

## COMMUNITIES SCRUTINY COMMITTEE

4 January 2022

### Addendum to Portfolio Holder Progress Report

#### Key Theatre and Werrington Leisure Centre

#### **1. Introduction**

Following publication of the Portfolio Holder Progress Report, an Executive Decision to propose the closure of the Key Theatre from 17 January, and the temporary closure to the public of Werrington Leisure Centre from 1 January was made.

This addendum provides further detail about, and rationale for, that decision.

#### **2. Background**

- 2.1 Since October 2020, the Key Theatre has been managed by City Culture Peterborough (CCP), a limited company set up to manage culture services previously delivered by the Vivacity Culture and Leisure Trust. Other services within this portfolio include the Museum and Art Gallery, Libraries, Archives, and Flag Fen. From the same time, Peterborough Ltd has managed sports and leisure services previously run by Vivacity, including the Werrington Leisure Centre.
- 2.2 Combined, the council's culture and leisure services budget in 2021/22 is £2,574,784, increasing to £2,664,113 in 2022/23. The Key Theatre does not provide any statutory functions of the council.

#### **3. Key Theatre - Financial Overview**

- 3.1 It is widely known that generating sufficient revenue to ensure a theatre of this size achieves and then maintains financial sustainability is a huge challenge. This has been reported over many years, including by Vivacity when they managed the facility. The Theatre staff have worked exceptionally hard to increase ticket sales and audience numbers, to diversify the programming, and to try to expand into new markets, but despite being slightly above the national average for theatres in this size bracket, audience occupancy rates still only average 61%.
- 3.2 As a consequence, the Key Theatre has required a financial subsidy, either directly or indirectly, from the council for at least the last decade. During its time under Vivacity's management, the success of some parts of the leisure sector of their portfolio enabled cultural services, including the Key, to benefit from cross-subsidisation from surpluses generated elsewhere in the Trust. However, the impact of the pandemic across the leisure industry is such that gym memberships and therefore income is significantly below the levels experienced pre-pandemic. In most cases, leisure services operated by Peterborough Ltd have not been generating any surpluses and are unlikely to for some time, removing the ability to cross-subsidise.

- 3.3 To some extent, cross-subsidising culture service costs masked the full financial reality associated with running the Key Theatre, which has become much clearer since it was transferred to the management of City Culture Peterborough.
- 3.4 Following a period of intensive financial review, the actual and forecast costs to deliver the Key Theatre in the current financial year (2021/22) became clear on 22 November 2021. This is summarised as follows:

	<b>£k</b>
Income	-701
Expenditure	976
Utilities (funded by PCC)	50
<b>Deficit</b>	<b>325</b>

During this financial year, the Key Theatre has benefited from Culture Recovery Funding provided by Arts Council England which included support for running the pantomime, and some short-term salary and building costs. However, this funding is time limited and one-off in nature.

- 3.5 The financial forecast for 2022/23 is as follows:

	<b>£k</b>
Income	-1,130
Expenditure	1,438
Utilities (funded by PCC)	50
<b>Deficit</b>	<b>358</b>

These figures assume that the Key can operate a normal year in 2022/23 (i.e. one with no restrictions on audience numbers as a result of the pandemic).

#### **4. Werrington Leisure Centre - Financial Overview**

- 4.1 Peterborough Ltd manage a range of sports and leisure services, including gyms, the regional pool, and the Lido. In all cases, and common with the wider leisure services market, the impact of the pandemic has been huge with people slow to return to a gym or pool environment. Despite this, Peterborough Ltd are reporting faster than forecast recovery, albeit there is still some considerable way to go to achieve cost neutrality.
- 4.2 Alongside this issue, the impact in the current labour market of staff shortages is being felt by Peterborough Ltd, particularly qualified Duty Managers and lifeguards. This results in challenges operationally in continuing to operate facilities, and directly impacts therefore on income.
- 4.3 The leisure centre at Werrington is currently the worst performing, financially, of all of the leisure centres in the portfolio, with forecast net costs in 2022/23 twice as high as the most comparable equivalent, the Bushfield Leisure Centre.
- 4.4 To ensure that all other leisure centres across the portfolio can achieve a more stable workforce who are able to fully market the leisure service offer, the decision to temporarily

close Werrington to public use has been made. This will mean that qualified and experienced staff can be redeployed into other locations whilst the leisure industry continues to recover.

