

**CABINET**

Tuesday 6 December 2011

**SPA PAVILION THEATRE OPTIONS APPRAISAL (CAB 51/11)**

**EXECUTIVE SUMMARY**

1. The Spa Pavilion Theatre, Felixstowe, is owned by the Council and is currently operated by Openwide Coastal Ltd (OCL) on behalf of the Council for a ten year period from May 2006. The theatre had been operated previously on behalf of the Council by another management company.
2. In 2006/7, high maintenance costs associated with the handover of the theatre to the new management operator led to Suffolk Coastal District Council spending £473,139. In 2009/10, Council expenditure on the Theatre totalled £289,574, including maintenance and on costs and an annual contract delivery sum to OCL, totalling £215,689 (plus £25,200 recharge to NPS). The management fee for 2010 / 2011 was £227,102.
3. In October 2010, Cabinet approved the appointment of a consultant to carry out an Options Appraisal for the Spa Pavilion Theatre, Felixstowe, and that £40,000 be allocated from the LABGI fund towards two phases of the project. This report covers Phase 1 of the project and seeks approval from Cabinet to embark on Phase 2.
4. Following a competitive tendering process, Bonnar Keenlyside were appointed to undertake the Options Appraisal on behalf of Suffolk Coastal District Council.
5. The Options Appraisal identifies that of the options available, no option is cost free.

Is the report Open or Exempt?	Exempt
Category of Exempt Information and reason why it is <b>NOT</b> in the public interest to disclose the exempt information.	<p>This report is to be considered during the CLOSED part of the Agenda because it contains exempt information as defined in Paragraph (paragraph 3) of Schedule 12A to the Local Government Act 1972.</p> <p>It is considered that the public interest in not disclosing the exempt information outweighs the public interest in disclosing the information because the document contains commercially sensitive information relating to the current operator of the Spa Pavilion Theatre, Felixstowe. It is felt that to put this information into the open domain may adversely affect the current business and potential future business of Openwide Coastal Limited.</p>

<b>Wards Affected:</b>	All Wards, Felixstowe Central, Felixstowe East, Felixstowe North, Felixstowe South, Felixstowe South East, Felixstowe West
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<b>Cabinet Member:</b>	Councillor Geoff Holdcroft – Leisure and Economic Development
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<b>Supporting Officer:</b>	Cheryl Holder Community and Cultural Services Manager 01394 444518 Cheryl.holder@suffolkcoastal.gov.uk
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## **1 INTRODUCTION**

- 1.1 In October 2010, Cabinet received report CAB 49/10 by the Cabinet Member with responsibility for Leisure and Countryside (Appendix A). The report reminded Cabinet that the Felixstowe and Trimleys Leisure Needs Analysis (2009) had suggested that a feasibility study should be undertaken to examine the suitability of the Spa Pavilion Theatre in Felixstowe. The feasibility study should address the needs of the local community and local theatre groups as well as the District Council in a cost effective way.
- 1.2 Cabinet approved the appointment of a consultant to carry out an Options Appraisal for the Spa Pavilion Theatre, Felixstowe, and that £40,000 be allocated from the LABGI fund towards Phases 1 and 2 of the Project. Cabinet Minute 5 October 2011 refers.
- 1.3 Membership of a Steering Group was also approved by Cabinet

