



ADUR & WORTHING  
COUNCILS

Ward(s) N/A

**Outcomes from the Worthing Theatres Budget Working Group**

**Report by the Director for Digital & Resources**

**Executive Summary**

**1. Purpose**

- 1.1 This report sets out the findings and recommendations from the Theatres Budget Working Group set up by the Committee as part of its 2017/18 Work Programme.
- 1.2 The findings and recommendations from the Working Group should form the basis of areas for questioning of the Worthing Executive Member for Customer Services who has been invited to attend this meeting of the Committee to answer questions and address the issues raised by the Working Group.

**2. Recommendations**

- 2.1 That the Committee consider the outcomes and recommendations from the Theatres Budget Working Group and question the Worthing Executive Member for Customer Services on these issues;

2.2 That the Committee consider if it would like to make any further recommendations or observations to the Worthing Executive Member for Customer Services or Worthing Executive on the issues raised as part of the review.

### **3. Context**

- 3.1 As part of its Work Programme for 2017/18, the Joint Overview and Scrutiny Committee (JOSC) agreed to set up a Working Group to review Worthing Theatres Budgets and the progression of previous recommendations from the Scrutiny review of Theatres in 2015 in preparation to present the findings to the Worthing Executive Member for Customer Services in November 2017.
- 3.2 Councillors Keith Bickers, Luke Proudfoot and Bob Smytherman (Worthing) and Joss Loader (Adur), were appointed to the Working Group and the Working Group met on 14 September 2017 to discuss the issues. Councillor Keith Bickers was appointed as Chairman of the Working Group.
- 3.3 A summary of the findings from the Working Group/report from the Chairman of the Working Group and the previous Scrutiny findings from 2015 are attached as appendix 1 to this report.

### **4. Issues for consideration**

- 4.1 JOSC is requested to consider the findings from the Theatres Working Group and question the Worthing Executive Member for Customer Services as appropriate.

### **5. Engagement and Communication**

- 5.1 As part of its investigations, the Working Group has interviewed the Director for Economy and Head of Culture on the current Worthing Theatres Budget situation and reviewed the progress on the outcomes from the previous scrutiny review held in 2015.

### **6. Financial Implications**

- 6.1 The review relates to the Theatres Budgets and all financial implications are contained in the Theatres Budgets.

## **7. Legal Implications**

- 7.1 Under Section 111 of the Local Government Act 1972, the Council has the power to do anything to facilitate or which is conducive or incidental to the discharge of any of their functions.
- 7.2 Section 1 of the Localism Act 2011 provides a Local Authority to do anything that individuals generally may do (subject to any current restrictions or limitations prescribed in existing legislation).
- 7.3 Section 3(1) of the Local Government Act 1999 (LGA 1999) contains a general duty on a best value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

## **Background Papers**

JOSC Scrutiny review report on Worthing Theatres - March 2015

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## **Sustainability & Risk Assessment**

### **1. Economic**

- 1.1** The outcomes from this review will help to develop the Worthing cultural offer and help achieve the financial break even position for Worthing Theatres which is a commitment in the Financial Economies Platform of Platforms for our Places strategic vision.

### **2. Social**

#### **2.1 Social Value**

If the Worthing Theatres achieve a financial break even situation then they will be able to continue to develop the level of Worthing cultural offer for the benefit of the Adur and Worthing communities.

#### **2.2 Equality Issues**

Matter considered and no issues identified.

#### **2.3 Community Safety Issues (Section 17)**

Matter considered and no issues identified.

#### **2.4 Human Rights Issues**

Matter considered and no issues identified.

### **3. Environmental**

Matter considered and no issues identified.

### **4. Governance**

Matter considered. Outcomes from the JOSOC review might impact on the ability of the Councils to develop the Worthing cultural offer if changes are recommended.



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**Overview of Theatres Budget Scrutiny - final report**

**Report by Keith Bickers, Chairman of Scrutiny Working Group**

**1.0 Scope of Theatres Scrutiny**

As part of its Work Programme for 2015/16 the Joint Overview and Scrutiny Committee (JOSC) set up a Working Group to review the operations and management of Worthing Theatres following concerns that the Theatres budget had incurred serious overspends of £484,000 in 2013/14. Particular areas of interest were Financial Management, Catering and Marketing.

**2.0 Summary**

In 2015 the Scrutiny Working Group was set up to consider methods to improve the results of Theatres. This was an extremely useful exercise and supported the strong improvement of the department over the last two years. The detail in this report has been reviewed and assessed by the latest Scrutiny Working Group set up to review the Worthing Theatres Budgets as follows:-

Theatres have now merged with museums to form the Culture department which developed the culture offer, increasing the economic impact on local business and crucially ended 2016/17 under budget by £3,500.

The theatres managed budget had an overspend of £25,000 in 2016/17, a dramatic improvement on £120,000 the previous year. This also included a savings target of £100,000 which underlines the success and real turn around of the department.

