

**PERFORMANCE AND AUDIT SCRUTINY COMMITTEE  
IITH JULY 2006**

**Report of the Director of Leisure and Environment**

**ITEM 6 REVIEW OF THE TOWN OPERATION 2005/2006**

**1. Purpose of the report**

To report on the on the controllable net revenue cost and associated targets of Loughborough Town Hall in the first full financial year following refurbishment in November 2004.

**2. Recommendations**

To note that there was revenue overspend of £123,000 on 2005/06 budgets for the operation of the refurbished Town Hall and certain targets and assumptions were either unrealistic or not immediately achievable and that the continuing service pressures arising as a result have been included in the 2006/7 budgets. All activity related indicators were achieved.

**3. Policy**

The primary purpose of the Town Hall is to support the achievement of the Council's strategic aim to deliver 'Leisure and Cultural Opportunities for all' by providing:

- Local people and visitors to the area with opportunities for social interaction, life long learning and enjoyment through access to and participation in the arts.
- a high quality venue for events and activities organised by the public, private and voluntary sector

**4. Background**

Loughborough Town Hall is Charnwood's principal performing arts venue. It comprises a 512 multi use theatre with retractable tiered seating enabling the staging of informal events such as exhibitions, dances, fairs, meetings and seminars, as well as more formal performances of drama, dance, music and comedy.

The Victoria Room and a Function Room (Beacon Room) are also flexible in their configuration and usage with the installation of retractable seating in the Victoria Room creating a theatre studio space.

The Town Hall also accommodates the Council Chamber, which can be hired for meetings and seminars when available, the Mayors Parlour, Shopmobility, Charnwood's Visitor Service Centre and a franchised café, restaurant and bar service.

The core opening hours are from 8 am until 18.00 Monday to Saturday or until between 22.30 and midnight when there is a show or event. There are occasions when the building is open on Sundays for events, fairs or exhibitions

In 2002/3 parts of the venue were closed for a number of months to allow asbestos removal and electrical re-wiring to be implemented.

The major refurbishment commenced in January 2004 necessitating the closure of the venue for the last 3 months of the 2003/4 financial year and for 8 months of 2004/5 , resulting in a loss of trading income that was partially off set by a reduction in casual staffing costs, premises and supplies and services expenditure  
The refurbishment improved the auditorium and the backstage area, increased the kitchen space and improved access to all parts of the building.

#### 5. Business Plan and 2005/6 Targets

The Town Hall can best be described as a mixed economy venue with 3 key trading operations: Artistic Programme; Lettings; Catering and Bars.

An outline Business Plan was prepared prior to the refurbishment of the Town Hall to evaluate the operational and revenue implications that would result if the Phase III Improvement Plan were implemented.

The major assumptions in the outline Plan were: -

- An increase in performances
- An increase in lettings and lettings hours
- Higher income levels associated with the above
- Improved return from Catering and Bars
- Reduced cost of operating the building.

It was predicted that the Net Running Costs (Controllable Costs less earned Income) would decrease from £303000 in 2001/2 to £297000 in 2005/6.

The Budget and Key Performance Indicators for 2005/6 were drawn up based on the assumptions in this Business Plan.

#### 6. Review of the 2005/6 Key Indicators/Targets

<b>The Key Performance Indicators were</b>	<b>Targets</b>	<b>Achieved</b>
Total Attendance	60000	63216
Number of Performances	217	233
Average monthly room hire hours	40	41
%Available tickets sold for own promoted shows	68%	70%
Number of visits per 000 population to own promoted shows	221	242
Catering Turnover	£750000	£348000
Box Office Income	£275000	£271000
Income from Lettings/Hires	£126000	£109000
Net Controllable Cost	£297000	£420000

## 7. Financial Results 2005/6

**7.1** The controllable position (i.e. before Central Support Costs and Capital Financing ) for Loughborough Town Hall for 2005/6 was £420,000 which is £123,000 higher than budget.

In summary the variances by operating area are as follows.

Cost Centre	Description	Variance
T001/T100	Overheads and Operational costs	£5000
T110	Catering/Bars	(£83000)
T130	Concerts and Shows	(£24000)
T140	Lettings	(£21000)
	<b>TOTAL VARIANCE</b>	<b>(£123000)</b>

This variance is a combination of the non achievement of a profit share from Catering and Bars turnover, the costs of delivering more performances and lettings, failure to meet the target for lettings income and opening a bigger building for longer hours.

**7.2** The variance can be further explained as follows

<b>Description</b>	<b>£'s</b>
Profit sharing not achieved from Catering and Bars. Based on Turnover of £750k compared with the highest previous achievement of £384K	35,000
Cost of terminating the Catering Contract with Aramark in January 2006 in terms of loss of Guarantee and the purchasing of equipment and fixtures.	36,000
Casual Staff Costs for Concerts and Shows. Budget £195 per show compared with £207 in 2001/2. Actual £268 per show	11,000
Electricity and Gas costs understated. Bigger building, open for longer, larger kitchen, sophisticated air handling system and higher prices.	25,000
Hires and Lettings sales targets not met...	20,000
Costs where no budget set e.g. Internet selling and Legal	7,000
Others (net savings)	(11,000)
<b>REVENUE SHORTFALL-</b>	<b>123,000</b>

**Appendix I** summarises the actual results and activities compared with actual results from 2000/1 and the budget for the four main operating areas

### **7.3 Management (Appendix I Page 2)**

The net position was £5000 lower than budget due to:-

- The Directors salary being transferred from this budget after 4 months saving £46000.
- This offset the increases in Utility Costs (£25000), staff gradings etc (£8000) and costs incurred such as Internet Ticketing charge but not budgeted (£7000).
- The costs of gas and electricity have increased from £21000 in 2001/2 to £52000 in 2005/6.