## **2 BACKGROUND**

- 2.1 The Spa Pavilion Theatre is an art deco style theatre on the seafront in Felixstowe, sited next to the Spa Gardens. The Theatre was built to meet the demand of visitors to this holiday destination, and was made popular by a visit from Queen Victoria in the nineteenth century. The site was chosen because of its close proximity to the sea but also because it was near the famous spa waters which attracted people to that end of the town.
- 2.2 The present Theatre was designed and built in the late 1930s. However, in 1941 the theatre was bombed and was not opened again until 1950 when it was re-built in the art deco style we know today. The Theatre has a 905 seat auditorium and in 1960 a restaurant, with sea views, was added.
- 2.3 Historically, the Theatre was home to popular summer variety shows and has seen many famous performers over the years, including Norman Wisdom, Joe Pasquale and Jimmy Carr. Felixstowe has also hosted successful touring west end shows such as "The Blues Brothers" and "Joseph". More recently, the Theatre programme has had to diversify and has focussed on tribute bands and musical theatre alongside community bookings.
- 2.4 The Spa Pavilion Theatre is owned by the Council. Despite its age, it is not a listed building but sits within a conservation area and within the Seafront Gardens which are listed and currently being restored through a £2.2 m Heritage Lottery Fund Grant.
- 2.5 The Theatre is operated by Openwide Coastal Ltd (OCL) on behalf of the Council. OCL were awarded a ten year contract to manage the theatre in May 2006. Prior to OCL the Theatre was operated by another management company on behalf of the Council.
- 2.6 Clause 16.3 (headed "Voluntary termination by the Council") within the Management Agreement between SCDC and Openwide Coastal Limited provides that the Council may terminate the Agreement at any time on or before the Expiry Date by giving 6 months' notice in writing to the Contractor.
- 2.7 In 2006/7 high maintenance costs associated with the handover of the theatre to a new management operator led to Suffolk Coastal District Council spending £473,139. In 2009/10 Council expenditure on the Theatre totalled £289,574, including maintenance and on costs and an annual contract delivery sum to OCL, totalling £215,689 (plus £25,200 recharge to NPS).
- 2.8 As a result both of the current economic downturn and of the changing nature of the entertainment market, audience numbers have fallen year on year over the last three financial years from 47,644 in 2007/8 to 33,139 in 2010/11
- 2.9 The management fee for 2010 / 2011 was £227,102. Taking into consideration the fee paid to NPS Property Consultants Limited, and using the figure of 33,139 ticket sales, this equates to a £7.61 subsidy by Suffolk Coastal District Council per ticket.

- 2.10 The financial cost of the operation of the Spa Pavilion Theatre to the District Council mentioned above does not take into account the cost of officer time in overseeing the day to day operation and management of the facility.
- 2.11 During a recent condition survey of the building by NPS Property Consultants Limited it became apparent that a significant amount of expenditure is required to bring the condition of the building to a standard where it could compete more reliably with other such facilities within the same catchment area. A sum of £90 is set aside within the capital programme for 2012/2013 for window and roofing replacement.

### **3 CONSULTANT APPOINTMENT**

- 3.1 During a competitive tendering process, from a short list of ten, six organisations returned documentation before the closing date of midday on Friday 1st April 2011 to undertake the Options Appraisal on the Spa Pavilion Theatre.
- 3.2 During the process, all six tenders were assessed against the criteria specified within the invitation to tender documentation.
- 3.3 There were two bidders which had experience of working in coastal towns, as well as strong methodology and staff experienced in the specific areas identified within the brief. A third submission was received from one of the consultants who undertook the Felixstowe and Trimleys Leisure Needs Analysis in 2009.
- 3.4 The attention to detail and previous experience from Bonnar Keenlyside was superior and following satisfactory references, this organisation was appointed to undertake the options appraisal.

### **4 CONSULTATION**

- 4.1 Bonnar Keenlyside consulted with an extensive list of individuals, organisations, voluntary and commercial groups, as well as the current management operators to gain an understanding of both the value of the Theatre locally, and the perception of it. A copy of their report can be found at Appendix B
- 4.2 Bonnar Keenlyside consulted Anne Minors Performance Consultants on options for the performance space within the theatre (see Appendix C). The findings from this report have been included into the main Options Appraisal report.
- 4.3 Bonnar Keenlyside also consulted with Winton Nightingale Consultancy Limited, catering consultants, to assess the options for improving the catering offer at the theatre (see Appendix D). The findings from this report have been included in the main Options Appraisal report.

