

Westlands Revised Business Plan

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Purpose of the Report

1. This report has been prepared to update members on the revision of the Business Plan for Westlands Conference, Entertainment and Sports facility.

Forward Plan

2. This report appeared on the District Executive Forward Plan with an anticipated Committee date of 7th December 2017.

Public Interest

3. The Complex has been a locally important and long standing venue regularly hosting a vast array of sporting activities and different events ranging from functions, meetings, training events, to weddings, ballroom dances, award ceremonies, festivals and live music events.
4. On the 12th May Augusta Westlands (AW) announced their decision to close the Complex at the end of September 2015. The decision was taken due to increasing costs and the growing subsidy AW has had to make to keep the complex open. Other factors taken into consideration were the impending major investments that would be required to modernise the facilities and declining membership.
5. Recognising the value and importance of the Complex, SSDC and Yeovil Town Council (YTC) met with AW at the beginning of June to discuss its future. At the meeting all parties agreed to carry out a feasibility appraisal to assess the viability of SSDC or another organisation operating the site and continuing to provide a range of sport and leisure facilities for the overall benefit of the community.
6. The District Executive Committee considered the key findings emerging from this and further risk appraisal work at its September and October meetings and in doing so agreed subject to financial approval by Full Council to seek to negotiate and secure satisfactory terms with AW and other funding partners. Full Council subsequently approved a 30 year £1,865,046 internal loan towards the costs of refurbishing the Complex in October 2015.
7. Following a period of refurbishment the venue reopened to in March 2017 with building work completed in June 2017 ahead of the official opening. Now that the venue has been trading for six months we have actual figures to work with and have updated the business plan accordingly.
8. The appendix for this report is confidential as it contains competitive information, and is exempt from disclosure or publication by virtue of the Local Government Act 1972, Schedule 12A under paragraph 3:

“Information relating to the financial or business affairs of any particular person (including the authority holding that information).” It is considered that the public interest in maintaining the exemption from the Access to Information Rules outweighs the public interest in disclosing the information.

Recommendation

9. That the District Executive approves the updated Business Plan for Westlands, (confidential – circulated under separate cover) and agrees to include the additional subsidy in years 2 and 3 of the financial forecasts, as summarised in paragraph 40, within the Council's Medium Term Financial Plan, noting that the underlying subsidy is projected to reduce in subsequent years.

Background

10. On the 12th May Augusta Westlands (AW) announced their decision to close the Complex at the end of September 2015. The decision was taken due to increasing costs and the growing subsidy AW has had to make to keep the complex open.
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12. The District Executive Committee considered the key findings emerging from this and further risk appraisal work at its September and October meetings, and in doing so agreed subject to financial approval by Full Council to seek to negotiate and secure satisfactory terms with AW and other funding partners. Full Council subsequently approved a 30 year £1,865,046 internal loan towards the costs of refurbishing the Complex in October 2015.
13. Following a period of refurbishment the venue reopened in March 2017 with building work completed in June 2017 ahead of the official opening.
14. The first six months of operation have been challenging, re-launching a major refurbished venue.
15. The venue began operating in March 2017 with all scheduled events taking place despite areas of the building not completed with contractors remaining on site and completing works up to Friday 16th June. Key works outstanding were building of the main entrance, completion of meeting rooms and other ancillary spaces. Ongoing building work incurred additional security and site costs. The venue was unable to operate at normal capacity during this time.
16. Most project matters are now complete there are some 'snagging' and usual building operational matters that are ongoing. At the time of this report the venue is still without phone lines. With staff using work mobiles to take and make calls. We expect to have phone lines in early 2018.
17. Delays to completing the first floor office for occupation by Full On Sport have reduced forecast rental income.
18. Appointments of key members of staff were delayed which has hampered operating and developing venue usage.
19. The Project Manager, Steve Joel, left the authority in May and the work on transformation has impacted on capacity across the organisation with support from services including Property Services, ICT affected.
20. The first two months of operation drew additional costs as staff worked to get the building ready to welcome the public following building work taking place throughout the day. The works hampered efforts to 'advertise' and 'sell' the spaces to potential clients in addition to cutting off income from these spaces as work was completed.

