

Title of meeting: Cabinet

Date of meeting: 2nd February 2021

Subject: New Theatre Royal Portsmouth

Report by: Director Culture, Leisure & Regulatory Services

Wards affected: Charles Dickens

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1 To update the Cabinet on the current position of the New Theatre Royal Portsmouth and to outline the case for purchase of the theatre in order to retain the building for public use.

2. Recommendations

- 2.1 To authorise officers to complete the negotiations for the sale of the freehold of the New Theatre Royal to Portsmouth City Council in order to retain the building for public use.**

3. Background

- 3.1 The New Theatre Royal) opened in its current form in 1900. Designed by Charles Phipps and Frank Matcham, it is Grade II* listed and, like the Kings Theatre, is one of the last Phipps/Matcham theatres in operation. Owned and managed by New Theatre Royal (Portsmouth) Limited, a registered charity, it has a capacity in its current format of just under 700 seats along with a studio theatre with the ability to be either a rehearsal space or small performance space.
- 3.2 The theatre has had an eventful history. After a fire in the 1960s, it was 20 years until the next performance occurred in 1987. For many years, it operated as a 400-seat venue without a full stage or backstage area. Since then the Theatre has been gradually redeveloped, finally reopening in in October 2015 after a significant £4.7m investment from Arts Council England, National Heritage Lottery Fund and Portsmouth City Council. This resulted in the 'back lot' being redeveloped to provide enhanced facilities along with a linked development by the University of Portsmouth on the adjacent land. In 2015 the theatre secured National Portfolio Organisation (NPO) funding from Arts Council England which was renewed for a further three years in 2018.

- 3.3 The New Theatre Royal Trust was however experiencing financial sustainability issues following the opening of the new spaces prior to the Covid-19 pandemic and is now in pressing need of a support. In essence they were struggling to meet the requirements of NPO funding while also generating sufficient levels of income primarily from ticket sales. The New Theatre Royal Trust now has serious financial challenges, with an accumulated debt of £1.13m and on-going cash flow problems. To compound this further it is facing repayment of advance ticket sales due to the ongoing cancellation of its programme under the pandemic restrictions.
- 3.4 Investment into this iconic cultural building has been significant both in terms of the £4.7m capital investment but also with the largest capital contributions being secured from the National Heritage Lottery Fund (NHLF) and Arts Council England (ACE). ACE remain The New Theatre Royal Trust's main funder as they are identified as a National Portfolio organisation and currently are scheduled to receive annual funding of £247,000 per annum and support from the Council through a revenue grant of £77,000. The ACE funding is potentially available under the current award until March 2022 having been extended for a further year by the Covid pandemic, however this is dependent on a viable financial model being proposed which both meets the needs of the NPO funding and addresses the current pandemic situation.
- 3.5 The New Theatre Royal Trust is required to provide a programme in accordance with its ACE funding requirements (not just 'popular entertainment') based on the work highlighted in their business plan which includes outreach and education work and supporting new creative work as well as performances within the venue. The Trust had met the NPO requirements up to the start of the pandemic however; they have struggled to do so while also generating sufficient levels of ticket sales and income.
- 3.6 The Council were aware of the challenges being faced by all performance venues but knew that those being faced by The New Theatre Royal Trust were particularly acute and that some of these pre-dated the pandemic. In the current pandemic circumstances we believe there is a very high risk of failure of this organisation, the direct consequences of which could be the loss of this space for public use.
- 3.7 Portsmouth City Council commissioned a review by Alun Bond in March 2020 to assess the position of The New Theatre Royal Trust and to outline its future options in the context of its challenging financial circumstances. This also included a requirement to explore if the venue had a viable future. The report was based on an examination of papers including financial projections, conversations with council officers and members, the chair of The New Theatre Royal Trust and staff, Arts Council England and the University of Portsmouth.
- 3.8 The landscape for The New Theatre Royal Trust has been complex. Theatre programming is always a difficult challenge and a matter of balance. Selling tickets requires a sophisticated and consistent marketing operation and the Trust has had a series of extreme marketing challenges from the venue reopening without a proper re-launch plan in 2015 to the most recent challenge which has been no

Marketing Manager between June and September 2019, the crucial period for selling the autumn season. It is clear with hindsight that the balance was not right in terms of commercial programme strands needing to be more effective in generating additional income to support the more challenging work effectively.

