

Report of Head of Resources**CASTLE THEATRE****1 Purpose of report**

This report has been drafted following a request in August 2015 to the council from The Castle (Wellingborough) Ltd to consider a proposal to redevelop the premises. The aim would be to make it a more viable business than it is currently. This report is intended to advise members on the factors they may wish to take into account when considering this request.

2 Executive summary

Ever since The Castle was opened in 1995 its running costs have been subsidised by the council. The financial challenges facing the council have made it very difficult to sustain this approach, so The Castle (Wellingborough) Ltd - the current contractors appointed to operate the theatre - have proposed a means by which to remove The Castle's reliance on financial support from the council.

3 Appendices

None.

4 Proposed action:

The committee is invited to RESOLVE:

- 4.1 to note the available options and to instruct officers to carry out a detailed option appraisal which can then be further considered by members.**

5 Background

- 5.1 The council currently has a contract with The Castle (Wellingborough) Ltd – a charity – to provide a range of specified services at the theatre which was built, and is owned by, the council. The contract with The Castle (Wellingborough) commenced on 1 April 2011, and is due to terminate on 31 March 2021.
- 5.2 Over the past few years the council's financial situation has changed dramatically, as a result from the reduction in funding from central government and lower amounts from other income, such as interest on capital reserves at consistently low levels.
- 5.3 Councillors have already carried out detailed reviews of the services the council offers, particularly for those services which are non-statutory. Significant changes have taken place: reductions in the workforce (and therefore the services and support they provide); renegotiation of the leisure contract, resulting

in reduced opening hours at Redwell Leisure Centre; and the transfer of Glamis Hall to an incorporated charity.

- 5.4 The effect on The Castle to date has been to reduce the financial support provided. In the first year of the current contract (2011/12) the council granted £355,860 to assist with running costs. Since then the grant has been reduced as follows: 2012/13 - £296,008; 2013/14 - £295,419; 2014/15 - £258,380; 2015/16 - £219,623.
- 5.5 A further sum has been paid to fund the repair and maintenance of the internal areas. In the first year (2012/13) this grant amounted to £44,928. A maintenance grant of £90,000 was then made for each of the following years: 2013/14, 2014/15 and 2015/16.
- 5.6 The total amount of revenue spent directly on funding The Castle in 2015-16 is therefore £309,623. The total funding for 2016-17, inclusive of the maintenance fund, will be approx. £276,680. These reductions have been agreed with The Castle (Wellingborough) Ltd in line with the contractual terms.
- 5.7 In addition the council continues to fund the repair and maintenance of the external areas and fabric of the building, as well as providing capital grants for larger projects such as new cinema equipment.
- 5.8 The Castle has faced a number of challenges over the years, resulting in financial outturns which have proved challenging for the continuation of the services provided, even taking into account the amount grants paid by the council.
- 5.9 Senior officers discuss and review The Castle's progress and viability with the Director on a regular basis, and it is clear that progress has been made to increase levels of income from shows and external funding. In addition, the organisation has agreed an arrangement with "Franks" who will operate a restaurant and bar on the premises, and thereby boost The Castle's income.
- 5.10 The Castle (Wellingborough) Ltd does, however, hold the view that if the council's financial support decreases further the business cannot survive the whole period of the contract. As a result they have proposed that they take responsibility for developing the facility to provide a wider arts offer to the community, thereby making it a viable on-going concern.
- 5.11 In brief, The Castle (Wellingborough) Ltd has requested the following in order to bring their vision into reality: a financial consideration for early termination of the contract, subject to the council effecting a community asset transfer of The Castle buildings and car park to the company. The intention would then be to use the financial consideration to sustain the business while major development took place. By transferring the property to the charity it would enhance their balance sheet and enable them to attract additional external funding.

6 Discussion

- 6.1 The proposal by The Castle (Wellingborough) Ltd is a significant one, and members will need to consider it – and its implications - carefully.
- 6.2 At this point the council has not declared its intention to divest itself of this property, which includes not only the theatre building (including the old market hall), but also the car park. The Castle (Wellingborough)'s proposal is based on the assumption that the council wishes to divest itself of the premises, and would be willing to transfer ownership of its asset, and any control over its future, to them.
- 6.3 The first point members may wish to establish, is whether (subject to there being a viable means of achieving this) the council aspires to retain a theatre in Wellingborough – preferably on The Castle's site.
- 6.4 If this is the case and members wish to see a theatre facility retained on The Castle site in some guise, but at no significant direct revenue cost to the council, the advice is for members to request officers to undertake a thorough review of all options available to the council in respect of The Castle.
- 6.5 The options which require further investigation include:
- (a) Status quo: allow the current contract to continue and review next steps two years (December 2018) before the contract is due to end, when the Local Plan and the aspirations for the town centre are clear;
 - (b) Status quo: allow the current contract to continue, and begin the procurement process in December 2018 to let a new contract to run The Castle in its current form, but the new contract to be at no cost to the council. This may require some capital expenditure before the end of the current contract to ensure the asset is fit for purpose;
 - (c) Determine that the property is no longer required by the council and investigate a community asset transfer to The Castle (Wellingborough) Ltd, based on a sound business case relating to development aspirations worked up to date;
 - (d) Determine that the property is no longer required by the council and investigate disposal, through a community asset transfer, to either The Castle (Wellingborough) Ltd or a third party following "marketing" of the site;
 - (e) Commission expert advice on the potential of the site and go through a procurement exercise to enter into a joint venture with a private company, thereby setting up a new joint venture company with the council having part-ownership;
 - (f) Commission expert advice on the potential of the site and go through a procurement exercise to dispose of the site with a development agreement in place.
- 6.6 At this stage members are not being asked to make a decision on any one of the possible options outlined above – and others may become apparent if an investigation is being carried out – because they do not have sufficient information to evaluate the pros and cons of each option. Members are instead

being asked to authorise an options and cost appraisal to ensure that they are in a position to make the best decision for the borough, given the council's current financial position.

7 Legal powers

- 7.1 Section 145 of the Local Government Act 1972 gives the Council the power to provide entertainments or facilities for entertainments itself or arrange for a third party organisation to do so and contribute towards the third party's expenses in so doing. This power is augmented by section 144 of the Local Government Act 1972, which empowers a local authority to encourage visitors to come to a local authority for recreation, health or conference purposes and to provide conference facilities.

8 Finance, risks and value for money implications

- 8.1 The Castle is one of the few remaining discretionary services provided by the council which is still making a significant demand on the revenue budget.
- 8.2 Members will need to determine whether – The Castle being an important feature and attraction in the borough – they wish to continue to see this as a priority when allocating budget, or whether (like the leisure service) they would wish to see it as self-financing. Investigating the options listed above would provide information on which to make that choice.
- 8.3 Reductions in financial support from the council have been agreed with The Castle (Wellingborough) Ltd. This will amount to a 15% reduction, in line with the provisions in the contract under both Schedule 4 Financial Provisions and Schedule 5 Contract Monitoring and Review. Depending on the outcome of the options appraisal above this may need to be reviewed.

9 Implications for resources

- 9.1 An options appraisal in relation to the future of The Castle will require a significant amount of officer time, but is essential so that members can make an informed decision.

10 Implications for stronger and safer communities, and equalities

- 10.1 The recommendation to carry out an options appraisal has no implications for the either the community or equalities.

11 Author and contact officer

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12 Consultees

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13 Background papers

There are no background papers to this report apart from information provided by The Castle (Wellingborough) about their proposals, which is exempt because it is commercial in confidence.

