

Octagon Theatre Development

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Purpose of the Report

1. The purpose of this report is to seek full Council approval to refurbish and develop The Octagon Theatre and underwrite the full value of the project, up to £23.01 million (excluding VAT that is recoverable in respect of this project), subject to the successful application for various forms of grant funding which would partially offset the overall project costs.
2. The aim of the proposal and funding is to ensure that the development would:
 - a. Provide a significantly enlarged and much improved facility, enabling a more varied selection of shows and acts with added commercial areas. This would in turn bring new revenue streams to pay back the costs of the works, which would benefit audiences, artists and visitors and include additional facilities and services to those currently provided.
 - b. Eliminate the need in future for SSDC to subsidise the theatre, at best Year 6 of the development, by generating an overall profit and increasing the contribution to the ticket levy, at a prudent rate.
 - c. Generate additional revenue benefits in future for SSDC that will support the development of our Arts Engagement and Outreach work, covering the areas of health and education.
 - d. Resolve accessibility issues around the venue making Front Of House (FOH) and backstage areas accessible for wheelchair users and those with limited mobility, to ensure inclusivity of all
 - e. Meet the highest modern environmental standards, contributing to our net zero target
 - f. Maximise opportunities for energy efficiency and use of renewable/low carbon energy, also contributing to our net zero targets

Forward Plan

3. On Thursday 4th March 2021 the District Executive resolved to:
 - a. note the confidential appendices, including the report by Charcoal Blue and associated business case documents, to refurbish the existing site and facilities;



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and to extend the site with both additional educational and income earning facilities, which will assist in repaying the costs of the proposed project over time.

- b. recommend to Full Council to approve the underwriting of the total project costs by SSDC, of up to £23.01m, to be partially offset by successful future grant funding applications, yet to be applied for; with the remainder of the capital sum to be repaid as proposed in the business plan attached to this report.
- c. recommend to Full Council to give delegated authority to a Project Board that consists of the Portfolio Holder for Health & Well-Being (Chair), the Leader of the Council, the Portfolio Holder for Economic Development, the Portfolio Holder for Finance & Legal Services, the Director of Commercial Services and S151 Officer to progress the project, take appropriate decisions for the project governance set up and reporting arrangements to District Executive on project progress.
- d. recommend to Full Council to approve the cash-flow forecast in the business plan.

Reason: To recommend to Full Council the proposal to refurbish and develop The Octagon Theatre and underwrite the full value of the project, up to £23.01 million (excluding VAT that is recoverable in respect of this project), subject to the successful application for various forms of grant funding which would partially offset the overall project costs.

4. This report has now been brought forward following the completion of SSDCs retained VAT consultants that the project would be able to be accommodated within our partial exemption; and VAT on the project could be reclaimed. All the financial implications for proceeding with the project have now been confirmed and SSDCs capital accountant has assessed the project proposals and business plan (Appendix 2 – Confidential).
5. SSDCs capital accountant has also prepared a matrix (Appendix 3 – Confidential) that explores the difference scenarios for paying back the loan; this includes 180 different scenarios based on interest rates, annuity length, ticket levy usage and up-front capital spend. The outcome of this shows that the project is viable in all scenarios; ranging from a surplus of £42.8m down to a surplus of £5.2m.
6. The Government's Budget announcement on Wednesday 5th March included an allocation of £10 million to support this project and the development of The Octagon Theatre. The funding will be managed by Arts Council England. Terms and conditions for this allocation of grant funding are yet to be received.
7. Charcoal Blue was commissioned by the Arts & Entertainment service, with support from Senior Leadership Team to provide a detailed and comprehensive appraisal of the existing building, the economic potential, proposed development and costings. The full report is available to Members upon request but an Executive Summary of the report has been compiled to highlight the key matters and conclusions (Appendix 1 – Confidential).



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8. The business plan (Appendix 4 – Confidential) covers the first 10 years of operation based on the proposed designs and facilities. The existing operation, actual figures and programme from 2019/20 are used as the basis for the plan.
9. This proposed project supports the themes and priorities in the Corporate Plan in terms of healthy communities, regeneration of our towns, protecting core services and improving our environment.