21. With a project of this size inevitably a forecast will not be able to foresee all eventualities such as those listed above. However, staff have worked to resolve operational issues and deliver events successfully. This has impacted on the amount of time available to focus on increasing usage of the venue and generate income to date.

Report Detail

Assumptions made in the original forecast

22. The previous Business Plan was prepared by Steve Joel (the Project Manager) with input from other officers and was based on figures provided by AW when it operated the facility with the forecast based on a 'normal' operating year. Figures are based on a full April-March financial year basis. The new business plan is based on six months of actual trading but taking account of those once off start-up costs incurred.
23. Now the building work is complete there are a number of discrepancies in capacity that have impacted on the venue and the business plan. These include: Figures were based on information taken from previous advertised capacities and information given by contractors during the initial development stages. The seated 'theatre-style' capacity is 870 not 1,000, and the standing capacity is 950 not 1,500 as stated in the original plan.
24. With the delays in building work impacting on the venue availability the number of events for the first year has not met the original forecast with less banquet functions and standing gigs than anticipated. Whilst new strands of programming have been introduced including a programme of film screenings the expected number of tickets sold has been revised to 25,686 (down from a target of 34,996).
25. The ticket yield and average attendance are less than anticipated having been based on the figures achieved at The Octagon that has been operating for 40 consecutive years and is enjoying record attendance. It will take longer to build up the diverse audience for a wider selection of events at Westlands. The actual ticket yield for standing gigs is less than anticipated at £14.24 (actual) rather than £15.07 and average attendance for theatre events at 66% rather than the expected 83%. This was an optimistic forecast and the actual attendance remains higher than the national average of between 50-60%.

Early Trading

26. The first year revenue budget contains £150K worth of equipment and 'start-up' costs including the new website, furniture, catering equipment and costs associated with the Official Opening. The majority of these items are under the £10K purchase cost to be considered capital under SSDC procedures. These are 'exceptional' start-up costs that will not appear again.
27. The closure of the facility led to many of the existing customers finding alternative venues for their events. Whilst some of these users have returned and new customers have started using the venue it is taking longer to build up the number of users than originally forecast. Feedback on events has been positive overall and the number of events and guests hosted is increasing each month.
28. The first six months has seen much positive press about the venue with regional television coverage of the official opening. We are averaging 4.8/5 on Facebook reviews.
29. Over 14,000 tickets were purchased for events at the venue taking place in the first six month and the venue successfully delivered a number of high profile events including The Western Gazette

Business Awards, six large conferences (ranging from 150 – 2,000 delegates per event), an open day and has attracted a growing number of regular meetings and events.

30. We expect it to take longer than originally predicted to build up the number of events and users for the venue to reach 'break-even' point.
31. Based on our experience of operating The Octagon Theatre staff are focussing on delivering events well, maintaining and improving standards and events that will build audiences and generate income. The Octagon has a successful track record of increasing visitor numbers, increasing audience retention and increasing income to reduce subsidy. Over the last seven years the number of ticket sold has increased from 77,316 tickets sold with a Gross value of £1,078,042 in 2009/10 to 132,376 tickets and £2,189,145 in 2016/17.
32. The staff delivering the venue are confident of the revised plan and delivering the growth needed for the venue to break-even.

Revised marketing plan and actions

33. The venue has a wide range of customers from patrons booking performance events, screenings and music gigs, conference and meeting bookers, promoters hiring the venue, to customers buying drinks and refreshments – all with differing needs, requirements and expectations. The variety of events Westlands can present is a strength but also presents a challenge in establishing the venue and delivering a multitude of events well. Marketing to those customers also requires different approaches and styles of marketing.
34. The venue is attracting good press coverage and repeat customers but the venue must maintain a high profile and find new ways to attract first time visitors. The poor reputation of the previous operation has impacted on our ability to attract certain promoters and customers who are not always aware of the extensive refurbishment work that has taken place and the new team in place.
35. Support from the new Marketing and Communications Team will support additional marketing work.

Monitoring, Progress and Reporting

36. Quarterly budget monitoring reporting is in place with comments to members.
37. The Portfolio Holder will be advised of progress at regular meetings.
38. The Arts & Entertainment Manager undertakes monthly budget monitoring and will monitor progress against the revised business plan and report to the Director of Commercial Services and Income Generation and Finance Manager. On an annual basis the Arts & Entertainment Manager will prepare a report on the Arts & Entertainment Service that will include an update on progress against the revised business plan.