Six months into 2017/18 theatres are on budget and expect to end the year achieving the allocated budget including the £40,000 savings target.

### **3.0 Key areas of consideration for the Working Group**

As part of its consideration, the Working Group concentrated on a number of key issues for Worthing Theatres and information was provided to support the progress being made to try and achieve financial break even for the Theatres.

#### **3.1 Finance**

The Working Group was advised that the Theatres have dramatically improved the financial position achieving the £217,000 savings target over the last four years. As recommended Worthing Theatres now has clear and detailed financial reporting and presented figures at monthly hotspot meetings. Now the theatres are on budget these hotspot meetings are quarterly.

This financial turnaround was achieved by: increased ticket sales, increased profitability of events programme, increased venue hires, increased secondary spend, improved budget control, staff structure and merging of the theatres and museum, increase in volunteers and the application of cultural exemption in December 2016.

The concern over Worthing Symphony Orchestra costs has been resolved with a five year contract that keeps the annual allocation to the agreed £20,000

#### **3.2 Customer Experience**

Theatres now have an excellent and experienced customer facing team who are making dramatic improvements to the service. 40% of customers are now returning four or more times a year, well above the national average of 24%. It should be noted that toilets are still an issue. The Studio Theatre toilets have now been refurbished and the Pavilion toilets are due for refurbishment in January 2018.

#### **3.3 Staff Structure**

Theatres fulfilled all recommendations of the original Scrutiny Working Group, completing pay and grading and a full restructure. In addition theatres and museum staff merged creating further savings.

#### **3.4 Marketing**

The Marketing Team has had an experience manager in post for over two years which has resulted in increased ticket sales, a dramatic growth in social media and tightly managed budgets. All the recommendations have been completed.

#### **3.5. External Funding**

Theatres now have an External Funding Manager with an excellent track record (including Head of Fundraising for Comic Relief) who is working on several bids including a bid for £1.2 million to HLF to redevelop the museum.

#### **3.6 Technical Services**

Theatres now have monthly meetings with Technical Services and communications have improved.

### **3.7 Catering**

Catering has now stabilised and made a profit of £125,000 in 2016/17 which is the highest surplus in the last ten years. In 2017/18 the budget is set with a profit of £194,000 which is a challenging growth but six months into the year the Service is very close to the target and hope to achieve the year end figure. The previous issues have been resolved by simplifying the offer, reducing the staffing, maximising the pre show / interval sales and seasonally reducing the opening hours.

Worthing Theatres benchmarked the catering provision against Chichester Festival Theatre and the Brighton Dome and is making a higher surplus, performing well in comparison.

### **3.8 Economic Impact**

An external study was completed in 2014 and is currently being updated.

The total direct impact on the economy is estimated to be £5.2m per annum, based on additional spend of theatre-goers, local purchasing and local spending of Theatre staff. This could be as high as £8.3m once a local multiplier (1.6) is applied.

The economic impact provides a return on the Council's investment in 2013/14 of almost 7:1. Worthing Theatres are a clear catalyst to additional spending in other parts of the economy. Around £1.5m is spent in restaurants, shops and the hospitality sector by theatre-goers who visit Worthing from outside the Borough.

Worthing Theatres share of core market expenditure has risen from 37% to 67%

### **4.0 Future of Culture**

The Leader has formed a Working Group to consider the options for the future of the Culture department and this work is ongoing including an interrogation of the budget.

### **5.0 Conclusion**

Culture achieved the bottom line budget in 2016/17 with an underspend of £3,500. It is anticipated that in 2017/18 not only will the Culture department as a whole achieve the budget but the Theatres Managed budget will also be achieved. It is then expected that savings of up to 5% year on year for the next five years will be achieved.

### Review of actions from 2015 Scrutiny Report

The scrutiny investigation in Theatres was a very useful exercise. Theatres have actioned all recommendations within the report. The key areas were:

Financial Management	<p>As recommended WT now has clear and detailed financial reporting with the Business Development Manager working closely with the accountant. This has enabled WT to make substantial improvements to the financial position.</p> <p>The reports have been presented to Hotspot Meeting every month to monitor the continual improvements. The overspend has reduced over the last four years from 484k to 25k with savings targets of 244k added to the budget over the period of the 5 year Business Plan.</p> <p>Several key elements have supported the improvements in the financial position:</p> <ul style="list-style-type: none"><li>• Increase venue hires: contemporary music, family parties, community performances etc.</li><li>• Moving the entrance and box office at the Pavilion so customers entry through the cafe bar.</li><li>• Detailed review of each expenditure lines to make further reductions and full ownership of the budgets by the department managers.</li><li>• Budgetary control training has been provided for theatres staff, covering cost centre management, budgeting, forecasting, budget management and understanding financial management information.</li><li>• Cultural exemption was applied in December 2016 and has supported the financial turnaround</li><li>• Cross department working to maximise efficiency and reduce the salary bill.</li><li>• Increase of volunteers and an excellent volunteer support programme.</li></ul> <p><b>Shows and events</b> were highlighted as a risk because of their dependence on ticket sales and possibility of cancellation.</p>
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	<p>WT rarely cancel shows and only when the company has an issue with illness. We have a procedure in place to minimise the affect of customers. We now profile the potential surplus on each and every show and due to the team's experience we find the projections are in line with the actual income. 6.13</p> <p><b>Worthing Symphony Orchestra</b> cost the theatres more than the allocated 20k prior to 2014 but there is now a formal contract in place and the subsidy cannot be exceeded. This is a five year agreement that is likely to be reduced when up for renewal.</p> <p>as highlighted do use the</p> <p>Investigations showed that the Council has regularly provided support of £36,000</p>
Customer Experience	<p>Theatres now have an experienced customer experience manager who is making dramatic improvements to the service. 40% of customers are now returning four or more times a year, well above the national average of 24%</p> <p>It should be noted that toilets are still an issue. We are refurbishing the Studio Theatre toilets in September 2017 and hope to finalise the funding to refurbish the Pavilion toilets in January 2018.</p> <p>WT now send out email questionnaires to a percentage of the audience for every event and the feedback is monitored and considered by the senior managers.</p>
Staff Structure	<p>WT has restructured the full staff team creating savings which means the salary budget is now on target. The new structure is not only more cost effective but is also proving to be a much stronger business model.</p> <p>Additionally, it was important to note that the theatre's staff had completed the corporate Job Evaluation programme in January 2013 which had dramatically increased the salary bill which had previously not been accounted for within the current Business Plan.</p> <p>The Working Group has noted that some of the staff salaries have been higher than the industry norm, this has been addressed by further Pay and Grading reviews. However the Council's Pay and Grading system is not designed for a commercial business and it has been challenging to get agreement for industry standard salaries.</p> <p>As part of the long term staffing budgets strategy, the Working Group also considered zero hours contracts for staff which might help reduce costs. This has not been necessary and we continue to work with a mix of contracted and casual team members.</p> <p>The Working Group suggested:</p>

	<p>General Manager post to focus on all the operations.  Business Manager post which to run the Theatres as a commercial business.  External Funding Officer to increase income.  All posts have been in place since May 2015.</p>
Technical Services	<p>Worthing Theatres now have regular client meetings with technical services which has improved the situation but still hope for a closer working relationship and an improvement in the maintenance timescales.</p>
Marketing	<p>The marketing department is now lead by an excellent manager who is experienced in managing budgets. We have developed social media marketing but also found ways to keep in communication with our less computer savvy audience members.  The rebrand is a huge success and ticket sales continue to increase for all genres.  We have developed new audiences for improved programming, particularly contemporary dance and contemporary circus audiences.  Profitability of films has increased dramatically with an excellent of film officer and the ongoing support of Picturehouse.  WT works closely with Northbrook College and is developing a creative partnership for the pantomime, giving the student real world experience.</p>
External funding	<p>The external funding officer is currently working on several large scale bids including an HLF bid to redevelop the Museum</p>
Catering	<p>This has been the most challenging area of the business with unrealistic targets set in the five year Business Plan. The profit for 2016/17 was 126k which is the highest profit ever achieved. This section has now stabilised.  Additional income has come from the kiosk that theatres took over in 2016.</p>
Benchmarking	<p>WT benchmarked the catering provision against Chichester Festival Theatre and the Brighton Dome and is making a higher surplus, performing well in comparison.</p>
Economic Impact	<p>An external study was completed in 2014 which stated</p>

	<p>Worthing Theatres has around 128 FTE jobs, including touring actors and crew, but could support around 182 local jobs once indirect effects are included.</p> <p>Their total direct impact on the economy is estimated to be £5.2m per annum, based on additional spend of theatre-goers, local purchasing and local spending of Theatre staff. This could be as high as £8.3m once a local multiplier (1.6) is applied.</p> <p>The economic impact provides a return on the Council's investment in 2013/14 of almost 7:1.</p> <p>Worthing Theatres are a clear catalyst to additional spending in other parts of the economy. Around £1.5m is spent in restaurants, shops and the hospitality sector by theatre-goers who visit Worthing from outside the Borough.</p> <p>Worthing Theatres share of core market expenditure has risen from 37% to 67% in the last year</p> <p>Around half of the visitors to Worthing Theatres live within the Borough, Not only do theatres provide an important social and community function, their existence means that cultural spending is retained within the Borough instead of being lost to neighbouring areas.</p>
Future of Culture	A Working Group has been established by the Leader and is considering the best long term position for Culture.

## Theatres Expenditure Budget vs Actual