### **5 CONSULTATION FINDINGS**

- 5.1 Options identified were:
- Remodelling the Theatre to create a flexible space;
  - A public / private partnership development of the site physically and operationally;
  - Provision of theatre facilities on an alternative site;
  - Closure and absorption or reallocation of resources;
  - Partnership management with the Marina Theatre in Lowestoft;
  - Preserving the status quo.
- 5.2 Appendix E contains a summary of the suggested options.

## **6 FINANCIAL AND GOVERNANCE IMPLICATIONS**

- 6.1 In 2006/7 high maintenance costs associated with the handover to a new operator led to total expenditure of £473,139. In 2009/10 Council expenditure on the Theatre totalled £289,574, including maintenance and on costs.
- 6.2 These figures include an annual contract delivery sum to OCL, totalling £215,689 in 2009/10 (plus £25,200 recharge to NPS). The management fee in 2010 / 2011 is £227,102.
- 6.3 The level of subsidy for 2010 / 2011 was £252,302 including the NPS Property Management Consultants asset management fee. This translates to a subsidy of £7.61 per ticket.
- 6.4 It is recognised that the Council cannot continue to fund the theatre with the current level of subsidy taking into account the reducing audience numbers and increasing budget pressures.

## **7 OTHER KEY ISSUES**

- 7.1 The following assessments can be found on the Completed Reports section of DORA. In summary;

### **7.1.1 Risk Assessment (See Appendix F)**

There is a significant risk to the District Council if it does not consider the future of the Spa Pavilion Theatre in detail, but bases any judgement on the financial aspects of the theatre operation, rather than taking an holistic approach including the impact on the wider community.

### **7.1.2 Equality Impact Assessment (See Appendix G)**

It is felt that the impact of any decision on the future of the Spa Pavilion Theatre will affect the whole of the community equally and will not discriminate against any specific minority groups within the community.

### **7.1.3 Strategic Assessment (see Appendix H)**

It is believed that the Spa Pavilion Theatre may generate secondary spend to the Suffolk Coastal District though it is difficult to quantify an actual amount, and this should be taken into consideration and used to offset the cost of the theatre management fee against any decisions which may be made.

## **8 STEERING GROUP CONCLUSIONS AND RECOMMENDATIONS**

- 8.1 Since October 2010, the Theatre Options Appraisal Steering Group met when required to make recommendations about the brief and the appointment of the consultant engaged and since then, to receive and comment on the interim and draft final report.
- 8.2 Members of the Steering Group were also members of the panel of stakeholders who review the performance of OCL on a quarterly basis and so were also able to bring that knowledge and experience to bear when considering the Options Appraisal report.
- 8.3 The current Steering Group consists of:

- Cllr Geoff Holdcroft      Portfolio Holder for Leisure and Economic Development
- Cllr Mary Neale          Portfolio Holder for Community Health
- Doreen Savage          Felixstowe Town Council
- Tony Osmani              Strategic Director, SCDC
- David Gallagher        Head of Service, SCDC/WDC
- Andy Wright              Head of Service, SCDC/WDC
- Joseph James            Felixstowe Futures Manager
- Cheryl Holder            Community and Cultural Services Manager, SCDC