Public Interest

10. This report considers the proposal to refurbish/develop The Octagon Theatre, Yeovil including:
 - the construction of a fly tower
 - a circle in the main auditorium that would take the seating capacity from 622 to 900
 - two new smaller cinema/studio spaces
 - a dance studio
 - a community studio
 - a café bar and restaurant
 - improved front of house and customer facilities
 - an educational outreach arts facility
11. This follows a review led by Charcoal Blue consultants of the existing facilities and an appraisal of the current performance and use of the theatre, regional competition and assessment of the potential opportunities that such a development could bring to the area, as well as added footfall to a cultural area of the town centre.
12. The Charcoal Blue report, appendices and background papers are confidential as they contain commercially sensitive information on future charges, estimated procurement costs in a competitive market situation for construction and other costs, as well as proposed artists market fees and forecast sales.

Recommendations

13. That the Council:
 - a. Note the confidential appendices, including the report by Charcoal Blue and associated business case documents, to refurbish the existing site and facilities; and to extend the site with both additional educational and income earning facilities, which will assist in repaying the costs of the proposed project over time.
 - b. Approve the underwriting of the project costs by SSDC, of up to £23.01m, to be offset by grant funding applications, yet to be applied for; and £10million of government funding already allocated in the March 2021 budget, (subject to accepting and meeting terms and conditions, which are yet to be received).



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- c. Delegate authority to a Project Board that consists of the Portfolio Holder for Health & Well-Being (Chair), the Leader of the Council, the Portfolio Holder for Economic Development, the Portfolio Holder for Finance & Legal Services, the Director of Commercial Services and S151 Officer to progress the project, take appropriate decisions for the project governance set up and reporting arrangements to District Executive on project progress.
- d. Approve the cashflow forecast in the business plan.

Background

14. South Somerset District Council (SSDC) own, manage and fund The Octagon Theatre, the Council's flagship arts venue for the district as part of The Arts & Entertainment Service that aims to provide access to high quality cultural events across South Somerset. For a detailed report on the operation and achievements of the service please see the Arts & Entertainment Annual Service Report 2019/20 that is included as Appendix 6.

Report Detail

15. Attendance at the theatre has increased from 78,546 in 2009/10 to 125,331 in 2019/20, with an average attendance of 83% across the year that is significantly above the industry average of 50-60%. Of the 250 performances the theatre stages each year 100 of those were sold out or over 90% of capacity. Therefore, the theatre is often oversubscribed.
16. The Octagon Theatre and Arts Development is subsidised by South Somerset District Council by £298,780 per annum (budget 2019/20). Between 50-70% of the population of South Somerset use the theatre throughout the course of the year and satisfaction levels are consistently high (80-90%).
17. The venue is suffering from the increased level of use and does not meet environmental or accessibility standards. There is poor access backstage with no access for wheelchair users to the stage and difficulty for disabled audience members, staff and artists or those with limited mobility. The front of house areas are looking tired and often feel cramped, dated and lack air conditioning. The popular and profitable café bar is hampered by the small kitchen that restricts the menu and number of covers while tables are placed around the outside of the auditorium, with diners' meals interrupted by the arrival of other audience members.
18. The popular Octagon Academy classes take place in a small studio that is obstructed by a supporting pillar in the middle of the room, with no windows, no air cooling and a lack of ceiling height for dance classes.
19. The majority of patrons travel to the theatre by car, parking in Petters Way Car Park and then taking a short walk down a steep sloped path and steps to reach the main entrance. The route is not accessible for those with limited mobility and the path becomes slippery when wet or during icy conditions.



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20. The stage does not currently have a fly tower (used for flying scenery and a requirement for most touring musical, plays and pantomime). The auditorium and stage has a metal roof and drainpipes in the walls of the auditorium that means that when experiencing heavy rain or hail it can be heard during the performance. There are no sound lobbies or sound proofing around the auditorium which means during quiet shows and classical music concerts audiences can hear doors closing or staff preparing for the interval. The site lines are generally very good, with good leg room; and artists like the intimacy of the space. However, the current auditorium looks very tired and dated and the seats are in need of replacement. Therefore, a significant amount of refurbishment and expenditure is required in any event, whether or not this proposal proceeds.
21. The theatre is well placed geographically to serve the south west and build on the success of the existing operation. There is relatively little competition in the region with the nearest venues in Weymouth Pavillion (29.3 miles) to the south, Exeter Northcott (49.6 miles) to the east, the Playhouse Theatre Weston-Super-Mare (40.1 miles) to the north and Salisbury Playhouse / Town Hall (47.1 miles) to the west. Of equal distance or further would be Poole Lighthouse, or theatres and concert halls in Bath and Bristol. There is some crossover with audiences for The Brewhouse Theatre in Taunton (27 miles west) but the theatre is smaller – seating 350.
22. The future success of The Octagon Theatre, despite the current limitations of the building, are down to the ongoing support and use of the facilities by patrons and customers, the strong and experienced leadership from the management team, with the support of the Commercial Services Director, Chief Executive, Portfolio Holder and Leader of the Council.
23. The report was commissioned to provide an options appraisal and needs analysis for the Octagon Theatre. It was led by Charcoal Blue consultants working with architects, catering consultants and business planners. The feasibility study for the development of the theatre, shows that the proposal will resolve the current and dated issues holding back the Theatre noted above. The proposal will also take the theatre to a different level to create a truly regional destination. This proposal would benefit the towns economy, footfall, environment and wellbeing for communities locally and across the region for decades to come.

