

Subject: St Georges Trust

Report to: Policy and Resources – 31st July 2018

Report by: Michelle Burdett, Head of Inward Investment

EXECUTIVE SUMMARY

On Tuesday 6th February 2018, the Policy and Resources Committee resolved to release the sum of up to £10,000 to undertake an independent review of the future financial and business strategy of St Georges Trust. This piece of work would provide a full review of the Trusts financial and practical operations, presenting options for savings, as well as a detailed review of the governance arrangements. This was intended to then be used to determine whether the Council should continue to invest in the Trust, and if it should; exactly how much subsidy might be required and how long this may be required for. This piece of work has been completed by DCA Consultants and is appended (confidentially) to this report.

On 12th June 2018 the Policy and Resources Committee resolved to release a short term grant to St Georges Trust of £25,000 to enable it to continue its operations over the summer and to ensure there was available capacity for the Trust to receive and consider the details of the DCA review as referred to above.

In addition to the release of the short term grant, Policy and Resources also resolved to bring together a working group consisting of 5 members to consider the contents of the DCA report and review the final recommendations. This met on the 16th July and the notes have been appended (confidentially) to this report.

Members are asked to reflect on the details of the confidential DCA report and consider the future financial commitments in light of that.

RECOMMENDATIONS

- 1) That the findings of the DCA consultants report as appended to this report be noted.
- 2) That the sharing of the consultants report with the St Georges's Trust be approved.
- 3) That a response from the Trust in actioning the suggested recommendations be sought

by 21st September 2018.

- 4) That in considering future subsidy to the Trust, a formal grant agreement should be prepared and agreed between the two parties.
- 5) That officers assist the Trust in seeking external funding (including revenue) to make improvements to the internal and external works such as the café and visitor arrival. Further that an improvement programme, which should include a change management role, be established.

1. BACKGROUND

- 1.1 St Georges Theatre received an Arts Council Grant to undertake a piece of work to develop a new business model. This piece of work was completed in March 2017. The business model was developed to focus on 3 core areas:
 - Organisational development
 - Audience development
 - Programming
- 1.2 However, the business model, although comprehensive did not detail a project plan or road map to explore how these recommendations should be addressed. The result of which has meant that the Trust has found it difficult to prioritise the recommendations of the Arts Council report and allocate resources efficiently and effectively.
- 1.3 Since the Arts Council “Business of Culture” report, Policy and Resources Committee resolved to release £10,000 to procure an independent consultant team to carry out a review of the Trusts operations, governance and financial management. Whilst the review was taking place the Policy and Resources Committee also resolved to release £25,000 to the Trust to sustain their operations over the summer, and to build in enough capacity to ensure the findings and recommendations of the review could be implemented should the Trust want to.
- 1.4 Policy and Resources also resolved to establish a politically balanced working group of 5 Members to consider the DCA report and report back to the next meeting of the

committee. This working party met on the 16th July, confidential notes of that meeting are appended.

- 1.5 The Members appointed to the group were: Councillors Annison, Smith and Flaxman-Taylor (Conservatives representatives) and Councillors Jeal and Walker (Labour representatives).

2 DCA REVIEW – THE RESULTS

- 2.1 In undertaking the independent review DCA Consultants reviewed the background to the Trust, the Arts Council “Business of Culture” report, the capacity of the Trust to implement the recommendations, as well as the Trusts approach to financial management, practical operations and its governance. This covering report highlights the findings, with the full details found in the appended report.

2.1.1 Arts Council “Business of Culture” Study review (section 2)

- 2.1.2 As previously stated St Georges Trust received an Arts Council Grant to undertake a piece of work to develop a new business model. This piece of work was completed in March 2017. In general terms, the DCA review states that the Arts Council “Business of Culture” report was correct for encouraging a distinctive and consistent programme structure. However, DCA found that the Arts Council report was overly ambitious about both the programming and financial prospects for turnaround in either the short or medium term.

2.1.3 Direction and progress since the release of the Arts Council report (section 3)

- 2.1.4 Despite efforts to implement the recommendations of the Arts Council report, limited progress has been made. Unfortunate issues, such as turnover of senior staff and lack of resource have led to piecemeal change with limited impact. That being said, the recent appointment of the Creative Director has enabled an improved structure of the entertainment programme, with early programming changes showing promising results. This Creative Director post is shared with Sheringham Little Theatre.

2.1.5 Finance (section 4)

- 2.1.6 DCA reviewed the financial position of the Trust, putting in stress tests to understand the periods of sensitivity and considered what action would be required at those points in time.

