

Report of:	Meeting	Date
Councillor Michael Vincent, Leader of the Council, Councillor Lynne Bowen, Leisure, Health and Community Engagement Portfolio Holder, Councillor Lesley McKay, Resources Portfolio Holder and Marianne Hesketh, Corporate Director Communities	Cabinet	6 September 2023

**Options for the future operation of the council's theatres
– Marine Hall and Thornton Little Theatre**

Key decision: Yes

1. Purpose of report

- 1.1** This paper provides Members with options to consider around the future operation of Wyre Council's theatres (Marine Hall and Thornton Little Theatre) and recommends the launch of a public consultation as part of a wider consultation for the rejuvenation of Fleetwood's waterfront.

2. Corporate priorities

- 2.1** This report aligns to our corporate priorities of **People and Communities** and **Growth and Prosperity** by exploring options to secure the future of the theatres as key community and tourism assets, while also looking to address the increasing levels of subsidy required from the council to run the venues.

3. Recommendations

- 3.1** That Members note that the preferred option is to safeguard the future of Marine Hall and Thornton Little Theatre by outsourcing the operation of both theatres to suitable alternative providers.
- 3.2** That Members agree to launch a six-week public consultation around options for the future of the theatres which will be incorporated into a

wider consultation exercise for the redevelopment and rejuvenation of Fleetwood's waterfront as a prime leisure destination.

- 3.3** That the Corporate Director Communities be authorised to work with the Theatres Trust to commission an independent consultant to review Marine Hall operations and provide recommendations for the most viable future operating model and to help secure a future alternative provider. At this stage the cost of the consultants is unknown. Cabinet are therefore asked to approve an initial budget to be set aside of £20,000, funded from the Value For Money Reserve to support this work.
- 3.4** That a soft market testing exercise be commissioned for Thornton Little Theatre to test market appetite and determine if there is a suitable alternative service provider to take over the running of this asset preferably by way of a lease. Cabinet are asked to set aside £10,000 for marketing and other related costs in relation to this.

4. Background

- 4.1** Wyre is extremely fortunate to have two theatres. Both are owned and operated by Wyre Council – Marine Hall (MH), in Fleetwood and Thornton Little Theatre (TLT). MH opened in 1935 and has been an entertainment venue for the Wyre area ever since. It has the capacity to seat approximately 600 people and hold approximately 1,000 people standing. In 2022/23 there were just over 100 events in Marine Hall, which included weddings, community and commercial lettings, and theatre and music productions, however only 24 of these events were profitable. TLT is a smaller theatre with tiered seating for up to 197 people and a standing capacity for 300. TLT hosts a range of events from touring theatre performances to plays by local amateur dramatic companies, live acoustic gigs and community events such as the Health and Harmony singing group.
- 4.2** Both theatres are much loved community assets and provide our local communities and visitors with access to a wide range of cultural and community events. We want to make sure that these assets continue to be available to Wyre's communities and visitors for years to come and this report explores how this could be best achieved including whether the council remains best placed to operate them.
- 4.3** The main driver for the review of theatre operations is the high level of subsidy needed from the council to operate the service, which last year amounted to over £500,000. It is not financially sustainable for the council to continue with this level of subsidy. The council's latest Medium Term Financial Plan (MTFP) 2023/24-2027/28, sets out the requirement to achieve £3,675,000 in savings over the period in order to balance the council's budget.
- 4.4** It is also relevant to note that providing a theatre service is not a statutory function that needs to be provided by the council and we have a duty to

our council tax payers to review service provision where spend is high and explore opportunities to reduce costs and increase income. Research has found that very few councils have retained an in-house theatre service, and most are now outsourced to alternative service providers including charitable trusts, which are able to apply for grant funding which local authorities are unable to access.

