Overview Working Group recommends to Cabinet that the Council seeks expressions of interest and invites potential operators with a view to reduce the ongoing subsidy required from the Council.
- D** Cabinet notes The Overview Working Group's opinion that funding of some scale will almost certainly be required beyond 2018/19, albeit in a potentially diminishing level.
- E** Cabinet notes that the viability of any future operating model will be dependent on the three year Capital Plan being implemented.

REASON FOR DECISION

- A** The Playhouse is funded through the Discretionary Services Fund with sufficient funding allocated until 2018/19. The fund is limited in terms of the resources the Council has available for all discretionary services. To extend the funding beyond 2018/19 will create a significant financial challenge for the Council and is likely to lead to service budget reductions in other service areas.

- B** The Council needs to provide certainty over future delivery of the Playhouse Theatre and explore all options for its long-term sustainability.

INTRODUCTION

1. The Overview Working Group established The Playhouse Working Group to assist in making recommendations to Cabinet for the long-term financial sustainability of the Playhouse theatre. This report provides detail of the progress made by the Playhouse Working Group. (Terms of Reference for the Playhouse Working Group is at Appendix 1).

BACKGROUND

2. The Harlow Playhouse is a theatre venue providing a wide range of entertainment and accommodation for a large number of performing arts groups and businesses across the Town. Harlow Playhouse delivers a year-long programme of touring productions; own commissioned work and pantomime as well as providing a platform for a number of community organisations. The Playhouse adds value to the business life of the Town, attracting high visitor numbers and generating a major boost for leisure, culture, tourism and wellbeing. The regional profile of the Playhouse promotes Harlow as the sub-regional centre for the area.
3. The Playhouse Working Group members are
 - Cllr Ian Becket (Chair)
 - Cllr Simon Carter
 - Cllr John Strachan

Officer support to the group is provided by:

- Head of Community Wellbeing
- Community Leisure and Cultural Services Manager
- The Playhouse Manager

Other Council Officers have been invited to the meetings where specialist technical advice has been required.

4. Regular monthly meetings have provided a forum to examine, review, challenge and discuss potential options for the Playhouse. Tasks and actions at these meetings have included:
 - A tour of the Playhouse Theatre
 - A review of the findings of the consultants Futures Evaluation report
 - A review of the Playhouse funding allocations for 2012/2019
 - A review of the Playhouse phased capital works programme and

associated costs

- A review of current hirers of the Playhouse
- Informal discussions with potential alternative providers
- Discussions with the Harvey Centre Manager regarding car-park charges and potential partnership arrangements
- A review of the capital investment required in the building
- Regeneration links and opportunities.

ISSUES/PROPOSALS

FINDINGS

5. Findings of the Future Evaluation report highlighted the importance of the Playhouse as a professional performing arts facility in Harlow and the region and a considerable asset to the regeneration of the town centre. The provision of additional usable rehearsal space was highlighted as a unique selling point of the Playhouse. These spaces are well used by a number of regular groups as well as other amateur and community organisations from Harlow and beyond for classes and workshops.
6. The Playhouse building is in reasonable condition given its age and investment made in more recent years. However, to ensure the Playhouse remains safe and fit for purpose, the proposed capital works should be undertaken.
7. In addition, the Future Evaluation report and feedback from Informal discussions with alternative operators has made clear that there is an expectation that the Council would continue to invest in the building to ensure that the Playhouse could continue to operate safely and efficiently, and to attract any new provider.
8. Budgets are reviewed on a regular basis. Efficiency savings have already been implemented and achieved significant savings in the region of £75,000 for the Council. The Playhouse is different from other Council departments in as much as it is a free standing business with different pressures on the management of its income and expenditure.
9. The Playhouse Main Auditorium has a limited seating capacity (400 seats) which restricts commercial capacity, both in the box office receipts it can achieve from performances, and the scale of productions that the theatre can attract. This would normally limit interest from potential operators, however, the Playhouse Theatre has a number of ancillary spaces which are not common in most theatres. During informal discussions with potential operators this has emerged as one of the Playhouse's unique selling points.

10. Staffing structures have been reviewed and have been aligned to current demands and theatre working practice. As technology changes the use of online booking continues to grow and the Playhouse will need to continue to adapt accordingly.
11. The Futures Evaluation report and feedback from external commercial providers confirm that the current programme and operation of the Playhouse is sound and, in many cases, more advanced than would normally be expected for a venue of its size and resource. It is apparent that commercial operators are attracted to venues with a strong ongoing programming record, rather than those which have reduced their programme over time.
12. With the addition of six cinema screens, including an imax screen, and several restaurants to the Harvey Centre portfolio in 2016, the Playhouse and Harvey Centre management are working together to create a joint destination brand for Playhouse Square. This presents a significant regeneration opportunity within the town centre environment. The combination of leisure, retail and dining also provides an attractive proposition to external commercial providers. As part of accommodating a stronger night-time economy offer within the Town, the Harvey Centre have advised that car parking charges may be reduced or eliminated over time.
13. The Playhouse is well placed to play a significant part in promoting the town centre's regeneration approach. As Harlow Enterprise Zone seeks to attract new business, particularly as a home of innovation for Harlow. The Playhouse adds value to the business and cultural life of the Town.