2.1.7 Review of the café and potential catering offer (section 5)

- 2.1.8 A specialist catering and events consultant, Kendrick Hobbs, undertook a review of the current café and events operation and appraised the proposal prepared by the Creative Director and the Commercial Manager for making improvements to the café's facilities to strengthen its income generating potential. This work was included within the DCA review instigated by the Council. The Kendrick Hobbs full report is contained within the confidential report appended.

A brief snapshot of findings is below:

- Trading levels are low. Provisional estimates for improved levels of income from the café/bar given changes to the layout as well as the food and beverage offer are detailed within the DCA report.
- The setting has benefits, and the space internally is of a high quality and is a good size. However, some of the earlier project related café/bar design work has limited the café to operate to its full potential.
- The menu and the food and drinks display are basic, even though there is capacity to provide a more significant food and beverage offer.
- Some improvements can be achieved in the short term, to develop a more coherent and distinctive concept and inspire more visits.
- Although St George's is only a short walk from the city centre, footfall is noticeably low in the immediate vicinity and this will be hard to combat. Providing an appropriate offer for the relatively captive theatre audience and developing the hires offer are priorities.
- There is potential to develop the events and associated catering side of the business to generate greater levels of profit than the café business. The report sets out examples of different types of event and models income based on assumed

frequencies from each type of event and the alternative approaches to catering provision.

2.1.9 Governance and Management (section 6)

2.1.10 The Arts Council Report recommended various changes to the governance arrangements, but these have not yet been implemented. DCA support these findings and suggest that change will be required in both the Board governance, and in staff structure and culture if the organisation is to become more sustainable in the short, medium and long term. The full assessment of the governance and management approaches of the Trust are detailed within the appendix, however in brief:

- The board is unbalanced – DCA recognise that most recent best practice in the sector acknowledges that Boards should have at most one or two Councillors as directors and that supervision of the Council's interests should be managed by officer supervision of service level agreements. Care should be taken that other directors do not have other roles which could lead to conflicts of interest.
- Whilst there are skills gaps in strategic finance and management, care should be taken to ensure that Board members and staff have clear roles and responsibilities that do not compromise the running of the Trust and its operations
- At staff level, the Creative Director role has worked well and there should be a priority on maintaining it.
- The organisation is too small to be thought of as two teams, the operation should have one integrated team, thus ensuring efficient practices, cost savings and a reduction in staff number. DCA recommend change that affects every post other than the Creative Director and transition to an integrated and leaner team.

2.1.11 Buildings (section 7)

2.1.12 DCA have assessed the buildings, their viability, fit out and care. The report found weaknesses in the restored chapel and the new pavilion. DCA propose that a number of capital improvements should be made to improve upon the visitor experience, which should be sensitively considered in the context that the Chapel is Grade 1 listed.

2.1.13 Outline recommendations for improvement, covering visibility of the Theatre and its purpose, visitor arrival and services, box office, seating and equipment in the theatre, some external works and the proposed approach to café improvement are fully set out in the confidential report. These improvements could significantly improve the long term potential for earnings and the audience experience. It is possible that these works could be funded from external sources such as from the Arts Council fund directly. It is proposed that officers assist the Trust to seek external funding to make these improvements should the Trust want to implement this recommendation.

2.1.14 Finance (section 8)

2.1.15 A robust assessment of the Trusts budget and its financial management was undertaken by DCA. In light of the consultants findings, members are asked to consider whether to fund the Trust, and if so, to consider the risk that this carries in the current circumstances.

2.1.16 If the Trust fully implemented the recommended improvements in programme, visitor interest, participation outcomes and general position of the Theatre, then DCA suggest that further financial support from the Council or other funders (such as the Arts Council referenced above) would be justified.

2.1.17 Options Appraisal to deliver improvements (section 9)

2.1.18 Aside from making recommendations on the operations, DCA have considered how best to implement and secure positive changes via a number of options. These options include:

- continuing to lease to the current Trust;
- seeking to end the relationship with the current Trust; and
- creating a replacement operator; and developing a relationship with an existing alternative operator.

2.1.19 The report clearly shows that there are issues and impairments that have stymied the Trust over previous years, and many of those relate to the problems within the building,

the location and market conditions. That being said, good work has commenced by the Creative Director and Commercial Manager, and there is evidence of improvement.

2.1.20 Given the recent signs of improvement and the Trusts further potential, DCA consider that there is merit in continuing to invest in the current Trust, though Members are reminded that it is not for the Council to make recommendations or changes to the governance of the Trust in any way. If the Council wishes to condition the basis for any ongoing subsidy, this may be achieved through a Grant Agreement.

2.1.21 That being said, it must not be underestimated the necessity for rapid and significant change to enable essential improvements to happen. This is likely to take longer and wont be as positive as the original Arts Council report proposed, with the report suggesting that the Trust would be best to make any major changes following the winter 18/19 pantomime.