- 3.9 It is also clear from Alun Bond's work that the evidence of a detailed analysis of ticket sales demonstrates that audiences will visit the venue when the product is right and the marketing is effective. Alun Bond concludes that it is not a 'lost cause' and that with some re-balancing of its programme and an effective marketing operation it could present a live professional programme, including an annual pantomime that was financially viable.
- 3.10 It is also clear that the capital investment into the theatre has greatly improved their stage facilities and it is now equipped to operate as a middle-scale presenting venue and home for amateur and community live arts. As a Grade 2* building the theatre is also a major heritage asset in the city centre.
- 3.11 The New Theatre Royal Trust's audience development plans were also reviewed by Artservice in July 2019 and a further health check was commissioned by Arts Council England from Alchemy in March 2020.
- 3.12 These combined reviews confirmed the position that the theatre, with a different programme model and non-pandemic circumstances should be able to sustain and deliver a viable community focused programme, which centres on both the immediate local population as well as providing meaningful engagement in live culture for a wider geographical area. The Theatre previously held a key position as a regional venue for middle scale touring, which in turn attracted in a wider geographical audience and we believe it has potential to do so again in the future.
- 3.13 Historically the Council has supported a 3 venue policy with conversations initiated shortly after the transfer to a Unitary authority at which point the Kings Theatre was transferred from Hampshire County Council to Portsmouth City Council and then subsequently leased to an operating company. The other principal venue we have always directly owned is Portsmouth Guildhall with its 2000+ seater auditorium, which again has been leased to an operating company.
- 3.14 The realisation of the long held desire for a new build on the 'back lot' was achieved through partnership with the University of Portsmouth. It should be noted that unlike other performance venues the New Theatre Royal building does have a co-sharing arrangement with the University of Portsmouth with physical links between the organisations in the newly built part of the site. This also results in some 'common areas' requiring an agreed understanding on how these are used to support both parties' activities. As it stands this agreement remains unresolved to the satisfaction of both parties.

4. Valuation & Condition Survey

- 4.1 A valuation of the theatre has been mutually agreed with the New Theatre Royal Trust, based on an independent valuation.
- 4.2 A Building condition survey was carried out by Portsmouth City Council to assess the general condition and identify any significant defects or property related issues. The building was considered to be in a fair condition, best considered in two parts, where by the older Grade 2* listed part has a number of maintenance backlog issues and defects. These will require investment in the short term to address fire safety regulations, and other areas identified for repair within the next ten years over and above the usual repair & maintenance required for a building of this nature.

During the survey, nothing was identified as a structural defect or inadequacy that would give rise for concern.

A budget summary for the works identified proposes:

- Year 1 £142,500
- Year 5 £253,500
- Year 10 £ 38,000

5. Reasons for recommendations

- 5.1 Following an extensive process the Council adopted a formal Theatre Strategy in March 2010. The aim was to formalise the relationships with the two primary theatres in the city, the New Theatre Royal and the Kings whilst acknowledging the role that organisations such as Groundlings and the large amateur sector played in this important cultural field. The strategy recognised the major contribution the cultural sector played in the quality of life of the city through elements such as the economy, learning and community engagement.
- 5.2 As a direct result of the adoption of the Theatre Strategy, new Service Level Agreements were put in place with both venues to support and provide a detailed contract of delivery between the revenue funding provided by the Council and the individual venue's outputs. It should also be noted that the Council already owns both the Guildhall and the King's Theatre and the ownership allows us to strategically protect the buildings as both performance venues and the heritage vale they bring to the city.
- 5.3 As stated earlier in this report Alun Bond's independent report of March 2020 concludes that the New Theatre Royal as a physical venue does have potential and that people will visit the theatre when the programming is right and the marketing is effective. It does however need to rebalance its programming and improve the effectiveness of its marketing.
- 5.4 Alun Bond's report, which has been shared with the Trustee board of the New Theatre Royal, suggests four strategic priorities -



- the need to maintain credibility with Arts Council England and retain NPO funding beyond 2022,
- the need to preserve the theatre as a venue capable of hosting high quality visiting productions,
- the need to develop the Theatre's role in the community
- the need to explore means of increasing the Theatre's income

5.5 The strategic objectives in supporting the case of the acquisition of the theatre by the Council are:

- To maintain a medium scale, high quality performance space in the heart of the most deprived ward of the City
- To continue to secure on-going external funding from ACE into Portsmouth to the value of at least £250,000
- To continue to support a 3 venues policy and to encourage greater partnership working between the organisations

5.6 We see the New Theatre Royal's biggest potential growth area as refocussed into a collaborative cultural hub, delivering for community audiences. The large number of people on the Theatre's doorstep are both its biggest latent audience, and also the people for whom cultural engagement can make the most difference. The same issues that present the New Theatre Royal with challenges from a commercial point of view, offer its biggest opportunities. A venue that can offer cultural access to the deprived and challenged communities on its doorstep is, we believe, a compelling case.