Summary of Charcoal Blue (Consultant) Report

24. The full report, including architects plans and drawings, is available to members upon request. A summary has been included as Appendix 1 – (Confidential).
25. The report from the consultants note:
 - The scale of overall audience is impressive with consistent growth in tickets over a ten year period.
 - Catering and trading performance is strong but there is significant potential to drive up average spends per visitor, increasing profitability.
 - Analysis of the current programme and market competition shows that there is significant demand already for new and extended facilities



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- There is a clear and evidenced demand for all aspects of the preferred scheme in the existing and extremely strong performance of the Octagon.
- There is a substantial and under-served population, already partly being reached by the venue, but with potential to attend in much greater numbers, in a 60 minute catchment in which there is limited competition for the interest of any particular audience.
- This population has a strong propensity to enjoy and consume culture and in particular to demand the genres of activity, which the extended and improved Octagon will be particularly well placed to grow – for instance in musicals, drama and film.
- There is strong evidence, in part from exemplar projects around the country that this strong market potential for performing arts programmes can be matched and in turn supported by the market for, and new provision of, cinema and food and drink offers.
- In addition, the evidence shows this type of project can be a catalyst for regenerating a town, bringing further investment, footfall, improving the economy, as well as increased health and wellbeing opportunities.

Benefits of the Proposed Development

26. The enhanced auditorium would see the addition of a circle that will increase the capacity to 900 seats whilst retaining excellent site lines and similar leg room. A well-equipped stage, with flexible Orchestra Pit, and full flying facilities will be suitable for a wide-range of arts and entertainment events. The additional capacity and facilities will open up to a new range of companies and events to our programme from larger orchestras, leading theatre companies, touring musicals to offer a much improved experience for existing popular shows and our thriving amateur and community companies. Improved acoustics and sound lobbies will give audiences, performers and stage crew a much improved experience that is accessible both front of house and backstage. The developed auditorium will allow us to 'step up' our programming and bring a new range of shows to South Somerset.
27. The extension to the front of the building would see two additional theatres with seating of 124 and 64. These spaces are designed to predominantly screen films (with the film programme moving from Westlands Ballroom to purpose built spaces) showcasing Live Events (National Theatre Live, Royal Opera House Live etc.) and the best of mainstream films, British, independent and foreign language films. The auditoriums will house luxury seating, Dolby 5.1 sound and purpose built facilities that are fully accessible and offer an enhanced film experience. The larger space will also be suitable for comedy events, acoustic live music, with both spaces designed for lectures, conferences and spoken word events that host Yeovil Literary Festival events. The smaller Film Theatre will be a luxury boutique cinema with sofa seats, foot stools that is a 'destination cinema' offering an exceptional experience.
28. The participatory programme 'The Octagon Academy' would expand with two studios that will be available for hire, in addition to staging our own classes and workshops.



29. The Dance Studio is a large fully equipped dance studio with a sprung dance floor, mirrors, sound equipment and full ceiling height that will become a creative hub for dance in the region.
30. The community studio offers an alternative space for classes and rehearsals including our popular choir, theatre groups, writers circle and arts and craft workshops. Our participatory programme brings communities together, improving the health and well-being of residents. They are also key to our engagement programme where workshops can be delivered by the companies performing in the Main Auditorium.
31. The proposed development of Front of House (FOH) will offer attractive foyers for use throughout the day with excellent supporting bars and eating opportunities. Customers would now enter on the first floor level with Petters Way Car Park with no need to use the sloped path or steps.
32. The development of the venue will also seek to enhance the gateway to Yeovil Country Park, providing the link from the town to Ninesprings. The development will give the opportunity to architecturally mark the gateway and create a more attractive building that is sympathetic to the surrounding area. Audiences on the night will have a well-lit route to Goldenstones car park, as an alternative to Petters Way Car Park, in addition to covered bike shelters.
33. The Front of House areas will be fully accessible with accessible toilets on every level and an adult changing facility (the first one in Yeovil Town Centre – the nearest being in the supermarket ASDA, Yeovil). The venue will offer views of the town and the country park from two complementary food areas. On the first floor, directly in front of the main entrance and at the 'heart' of the new venue would be a relaxed café bar. This would be open throughout the day for hot and cold food options, barista style coffee, cakes and open to the public to meet friends and family whether attending a performance, film screening, arts or dance class, or the free Wi-Fi for an informal meeting. This hub will be a valuable income source for the venue and create a destination in its own right. On the second floor would be a formal dining restaurant, away from busy congregation areas. We will continue to use local and regional food and drink producers and will seek to expand this approach highlighting the excellent food and drink producers in the South West and directly supporting the local circular economy.
34. When developing The Octagon Theatre, improving environmental standards will be at the forefront of the work, building a venue that is greener and puts sustainability at the heart of how we operate. Utilising modern building approaches that will reduce our carbon footprint through construction. The intention is that some grant funding could be used for some of these improvements.
35. The redeveloped venue will be fully accessible, addressing and resolving the current access inadequacies and offering much improved facilities for those with physical disabilities including visual and audio impairments.