- 8.4 Following the receipt of the final report from Bonnar Keenlyside the Steering Group met in November 2011 to consider it and propose a way forward.
- 8.5 After very careful consideration of all the evidence including the Options Appraisal report, the Steering Group concluded that;
- 8.4.1 The Theatre, as currently operated, is not fully realising its potential either as an entertainment venue that meets the needs of Felixstowe as a resort or as a vibrant place to live and work, nor is it giving best value to council tax payers throughout the District.
- 8.4.2 Neither maintaining the status quo nor any of the remodelling options described in the report would offer good value for money.
- 8.4.3 Closure of the Theatre without adequate alternative provisions would have a detrimental effect on Felixstowe as resort especially in the current economic climate.
- 8.4.4 The Council ought to seek either another commercial operator that could develop the Theatre to its full potential or look for a different type of entertainment/leisure activity that could use the building to attract all day and year round visitors to Felixstowe.
- 8.4.5 In parallel with seeking another commercial operator, the Council ought to investigate the viability of setting up a Trust who could take over the running of the Theatre. Such a trust might be able to attract both capital and revenue grants unavailable to this Council. However we recognise that the situation The Spa Pavilion Theatre faces in terms of revenue and capital requirements are very different to those which faced the Marina Theatre, Lowestoft.
- 8.4.6 In addition to investigating a home-grown Trust, serious consideration should be given to partnering with the recently created Marina Theatre Trust in Lowestoft or at the very least drawing on their experiences.
- 8.6 In order to manage the process of seeking a new operator, the current operator should be given at least six months notice, in writing, that their contract would be terminated such that the 2012 Summer Season can proceed as planned without disruption. The actual end of contract would be on a day to be determined by negotiation between the Council and OCL.
- 8.7 The Council is urged to establish a communications strategy to inform all stakeholders in the Theatre of the need for these steps and to keep the community users of the facility aware of progress to establish a new life for the Theatre.
- 8.8 The remaining £25,000 of LABGI funding already set aside for Phase 2 of the Options Appraisal should, if required, be available for this part of the Project.

## **9 REASON FOR RECOMMENDATIONS**

- 9.1 The Theatre, as currently operated, is not fully realising its potential either an entertainment venue that meets the needs of Felixstowe, both as a resort or as a vibrant place to live and work, nor is it giving best value to council tax payers throughout the District.

## 10 RECOMMENDATIONS

It is proposed that the Council:

1. Seeks either another commercial operator that could develop the Theatre to its full potential or to look for a different type of entertainment/leisure activity that could use the building to attract all day and year round visitors to Felixstowe.
2. Investigates the viability of setting up a Trust which could take over the running of the Theatre, such a trust being able to attract both capital and revenue grants unavailable to this Council.
3. Gives consideration to partnering with the recently created Marina Theatre Trust in Lowestoft or at the very least drawing on their experiences.
4. Gives at least six months written notice to Openwide Coastal Ltd that their contract will be terminated the said notice to terminate on such a date that that the 2012 Summer Season can proceed as planned without disruption, with the actual end of contract to be determined by negotiation between the Council and OCL
5. Drafts a communications strategy to inform all stakeholders of the Theatre of the need for these steps and to keep the community users of the facility aware of progress to establish a new life for the Theatre.
6. Makes available the remaining £25,000 of LABGI funding already set aside for Phase 2 of the Options Appraisal for this part of the Project.
7. Use the existing Steering Group members to establish a Project Board with delegated responsibility to move forward with delivering Phase 2 of the Options Appraisal and who will report back to Cabinet as appropriate.

### APPENDICES (List the title of each separate Appendix below)

<b>Appendix A</b>	Cabinet Report CAB 49/10
<b>Appendix B</b>	Spa Options Appraisal Report
<b>Appendix C</b>	Anne Minors Theatre Consultants Report Review and Recommendations for The Spa Pavilion, Felixstowe
<b>Appendix D</b>	Winton Nightingale Catering Review & Recommendations for The Spa Pavilion, Felixstowe
<b>Appendix E</b>	Table Summary of Options
<b>Appendix F</b>	Risk Assessment
<b>Appendix G</b>	Equality Impact Assessment
<b>Appendix H</b>	Strategic Assessment

### BACKGROUND PAPERS (List below those documents for which the report author has materially relied upon to produce the report and which are available for the public to view – Do NOT include documents which contain ‘exempt’ information)

Date	Type	Available From
Sept 2009	Leisure Needs Analysis - Felixstowe And The Trimleys	<a href="http://www.suffolkcoastal.gov.uk/NR/rdonlyres/39F78564-FB08-4ABD-AB67-880B3DAA9ACE/0/FelixstoweTrimleysLeisureNeedsAnalysisSept09.pdf">http://www.suffolkcoastal.gov.uk/NR/rdonlyres/39F78564-FB08-4ABD-AB67-880B3DAA9ACE/0/FelixstoweTrimleysLeisureNeedsAnalysisSept09.pdf</a>