- 4.5** The high subsidy cost of the theatres is not a new issue, the council has been unable to make the theatres financially sustainable for many years. Rising costs such as those for staffing and energy are making the financial situation worse and as the theatres are council run, they are not eligible to apply for many external grant schemes such as Arts Council funding and the Heritage Lottery Fund which limits opportunities to secure capital investment. There have been previous unsuccessful attempts to secure the financial viability of both theatres which are set out below.
- 4.6** In 2001 the council's Countryside, Leisure and Tourism Committee asked officers to explore how best to maximise the commercial potential and secure much needed investment in the building and equipment, through exploring a partner for Marine Hall. At that time four organisations came forward, but only one made it to the final stages of the process and their proposal was ultimately rejected by Cabinet. Instead, the decision was taken to pursue a development programme which included works to the Colonnade and Main Hall. Officers were also asked to pursue funding options including charitable trust status and private sector funding. It is unclear why the charitable trust status was never progressed.
- 4.7** In 2009, a new management arrangement was agreed for TLT which saw the appointment of Paul Nicholas School of Acting Ltd as a preferred management partner for a period of three years. They took over the day-to-day operational management of TLT but with costs being shared between the council and the partner on an equal basis. The arrangement with this particular company was not successful. However similar business models could be revisited.
- 4.8** In the 2018 Asset Management Strategy, the increasing levels of subsidy for the theatres was once again highlighted and exploring options for theatres was taken forward as a priority action. A soft market testing exercise was carried out in November 2018 to look for a partner for the future management and development of the Marine Hall complex. The purpose of the exercise was to explore market appetite for the delivery of an integrated entertainment, leisure, culture-based offer for both residents and visitors to the area. There was only one expression of interest for this exercise, and it was later withdrawn.
- 4.9** The pandemic brought further challenges for our theatres and in March 2020, the theatres were required to close as a result of a series of national and regional restrictions. Marine Hall was re-purposed as a community hub incorporating a food bank and TLT was used by the NHS

as a vaccination centre. The operating environment was therefore suspended during 2020/21 and the majority of 2021/22 but largely returned to normal in 2022/23.

- 4.10** Fleetwood’s seafront is rather understated and under used especially when compared with our neighbouring authorities. A seafront masterplan was developed back in 2009 which set out a delivery framework and a longer-term programme of rejuvenation and Marine Hall was at the centre of this programme. Some progress has been made on the delivery of the framework e.g., successful coastal community funding has enabled the development of beach bungalows, a splash pad, skate park and YMCA leisure centre cafe and coastal revival funding has enabled the restoration of the Marine Hall dome.
- 4.11** More recently an opportunity has been identified as part of the UK Shared Prosperity Fund (UKSPF) to revisit the Fleetwood waterfront masterplan and to build on the 2009 masterplan work as much was felt to remain relevant. The main aim of this work is to have a regeneration project proposal ready to go if the Levelling Up Fund Round 3 is announced. We want to ensure that Fleetwood is in a good position to bid for future funding as it was unsuccessful in previous rounds and under the Future High Streets Fund.
- 4.12** The Marine Hall site is a key part of this commission as it is important that we consider the uses of this building alongside other assets on the waterfront, which also includes the leisure centre. The objective is to ensure that we can create a more commercially viable and attractive leisure destination offer to attract more visitors to the area and help wider rejuvenation of Fleetwood.

5. Key issues and proposals

- 5.1** Both theatres are currently operated in-house by the council. The core service structure includes 13 posts (10.32 FTE). Staffing costs are the largest area of expenditure, followed by premises costs which includes energy costs.
- 5.2** The theatres have always required a significant subsidy. The table below shows the income and expenditure and operating deficit / subsidy by theatre. A historic target subsidy level for MH was set at £250,000 but as can be seen below this was only achieved in 2016/17 and 2018/19.

Marine Hall

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Income	£162,391	£204,434	£267,810	£257,454	£77,059	£143,557	£157,235
Expenditure	£419,028	£518,343	£490,915	£540,798	£421,709	£503,509	£563,449
Operating Deficit / Subsidy	-£256,637	-£313,909	-£223,104	-£283,344	-£344,650	-£359,953	-£406,214

Thornton Little Theatre

	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Income	£37,187	£44,661	£58,708	£54,870	£41,380	£34,876	£47,175
Expenditure	£155,144	£161,183	£153,429	£187,546	£161,019	£165,970	£170,692
Operating Deficit / Subsidy	-£117,957	-£116,522	-£94,721	-£132,676	-£119,639	-£131,094	-£123,518

- 5.3** Income from both theatres combined is only 2.42% higher in 2022/23 (£204,400) than it was in 2016/17 (£199,600). Whilst income did increase slightly between 2017/18 and 2019/20, so did expenditure by a much greater proportion and therefore subsidy rates remained high. The outturn position for 2022/23 shows a total subsidy for both theatres of **£529,732** (including recharges of £99,174).
- 5.4** Overall, the analysis shows that in 2022/23, the MH subsidy requirement was far worse than any other year. However, TLT is comparable and slightly better than last year and 2019/20.
- 5.5** TLT's income has increased by 27% since 2016/17 and while expenditure has also increased, overall expenditure only increased by 10% during the same period. While this is a better position than MH it remains that the council provides a significant subsidy to ensure the continued operation. TLT has scope to increase community bookings and already has its place as a key community asset and it is recognised that this could be developed further.
- 5.6** Income for MH has not recovered since the Covid-19 pandemic and in 2022/23 was 3.18% lower than in 2016/17. MH generates most income from the hire of the venue and on bar and kiosk sales. There were 216 sessions (am/pm/evening) booked in 2022/23. The community bookings are being heavily subsidised. As it is a mid-size venue (and also possibly because of its location) it is limited as to the performances it can attract and therefore the income that it generates.
- 5.7** While the council could do more to develop new commercial opportunities within the facility e.g., waterfront bar opening times, leasing of space, maximising secondary spend, reviewing programming, developing the wedding offer; it is not thought that any of these interventions will achieve a subsidy reduction to below £250,000 using the current business model.
- 5.8** The current business model for the operation of MH is therefore financially unsustainable and the evidence suggests that the council is not best placed to continue to deliver the service in-house. The asset requires a solution which will reduce the level of financial subsidy required from the council whilst also ensuring that the physical asset is