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36. The venue will be a flagship arts venue for the south west where inspiration and creativity can be found every day. It will create a 'cultural quarter' for Yeovil with new opportunities for residents that will help raise aspirations, and attract new businesses and investment to the area, driving new job creation and building the local economy. The report from Charcoal Blue (appendix. 1) states that:

'Even after cautiously discounting for effect that could have happened anyway, for leakage from the local economy, and for 'optimism bias' – so that the forecast is conservative - we can see that the renewed Octagon will generate at least £9.3m of locally retained activity per annum'.

37. The theatre will generate additional income for local car parks, hotels, restaurants, and attract visitors to the town.

Summary of Business Plan

38. The business plan (Appendix 4 – Confidential) covers the first 10 years of operation based on the proposed designs and facilities. The existing operation, actual figures and programme from 2019/20 are used as the basis for the plan. All income and expenditure has been adjusted in line with income and trading assumptions with premises and operating costs increased in line with the enlarged building. Operating staff, marketing and house management have been increased.

39. The full forecasts are set out in the business plan, but in summary, the subsidy currently required by the Octagon Theatre and Arts Development Service (£335,832 budgeted for in 2019/20) is estimated to be reduced and no longer required in later years (potentially by year 6 of operation) after completion of the works. The forecast then shows that the service should then return a small surplus to the Council in years to follow after this time.

40. There is potential to match additional investment made by the Council from the new income streams generated by the project with investment by other organisations. Commitment to a significant growth in participation and engagement not only has the potential to significantly improve quality of life, wellbeing and life chances for citizens of the District, and particularly young people, but also to enable the case to be made for substantial investment by Arts Council England in the capital costs of making the new facilities.

Additional Financial and Well Being Benefits

41. Following this, there is also the potential for regular funding that will support the development of the existing Arts Development Service year after year. This would lead to an expanded Arts Engagement and Outreach Service that will serve the district with an extensive range of projects, activities and events, designed to broaden the experience and enjoyment of seeing and creating.

42. We will work with individuals, communities, and educational groups across South Somerset with a commitment to entertain, enlighten and inspire our current and future residents and visitors.



43. The Arts Engagement & Outreach Service plan is laid out in more details in appendix 5. In summary the aims of the service are linked to the Council Plan focusing on supporting our residents leading happy and healthier lives using the arts to increase engagement and participation in activities that support their physical and mental well-being. Working with leading arts organisation and local community artists we will focus on issues of child poverty, rural isolation, supporting elderly residents to live independent lives, raising aspirations and increasing skills and training for young people.
44. Our programme would attract national funding into South Somerset to deliver an innovative programme that will address the challenges our district faces. The combination of a developed Octagon Theatre and Art Engagement and Outreach service would see increased engagement in the arts and significantly increase opportunities for residents to benefit.
45. The COVID-19 pandemic has had a severe impact on the global economy and theatres have been severely affected. The need to substantially renew, theatres like The Octagon will urgently increase the imperative to deliver the most sophisticated environmentally controlled theatre, with greater generosity of space in both auditorium and public areas. When the pandemic has been brought under control the need for venues like The Octagon will see an even greater need to bring communities back together and arts events that will help with improving health and wellbeing.
46. The financial impact of the pandemic is likely to see an economic recession. However, theatre and cinema admissions do not tend to be affected by economic recessions and usually an increase in attendance occurs, as audiences seek affordable means of entertainment and escapism. Cultural developments have also been a highly effective means of regeneration for town centers looking to attract new businesses to their area.