### **7.4 Catering and Bars (Appendix I Page 3)**

There was an assumption that outsourcing the Catering function would double turnover in Year 1 of operation. This was a brave assumption following a 9 month closure and an increasingly competitive market in Loughborough.

The budget assumed that there would be income from a profit share with the contractor of £35000 based on that turnover. In addition a management fee of £55000 would be paid by the contractor

The relationship with the contractor, Aramark, proved difficult and they ceased operation at the end of January 2006 meaning that 2 months of the management fee were lost. Legal proceedings against Aramark for the recovery of monies owing are currently being considered...

In order to continue the service provision a short term relationship with Imago commenced in mid February 2006.

The trading outcome was £83000 worse than budget and can be summarised as follows:-

- No Profit Share £35000
- Loss of 2 months management fee £9000.
- Investment in equipment etc in order to continue trading £27000
- Other costs £12000
- However we exceeded the earnings from external events by £16000
- Turnover achieved for 50 weeks was £348000 which less than half of the target but also lower than previous full years.

### **7.5 Shows and Concerts (Appendix I Page 4)**

The number of performances, audience numbers, percentage of seats sold for our own promotions all exceeded targets set. However the net budget cost was exceeded by £24000 and can be summarised as follows:-

- The cost of casual staffing an increased number of performances had been miscalculated giving a £11000 overspend.
- Box Office sales were not achieved by £4000 (1.5%)
- Box Office sales were however 44% higher than ever before.
- Technical and artists costs to mount an increased programme £9000.

## 7.6 Lettings (Appendix I Page5)

The increased lettings targets were not achieved. There was a shortfall in total of £17000(13%)

The earnings of £109000 were still the highest ever achieved some £12000 above 2001/2.

The earnings can be broken down by space as follows:-

- Main Hall £63000
- Whole Building £12000
- Beacon Room £20000
- Council Chamber £8000
- Victoria Room £6000

This does not reflect the discounts of £12000 offered to local groups, charities and religious groups which are not included in controllable income. It also excludes the civic use and a certain number of Council events which have been free of charge e.g. the Staff Matters Days and other meetings

The Council Chamber and the Victoria Room have been difficult to let this year due to times booked for work to take place plus dual bookings for civic meetings. There has also been a delay in obtaining the wedding licence for the Council Chamber. These figures exclude catering sales provided for functions and events.

## 8. 2006/2007 Targets, Budgets and Challenges

<b>The Key Performance Indicators are</b>	<b>Targets 2006/07</b>	<b>Achieved 2005/06</b>
Total Attendance	62000	63216
Number of Performances	223	233
Average monthly room hire hours	45	41
%Available tickets sold for own promoted shows	69%	70%
Number of visits per 000 population to own promoted shows	264	242
Catering Turnover	£450000	£348000
Net Controllable Cost	£272000	£415000
Box Office Income	£297000	£271000
Income from Lettings /Hires	£142000	£109000
Cost per Head of Population	£1.77	£2.71

As part of the Service Delivery Plan and Budget process it was recognised that the original assumptions in respect of catering, levels of resource to deliver the programme and lettings and the utility costs were unrealistic and have been reflected in the above costs.

This year the controllable costs do not include the wage costs for the Director, 2 Finance and Admin staff who have transferred and a Marketing support post which has been deleted.

The challenges for this year are:-

- To continue to develop the diverse programme of work in the auditorium.
- To continue the success of the Pantomime.
- To promote the first Loughborough Folk festival in October
- To improve the level of income from lettings especially greater utilisation of the Council Chamber and the Victoria Room (see Appendix2).
- To maintain the level of marketing and promotion activity to enable the above to happen despite the deletion of a key support posts in this area.
- To stabilise the catering operation and to develop a profitable a beneficial relationship with the contractor.
- To develop more partnerships with local businesses, groups and schools and further education establishments.
- To replace the Arts Council of England development grant with other funding support.
- To develop a rolling plan of building and equipment maintenance and the costs associated.
- To develop better relationships with our audiences and customers.
- To benchmark our performance with similar venues nationally

## 9. Achievements since Refurbishment

- 63,000 people have attended performances in the year 2005/6,44% up on the previous highest
- The pantomime earned a “possibly the best Panto in the Midlands” review in the Stage.
- Nearly 90% of seats available for the Pantomime were sold.
- Implemented a diverse quality programme of visiting work including Michael Parkinson, Elkie Brooks and Stones in His Pockets from the West End.
- Named “Venue of the Year “by Leicester Mercury.
- Implemented On Line Ticket Selling.
- Tried a Studio Programme to the Victoria Room.
- Over 2000 hours of hires including a week long International Chemists Conference.
- Managed a difficult relationship with the original catering contractor and sourced a new partner.
- Attracted sponsorship from the Loughborough Building Society, Nottingham East Midlands Airport and 3M.
- Attracted funding from Arts and Business for our partnership with the Loughborough Building Society’
- Established 2 successful Youth Theatre Groups.
- Over 350000 people came in to the building during the year.

## 10. Conclusion

Loughborough Town Hall has achieved some of the Key Performance Indicators set and is working towards achieving the levels of income associated with an increased level of activity.

It has a clearer understanding of the costs of running the refurbished building and those associated with the artistic and lettings programme.

Charnwood now has an excellent venue with first rate facilities and this point in its history is certainly a positive one.

Over the next three years we want to challenge any inaccurate perceptions of Loughborough Town Hall as small, un-ambitious or second rate and still to be considered as a friendly and welcoming venue for the people of Charnwood and beyond.

Whether you wish to meet, eat, take part, see a show or attend a Council Meeting the ambition is to be the best we can possibly be.

We will shout about our successes and achievements and expect only the best from and for ourselves.

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