safeguarded for the people of Wyre and to support the wider rejuvenation plans of the waterfront.

- 5.9** A number of options have been considered for the future delivery of the theatres. The preferred option to safeguard the future of both theatres is to outsource the theatre service and transfer the operation of both theatres to a suitable alternative provider, ideally retaining the freehold. This proposal would see the theatres run by a different organisation and not the council. It represents the greatest opportunity for long-term savings while keeping the theatres as an attraction for Wyre. However, both theatres are very different, and it is felt that they may benefit from different alternative providers.
- 5.10** The challenge of this preferred option is not only market appetite to take on theatre operations particularly MH but the time involved in working out the right operating model going forward and then finding/establishing an alternative provider to operate this model, staff retention during a period of uncertainty and the need to minimise the council exposure to financial risk while any new service model is developed.
- 5.11** To limit the council's financial risk until a new service model is in place, we may need to look at mitigating actions such as stopping taking any new non-profit making bookings, reducing staffing levels or even mothballing the assets. These options, together with others will be considered over the next few months and recommendations will form part of the report to Council in November.
- 5.12** We have already started talking to the Theatres staff about how to best ensure the long-term future of the Theatres and whether the council is best placed to keep running them and we will continue to engage and work with staff throughout this review period.
- 5.13** To help work out the best way forward for MH, the Corporate Director Communities will work with Theatres Trust to commission an independent service review which will provide future operating models for MH and also provide the required support to help secure a future alternative provider. This piece of work will be commissioned mid-September but may take some months to complete.
- 5.14** There are a range of different alternative operating models which could be considered. The Theatres Trust have provided some useful guidance for local authorities looking to move away from operating theatres in-house and these include:
- **Setting up an independent theatre trust** – this option looks to convert the theatre into a charity. This has been completed at the Marlowe Theatre in Canterbury and allows the theatre to operate independent of the authority. The additional systems and staffing required by the loss of shared property, legal and accounting services will need to be considered. Being independent of the

council the theatre may be able to respond to changes in consumer demand and artistic shifts more rapidly, without being required to comply with council processes designed for different styles of working.

- **Bundling leisure offer** - With some smaller spaces, local authorities have put their theatres out to tender as part of a package including gyms, pools and other leisure services. The theatre operating model this tends to create is a “hall for hire” which can continue to be used by the community but may not have a regular programme of public events. The traditionally shorter duration of these contracts does not allow for operator investment into the building. It can be a way to protect community use but does not come with many of the placemaking benefits of a theatre programme.
- **Community asset transfer** - Where theatres have an active group of volunteers willing to take on the theatre, local authorities can consider transferring the theatre to the volunteers for operation. The Local Authority should satisfy themselves that the group have a business plan and a governance structure to operate the venue safely and sustainably. There have been cases where a community group have struggled to deliver their business model following transfer owing to issues between other community groups who were unsuccessful in their bid to be the transferee. Volunteer run theatres are not restricted to amateur dramatic programming there are many across the country that present a busy, mixed programme including touring theatre, dance, cinema, comedy and music.
- **Outsourcing to a commercial theatre specialist** - Larger theatres may be suitable for outsourcing to a commercial theatre operator. These companies often operate a portfolio of venues and are able to apply their management systems and economies of scale to the operation of venues. This approach is highly dependent on the scale of the theatre, its current financial performance, the condition of the building and the ancillary revenue generating spaces. It is unusual for theatres under 800 seats to be viable under this model amongst the current commercial operating models, but this may change.

5.15 As the financial risk is lower, Thornton Little Theatre will continue to operate as normal, but a soft market testing exercise will be undertaken to try and find a suitable alternative partner. Ideally, we would be looking for a community partner who will take on a lease with a condition that future bookings would all be honoured, and community events will still be delivered. This soft market testing exercise will launch mid-September and the outcome of this exercise will be reported to Council in November.