- 4.5 The centre is on a site shared with the Ken Stimpson school and is currently used exclusively by the school during school hours. The temporary closure to public use will not affect this usage by the school.
- 4.6 It is currently anticipated that the centre will re-open to public use from September 2022, subject to a mid-point review and any Covid-related restrictions in place at that time.

## **5. Decision Making Process**

- 5.1 Prior to the publication of the Cabinet Member Decision Notice, the proposed closure of the Key Theatre and the temporary closure to public use of the Werrington Leisure Centre were discussed at a Cabinet Member Policy Forum meeting held on 13 December. The proposals were then discussed at the cross-party Financial Sustainability Working Group on 15 December.
- 5.2 The decision to propose closure of the Key Theatre and temporarily close the leisure centre was then made formally via a Cabinet Member Decision Notice which was published on 16 December. Urgency, Special Urgency and Call-in Waiver procedures were invoked.

The urgency rules set out in the Scrutiny Procedure Rules are as follows:

"The call-in procedure set out above will not apply where the decision is urgent or becomes urgent during the process. A decision will be urgent if any delay would seriously prejudice the Council's or the public interest. The request for a decision to be deemed urgent will be considered by the Chair of the relevant committee and the Monitoring Officer. They will take into account the reasons provided."

- 5.3 The decision was considered to meet the urgency threshold because the analysis of costs undertaken by City Culture Peterborough, Peterborough Ltd and the council had confirmed the scale of financial losses being incurred by the Key alongside the operational challenges being experienced at the leisure centre. The need to act urgently under the current financial circumstances faced by the council was deemed paramount, and the need for the Key to plan its programming long in advance compounded this urgency.
- 5.4 Alongside this, formal staff consultation with those affected by the proposals relating to the Key Theatre could not commence until the decision was taken. The staff consultation period is required to be 30-days, meaning that, if the consultation confirms closure, the earliest that staff could be made redundant is 17 January 2022. Formal consultation with staff at Werrington Leisure Centre is not required as they will be redeployed.
- 5.5 Following the non-urgent decision-making route could potentially have added significantly to this timeline. If a debate at Scrutiny Committee became necessary because of call-in it would likely be mid-January before the decision to propose closure could be confirmed and staff consultation started, which would result in losses continuing until towards the end of February when formal staff consultation concluded.

5.6 On the basis of this explanation, it was determined that sufficient reasoning had been provided for why any delay to this decision would seriously prejudice the Council's interest and that therefore the urgency threshold had been met.

## **6. The Future**

6.1 The council is under intense scrutiny to achieve immediate, significant, and sustained savings, but is absolutely committed to being involved in the development of a strong culture and leisure offer and identity for our city. The recent adoption of the new Peterborough Culture Strategy is testament to that, alongside work about to begin on a refreshed Active Lifestyles Strategy.

### **6.2 Werrington Leisure Centre**

6.2.1 In relation to the Werrington Leisure Centre, our aim is to reopen the facility in September, when the impacts on memberships caused by the pandemic are forecast to have eased, along with the impacts of staff shortages. A review will be held on how the site can be reinstated either cost neutrally or with a significantly lower subsidy. If the leisure market continues to improve and other sites move to profitability, then these may be able to offset some losses.

6.2.2 Discussions have been held, and will continue, with Ken Stimpson School regarding their continued use of the leisure centre, which this decision does not effect.

6.2.3 Gym members will be given a complimentary upgrade to Gold membership package. This will allow them to use the Regional Fitness and Swimming Centre and Hampton Leisure Centre for the duration of the closure. The upgrade has automatically been applied so members do not need to do anything. Alternatively, they do have the option to freeze their membership until the centre re-opens and there will be no charge for this.