3 PROPOSED NEXT STEPS

3.1 Members should consider only whether the Council should continue to subsidise the Trust's business operation, to what extent and under what conditions. It is not for the Council to intervene in the governance of the Trust in any way. The Council is separate from the Trust and should exercise no control over its governance or business operations.

3.2 The decision whether to adopt the recommendations contained in the DCA report is a decision for St Georges Board of Trustees alone. Members appointed to the Board by the Council should have regard to "*Guidance to the law for Councillors and Officers who are appointed by Great Yarmouth Borough Council to Outside Bodies*", available from Democratic Services.

3.3 It is recommended that members review the DCA report as appended and provide it to the Trust for implementation. In particular, the Trust should reflect on its contents and work on an improvement programme with officers of the Council supporting the development of a grant submission to external funders such as the Arts Council.

- 3.4 If the Council wishes to condition the basis for any ongoing subsidy, this may be achieved through a Grant Agreement.

4 FINANCIAL IMPLICATIONS

- 4.1 St George's Theatre is owned by the Council and is leased to St Georges Theatre Trust for 25 years from the 1st May 2015. The Council provides an annual subsidy of £20,000 to the Trust for the operation of the facility and has recently provided a £25,000 one off grant subsidy to enable them to sustain operations over the summer months.
- 4.2 On 5th June 2017 the Councils Economic Development Committee received the Arts Council business plan which identified a continued need for the Council to invest in St Georges as outlined below,

2017/18	2018/19	2019/20
25,000	20,000	10,000

- 4.3 Should members be minded to provide a grant subsidy to the Trust then this would be a risk to the Council given the issues presented by the DCA report, though this would require a formal grant agreement, which should be prepared and agreed between the two parties.
- 4.4 The working group have proposed that a response from the Trust in actioning the suggested recommendations be sought by 21st September 2018, to allow for any further report to be brought to Policy and Resources in October.

5 RISK IMPLICATIONS

- 5.1 St Georges Trust continue to face financial pressures and as senior management staff (including the Creative Director and some Board members) are concentrating on pressing operational matters, strategic projects or programmes of work are yet to be commenced. This has meant that commercial income generating activities are unable to be developed over the busy summer period.

- 5.2 The risk to the Trust and therefore the Council, is that without this increased focus on income generation, coupled with an essential focus on management of the building, its staff and its debts, the Trust will continue to face these financial pressures. The recent £25,000 grant subsidy from the Council has enabled the Trust to continue operations for the rest of the summer and should enable them to put into place the recommendations as detailed within the report should the Trust wish to do so.
- 5.3 If the Trust continue to face financial pressures to a point whereby it could no longer continue its operations and subsequently close, then the liability of the building would return to the Council. Business rates on the property at £9,860 per annum would then be a liability for the Council to pay for, as well other security and repair and maintenance costs.

6 CONCLUSIONS

6.1 In conclusion Members are asked:

- 1) That the findings of the DCA consultants report as appended to this report be noted.
- 2) That the sharing of the consultants report with the St Georges's Trust be approved.
- 3) That a response from the Trust in actioning the suggested recommendations be sought by 21st September 2018.
- 4) That in considering future subsidy to the Trust, a formal grant agreement should be prepared and agreed between the two parties.
- 5) That officers assist the Trust in seeking external funding (including revenue) to make improvements to the internal and external works such as the café and visitor arrival. Further that an improvement programme, which should include a change management role, be established.

Area for consideration	Comment
Monitoring Officer Consultation:	Members should consider only whether the Council should continue to subsidise the Trust's business operation, to what extent and under what conditions. It is not for the Council to intervene in the governance of the Trust in any way. The Council is separate from the Trust and should exercise no control over its governance or business

	operations. If the Council wishes to condition the basis for any ongoing subsidy, this may be achieved through a Grant Agreement. The decision whether to adopt the recommendations contained in the DCA report is a decision for St Georges Board of Trustees alone. Members appointed to the Board by the Council should have regard to <i>"Guidance to the law for Councillors and Officers who are appointed by Great Yarmouth Borough Council to Outside Bodies"</i> , available from Democratic Services.
Section 151 Officer Consultation:	Comments and amendments are embedded within the report. Other comments should be considered should the Trust wish to undertake the findings and recommendations of the DCA report.
Existing Council Policies:	N/A
Financial Implications:	As referenced within the report
Legal Implications (including human rights):	None other than that which was raised by the monitoring officer
Risk Implications:	As referenced within the report
Equality Issues/EQIA assessment:	N/A
Crime & Disorder:	N/A
Every Child Matters:	N/A