- 5.16** Even though theatres are not a statutory service, the council has a duty to consult representatives of a wide range of local people as it is reviewing current service provision. The intention is to launch a public consultation on 11 September 2023 which will run for six weeks. The consultation will be part of a wider consultation exercise focused on the rejuvenation of the Fleetwood waterfront. The consultation will include an online survey and will include information boards at MH, Fleetwood YMCA and Fleetwood Market. It is felt that this will help to get a wide range of people involved in the consultation.
- 5.17** An equality impact assessment will need to be carried out before any final decisions are made and the results of the public consultation will be used to help inform this.

6. Alternative options considered and rejected

- 6.1 Status Quo / Do Nothing** – this option has been considered and rejected because of the rising unsustainable subsidy levels and the need to review services where spend is high and increasing and explore opportunities to reduce costs and increase income. High level research has also been undertaken of management arrangements of local theatres in Lancashire and most are now managed by charitable trusts or commercial operators. A recent report to Government by the Theatres Trust found that it is common and beneficial for a local authority to outsource the operation of the theatre to a company or charity to operate it on their behalf.
- 6.2 Explore opportunities to invest in the assets and further commercialise the service** – Investment proposals could be explored to develop and improve the quality of the offer with a view to further commercialising the assets and achieve much higher levels of income. This has been rejected owing to the amount of capital investment that is likely to be required and the low probability of being able to increase the income levels to the extent that the council’s subsidy could be significantly reduced.

Financial, Legal and Climate Change implications	
Finance	<p>As included at para 5.3, the council’s outturn position for 2022/23 shows a total subsidy for both theatres of £529,732 (including recharges of £99,174). This is a deteriorating position and financially unsustainable for the council. This does not include the subsidised events run by the Theatres team at the Mount Pavilion.</p> <p>At this stage the cost of any consultants to be engaged is unknown. An initial budget is to be set aside of £20,000, funded from the Value For Money (VFM) Reserve to</p>

	<p>support this work. The Fleetwood waterfront consultation is already budgeted for using UKSPF monies.</p> <p>A further budget of £10,000 is to be set aside for the soft market testing exercise for TLT, again funded from the VFM Reserve.</p> <p>Over the course of exploring the alternative methods of provision, it is the aim that a suitable alternative provider is found for one or both theatres during 2024. The ultimate goal is to significantly reduce the council's ongoing financial subsidy of the theatres but at this stage no financial target or timescale for reduction has been set pending the outcome of the review and soft market testing.</p>
<p>Legal</p>	<p>The council has a duty to consult representatives of a wide range of local people as it is reviewing current service provision. Consultation on changes to service provision must be at a time when proposals are still at a formative stage; the council must give sufficient reasons for any proposal to enable intelligent consideration and response; adequate time must be given for consideration and response; and the product of consultation must be conscientiously taken into account in finalising any proposals. The council must give genuine and conscientious consideration to the responses received from the consultees during the consultation before making its final decision on the proposals. The planned public consultation will help to address this duty.</p> <p>The council must also consider the Public Sector Equality Duty (PSED) under Section 149 of the Equality Act 2010. This Act creates a public sector equality duty which requires that when the council makes decisions it must have regard to the need to: (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act (b) Advance equality of opportunity between people who share a protected characteristic and those who do not (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding. The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation marriage and civil partnership. This duty is still to be assessed.</p> <p>A title check of the assets will need to be carried out prior to any final decision being made.</p>

Climate Change	Building condition surveys will be commissioned for both theatres – this will help us to understand what improvements may need to be made if the theatres are to be let out. Currently leased out premises need an EPC rating of at least “E” and this is anticipated to be a minimum of "C" by April 2027. Thornton Little Theatre is also one of the properties being reviewed by Parker Wilson as part of the heat decarbonisation project.
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Other risks/implications: checklist

If there are significant implications arising from this report on any issues marked with a ✓ below, the report author will have consulted with the appropriate specialist officers on those implications and addressed them in the body of the report. There are no significant implications arising directly from this report, for those issues marked with a x.

risks/implications	✓ / x
community safety	x
equality and diversity	✓
health and safety	x

risks/implications	✓ / x
asset management	✓
ICT	x
data protection	x

Processing Personal Data

In addition to considering data protection along with the other risks/ implications, the report author will need to decide if a ‘privacy impact assessment (PIA)’ is also required. If the decision(s) recommended in this report will result in the collection and processing of personal data for the first time (i.e. purchase of a new system, a new working arrangement with a third party) a PIA will need to have been completed and signed off by Data Protection Officer before the decision is taken in compliance with the Data Protection Act 2018.

report author	telephone no.	email	date
Marianne Hesketh	01253 887350	Marianne.hesketh@wyre.gov.uk	01/08/2023

List of background papers:		
name of document	date	where available for inspection
None		

List of appendices

None