Financial Implications

39. Full details of the financial forecast can be seen in the Confidential Appendix 1. A thorough review of the income and expenditure projections has been undertaken, reflecting the configuration of the business operation and facilities as well as building on experience from early trading performance. Whilst these estimates are considered to be robust at this stage, the performance of the business will be closely monitored and the business plan forecasts kept under review as the business matures.

40. The table below summarises the position of the financial forecast for the five following financial years:

	2018/19	2019/20	2020/21	2021/22	2022/23
	£	£	£	£	£
Income	1,163,852	1,440,098	1,730,741	2,108,385	2,180,012
Expenditure	1,361,072	1,581,429	1,798,743	2,093,499	2,158,765
Profit / (Loss)	(197,219)	(141,331)	(68,003)	14,886	125,439
Less subsidy agreed	62,495	62,495	62,495	*	*
Additional subsidy required	(83,891)	(16,820)	56,188		

*The forecast shows no subsidy required in 2021/22 and 2022/23.

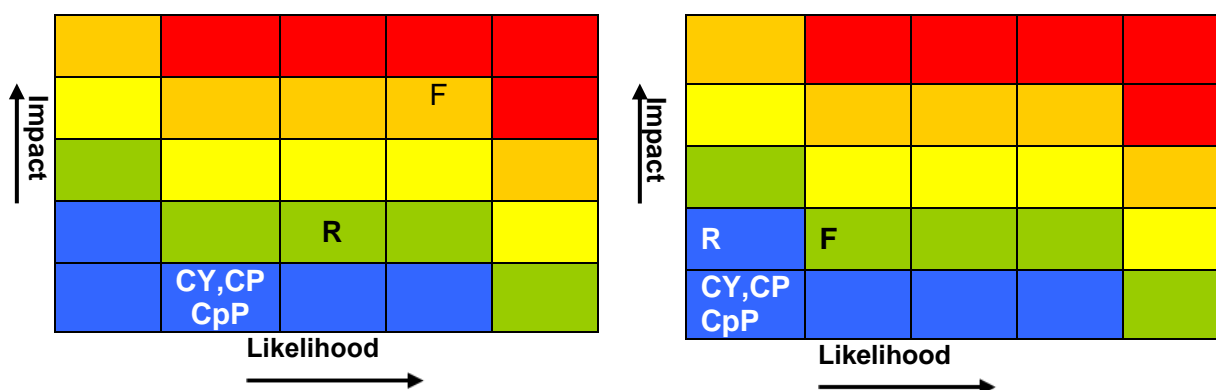
41. The additional subsidy required will be covered within the provision for “unavoidable commitments” included within the draft budget estimates for 2018/19 and 2019/20, therefore no additional pressure is placed on the draft Medium Term Financial Plan for next year.

42. It should be noted that the figures above do not include the receipt of the ticket levy nor the repayment of the original loan which is to be repaid from this levy.

Risk Matrix

Risk Profile before officer recommendations

Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

1. The Arts & Entertainment Service is primarily linked to THEME 3: IMPROVE THE HOUSING, HEALTH AND WELL-BEING OF OUR CITIZENS

2. “We consider that decent, affordable housing is vital to the overall health of our citizens. We want to ensure that all of the community has access to sport, leisure and arts and heritage opportunities”
3. Specific priorities associated to the service are 3.31 Increase engagement in the Arts.

Carbon Emissions and Climate Change Implications

The Arts & Entertainment Service contributes to SSDC targets of Reducing Carbon Emissions by adopting a culture where this is considered in everyday decision-making. The service has appointed a Carbon Champion who encourages staff to save energy, recycle, and adopt more environmentally friendly ways of delivering our service.

Equality and Diversity Implications

The Arts & Entertainment Service strives to make the service and those offered by its partners accessible to everyone. We ensure that all our partners hold an Equality and Diversity Policy and that equality is one of the core principles of the organisation. Our programme of performances, events and projects aims to offer a diverse range of events which inspire, educate, enlighten and entertain whilst bringing the community together.

Privacy Impact Assessment

Not applicable.

Background Papers

Updated Business Plan (confidential)