Project Management Board

47. To take the matter forward it is proposed to set up a Project Management Board that consists of the Portfolio Holder for Health & Well-Being (Chair), the Leader of the Council, the Portfolio Holder for Economic Development, the Portfolio Holder for Finance & Legal Services, the Director of Commercial Services and S151 Officer and other officers as required and deemed necessary by the Project Management Board. The detailed governance and reporting arrangements of this board are to be approved by the SLT. The Board will be tasked with the development of the project plan and the overseeing of the tendering/procurement arrangements. The planning and delivery of this project will take approximately three years to the point of practical completion.

Financial Implications

48. In support of this report a **confidential** Capital Appraisal is included as Appendix 1 compiled by lead consultants Charcoal Blue. Appendix 4 provides a **confidential**



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10 year detailed business plan that estimates the SSDC Revenue Budget implication written by DCA consultants. A detailed appraisal of the Capital Proposals and Business Plan has been completed by SSDC's Capital Accountant (Appendix 2 – **confidential**). The appraisal assesses the impacts of three possible outcomes for the catering income stream. The report also details options for funding the capital development and the outcome matrix (Appendix 3 - **confidential**) presents the various impacts on loan variables (interest rate, length of term), and the ticket levy contribution. The outcome of this shows that the project is viable in all scenarios; ranging from a surplus of £42.8m down to a surplus of £5.2m.

49. Confidentiality is important at this time, as the plans contain commercially sensitive information regarding the cost estimates for the project which will be subject to competitive procurement. Elements of the Appraisal relate to the funding of the project and the anticipated revenue benefits are included in this part of the report for clarity of the estimated budgetary impact on SSDC.
50. It is expected that, if the proposal is approved, a 12-month period would be required to appoint and procure project management specialists and contractors before building work would actually commence. The Octagon Theatre would be closed for the build period that is likely to require 18-24 months of works. During this period the majority of programmed events and activity can be staged at Westlands Entertainment Venue that is managed within the service. This will bring benefits to the development of Westlands Entertainment Venue and the management team will work to retain audiences, artists and provide performance opportunities for amateur and community groups.
51. Consideration will be given to balance the long-term needs of both venues particularly over the busy Christmas season when The Octagon Theatre stages the popular annual pantomime and Westlands is busy with Christmas parties. A separate financial plan will be written for the closure period when it is determined the point at which The Octagon Theatre will need to close for works, which is not yet known precisely and dependant on approval of this proposal.
52. The revenue impact / costs will vary greatly dependent on when the period of closure falls; for example, whether this means that The Octagon is closed for one or two festive periods. We are confident that a worst case scenario (two Christmas closures) would require less than the current cost of service. A temporary staffing structure will be required to ensure we operate efficiently and retain key skills and knowledge to develop the project. This will be developed and implemented alongside the financial plan once the closure period has been established.
53. The recommendation within this report is to agree to the proposals and proceed with a £23.01m capital budget provision for investment (excluding VAT which is recoverable in respect of the project) to refurbish and develop the facilities at The Octagon Theatre. This will require funding for up front capital costs being provided by SSDC, and includes a contingency element for unforeseen costs.

Legal implications (if any) and details of Statutory Powers



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54. Statutory Authority S.145 Local Government Act 1972 Provision of entertainments

Under the above provision the Council has the power to arrange or finance the doing of anything necessary or expedient for the provision of entertainment of any nature or the provision of a theatre, concert hall, dance hall or other premises suitable for the giving of entertainments or the holding of dances.

Council Plan Implications

55. This project will contribute towards the following council aims;

- To deliver high quality cost effective services
- Actively manage assets and resources to ensure the best financial or community return.
- Healthy, Self-reliant Communities
- Contribute and support to the refresh of Yeovil Town Centre
- Develop proposals to support struggling families and help address child poverty and low rates of social mobility in the district
- Work with partners to achieve economies, resilience and influence.

Carbon Emissions and Climate Change Implications

56. The development of the building will seek to incorporate state of the art, efficient building processes and environmentally efficient operating practices that will have a very positive effect on recycling, carbon emissions and pollution levels.

Equality and Diversity Implications

57. Access throughout the building and to access the site will be significantly improved. An Access consultant has worked on the initial designs and will be employed as part of the project team to maximise opportunities for improvements to create a more accessible and welcoming venue. A full equality assessment report will be undertaken as part of the planning and build process.

Privacy Impact Assessment

58. There are no adverse personal data implications to this report.

Background Papers

- Octagon Theatre Development Proposal January 2021 District Executive Report