Options for the future

14. Whether or not the Playhouse continues to operate there will be a continuing subsidy or cost to the Council. The following options set out the likely cost and other implications.
15. **Option 1 - Retained operation by Harlow Council**

The cost of The Playhouse is funded out of the Discretionary Services Fund until 2019 which holds funding to help support the time limited funding of discretionary services. The current net cost of the service is £491,000 per annum (including central support costs and other recharges). Beyond 2019 the Council will need to make a decision as to how the Playhouse will be funded in the future. The key issue that will have to be addressed is how the funding required can be found against a financial landscape that already requires £3 million pounds to be saved over the 2017/18 – 2019/20 period. To reintroduce the Playhouse into the Council's base budget at its current funding level is likely to require reducing expenditure in other services by an equivalent amount and possibly see provision of some services ceasing as a

result.

16. Option 2 – Reduce services

If The Playhouse reduced the level of service only minimal savings would be achieved. It would reduce the ability to generate income and therefore the annual subsidy required is likely to increase. As there would be fewer events taking place some staff savings might be achieved through the reduction of front of house staff, however, this would be minimal. The theatre's operation would be compromised which would lead to closure.

17. Option 3 - Outsource to a commercial operator

The Council has from time to time explored the possibility of the Playhouse being run by an external organisation. The most recent attempt at securing an external partner was in 2011 when the Council launched an initiative (the 'Big Society' project) aimed at securing new providers for some of the Council's discretionary services, including the Playhouse. Unfortunately it was not possible to identify a way forward for the Playhouse that would secure its future and significantly reduce the amount of Council funding required.

18. Since this time two commercial operators and one other council has shown an interest in working with the Council. Both commercial operators are reviewing their operating models to reflect the increasing need by local authorities to consider their discretionary service provision, particularly for smaller and middle-scale theatres. This may include developing hybrid partnerships that could include commercial operators, community and voluntary sectors, that could enable grant funding and further opportunities for hospitality and catering.

19. The amount of subsidy required by the Council would be dependent on the level of profit /loss generated and the availability of the new operator to source other funding by generating income streams that the Council are not in a position to do so, such as economies of scale in programming, wider networks, investments in catering and larger audience development teams. Commercial operators have a proven track record of delivery in these areas.

20. External commercial operators have indicated that they would make significant further investments to the property, to allow better commercial returns. However this would be subject to the council's basic three-year Capital Plan maintained and implemented.

21. Option 4 – Outsource to a not-for-profit charitable Trust

The Playhouse Charitable Trust did put forward an informal expression of interest in taking over the Playhouse and there were a number of meetings with the Trust to explore the options. However, a draft business plan identified only a very modest saving for the Council.

22. Option 5 - Close the Playhouse

Mothballing costs of the building would be in the region of £100,000 per annum. This includes business rates £24,000, insurance costs, £22,645 and security costs £35,000 and potential redundancy costs. The Council would need to consider reputational damage and image of the town centre before taking this course of action.

23. Option 6 - Disposal of The Playhouse building

It is highly likely that the disposal of the building will be a lengthy process, and will take several months to advertise and attract interested parties in the current market. Failure to sell, would incur the same costs as mothballing the building.

Conclusion

24. In considering the options above, evidence suggests that seeking a commercial operator represents the best solution going forward. However, experience has shown that achieving a partnership approach to discretionary services is challenging. Any changes to the way the Playhouse is operated will require careful evaluation of risk to services, staff and users. Should this is not achievable then an ongoing subsidy of at least the current level would be the only option available for keeping the Playhouse theatre open to the community.

IMPLICATIONS

Place (includes Sustainability)

None specific.

Author: **Graeme Bloomer, Head of Place**

Finance (Includes ICT)

The requirement to continue to fully fund the existing operation beyond the 2018/19 financial year and to incorporate it back into mainstream funding is likely to require service choices to be made with some services having to be severely reduced or cut completely to accommodate the current net costs of operating the Playhouse.

Author: **Simon Freeman, Head of Finance**

Housing

None specific.

Author: **Andrew Murray, Head of Housing**

Community Wellbeing (includes Equalities and Social Inclusion)

Included within the report.

Author: **Jane Greer, Head of Community Wellbeing**

Governance (includes HR)

None specific.

Author: **Brian Keane, Head of Governance**

Background Papers

Harlow Playhouse Future Evaluations report by Clover Theatre Management dated October 2015.

Harlow Council Capital Plan.

Glossary of terms/abbreviations used

None