5.7 The strategic position of the New Theatre Royal in Charles Dickens ward means that it is ideally located to engage with the more challenged communities whilst the location in the city centre and adjacent to Portsmouth & Southsea station allows it to develop audiences in a strategic and meaningful way.

5.8 Were the theatre not to continue it would mark the loss of the significant city centre based cultural asset into which there has been a large capital investment by key national stakeholders, including the Council over the last six years. The current status of being one of only two Arts Council England NPO funded organisations based in the city would also be at risk of being lost along with the £247,000 funding it attracts into Portsmouth.

5.9 There are clearly challenges with a local audience with limited means, particularly if viewed in terms of a traditional income generation audience model. However, these same challenges also present an opportunity for a renewed new focus and sense of purpose, and a chance to be at the heart of delivering positive social outcomes. Covid-19 has brought sharpened focus on the importance of delivering positive outcomes for health and wellbeing, particularly addressing broader inequalities in society that are linked to underlying conditions that place strain on the NHS and the nature and type of cultural engagement which the theatre can offer could mark significant steps to better attainment and increased aspiration.

- 5.10 Separation should also be considered between the existing operational Trust and the physical theatre. Should the existing Trust no longer wish to continue to operate then, as with the other performance venues, another operating company could be sought to deliver activity in both the spaces and through the necessary outreach programme. The Council would not directly operate the venue but would seek an operator to work in partnership to secure ongoing funds and achieve joint objects related to such areas as social and economic impact.
- 5.11 The site development over the last five years has ensured an on-going relationship with the shared building with the University of Portsmouth. Whilst the co-sharing arrangements already in place potentially support greater sharing and development of audiences it is important to note that were another organisation to buy the freehold then we anticipate the shared working arrangements would change and the public access to the building be potentially lost.

6. Integrated impact assessment

- 6.1 An Integrated impact assessment is attached.

7. Legal implications

- 7.1 Assuming that there is no functional challenge to the current iteration of the NTR in the sense of any insolvency proceedings being put to the court and that there is an agreed stance from the current cohort of creditors (to avoid a challenge post sale as to the basis of the sale being at an undervalue or as a preference) a sale by private treaty can occur.
- 7.2 PCC can purchase the freehold and will become the owner of the entire site and the landlord to the University of Portsmouth. Whilst there are issues about usage of the common parts the current lease will not be varied to the extent of affecting the value or usage of the freehold site by the Council as the purchaser. This said it is envisaged that the University of Portsmouth will want to agree something with the Council about usage of the common parts post completion.
- 7.3 It must be noted that in terms of Arts Council England (ACE) it is envisaged that the current funding agreement will in effect novate to the Council who will be subject to the current range of conditions that predicated the original ACE capital grant and determine ongoing entitlement to seek further ACE funding- this is not controversial.
- 7.4 It is clear that the basis of purchase does have a community/social value within a unique part of Portsmouth and that whilst the building is listed there is a basis for maintaining within public ownership and control even with the potentiality of sizable ongoing maintenance cost and an as yet unclear future business model for continuing use by a new iteration of the current NTR.

8. Director of Finance's comments

- 8.1 The cost of the purchase of the freehold referred to in the recommendation will be met from corporate contingency.
- 8.2 The ongoing maintenance liabilities will fall across both the Council and the Trust via a full repairing and insuring lease. It is anticipated that in the early years of the lease arrangement funding for the maintenance liabilities is likely to be required of the Council whilst the Theatre seeks to recover from the Covid 19 pandemic and implements its new business plan.

.....
Signed by:
Stephen Baily
Director of Culture, Leisure and Regulatory Services

Appendices: Appendix 1 - Integrated Income Assessment

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Theatre Strategy Report	Report Link

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

.....
Signed by:
Cabinet Member for Culture, Leisure and Economic Development