6.2.4 Over 90% of bookings from groups that regularly use the leisure centre have been offered a new venue, although sometimes at a different time, and we hope the majority will be able to be accommodated elsewhere across the Peterborough Ltd portfolio.

### **6.3 Key Theatre**

6.3.1 In relation to the Key Theatre, our aim is to secure its future as a successful performing arts venue for Peterborough, alongside the many other cultural venues and assets already operating across the city. The decision taken to close the theatre is one based on financial performance only, in the context of the challenging financial position we are dealing with. The Key's future is unlikely to be able to include financial subsidy from the council, but there are many other options and opportunities that we will want to pursue to achieve the best outcome in otherwise difficult circumstances. The decision to close the Key does not abdicate us of our responsibilities to find a new operator with the right vision, experience, backgrounds and contacts to make the Key the success it deserves to be.

6.3.2 With that in mind, we have already been approached by six separate organisations interested in taking over the running of the theatre. All but one of these are already operating successful theatre venues, and all but two are located within Peterborough. To progress these discussions more formally, and in order to be able to reach a decision as swiftly as possible, the council will be inviting formal interest in the exclusive rights to

produce productions at the Key Theatre. This will enable the council to enter into a licence with an operator for a limited time. It may not be possible to achieve a positive outcome immediately, including by 17 January, but every effort will be made to do so as quickly as possible to limit the amount of time the Key remains closed. Members should also note that it may not be possible to achieve this outcome at all, but we will work intensively to do so.

- 6.3.3 At this stage, we believe the right outcome for the council and for the future of the theatre is its eventual sale to a professional theatre operator, who can make their own investments or secure external grant funding in ways we simply cannot. We are therefore likely to move towards disposal as a going concern, although a decision on this will be made as part of the development of a new assets strategy that forms part of the overall financial sustainability programme. This new Strategy is expected in January 2022, and a decision on the future ownership of the Key can be taken soon after. Given that any purchaser is likely to need time to raise the capital funds necessary to buy the Key, we will then defer the sale until autumn 2022 at the earliest to give time for that work to take place and for the viability of the theatre to be properly tested in the meantime.
- 6.3.4 The Key is home to the Key Youth Theatre, delivered by Kindred Drama. This highly successful Youth Theatre has operated from the Key since 1992 and over 400 children and young people take part each week. We want to support the Youth Theatre to continue to be able to operate, despite the current circumstances, in recognition of the huge value it contributes to the lives and experiences of young people. With that in mind, we are working hard to be able to confirm that the Youth Theatre can continue to run from the Key whilst the Theatre is closed, via a licence arrangement with Kindred Drama. We hope to be able to secure this until March 31 2022 in the first instance but will also be working with Kindred and any new operator of the Key to try to secure a longer-term future.
- 6.3.5 Finally, The Chalkboard operates the restaurant in the Key Theatre. This relatively new venue is operating very successfully, and the owners themselves have invested some of their own funds into the facilities to make the experience a memorable one. We have confirmed our commitment to supporting the owners wherever possible to either continue to operate from the Key Theatre or to identify an alternative location. Whilst the outcome of this work will likely be determined by whether or not we are able to identify a new theatre operator, in a similar way to the Youth Theatre we are working hard to enable The Chalkboard to continue to operate from the Key in the meantime, including whilst the rest of the Theatre is closed.

## **7. Conclusion**

- 7.1 The decision to close the Key Theatre and temporarily close the Werrington Leisure Centre was unavoidable, as set out in this paper, due to the financial losses and operational challenges experienced at both venues.
- 7.2 However, as also set out in this paper, the council is firmly committed to, and extremely actively pursuing, options that:
- increase income and opportunities across the rest of the leisure estate to support the eventual reopening of the Werrington Leisure Centre

- identify a new and experienced operator to take over the running of the Key Theatre,  
and
- mitigate the impacts on the regular users and contractors operating from the venues