

EXETER CITY COUNCIL**EXECUTIVE****13 APRIL 2010****EXETER NORTHCOTT THEATRE - UPDATE****1. PURPOSE**

- 1.1 To inform Members of the current position of the Exeter Northcott Theatre and the actions being taken to secure its future.

2. BACKGROUND

- 2.1 The City Council supports the theatre as a strategic arts organisation, providing a major contribution to the city's cultural life, with an annual grant of £85,000. The grant is provided on the basis of the Exeter Northcott agreeing to a broad Service Agreement approved by Grants Committee.
- 2.2 The City Council also supported the theatre in its campaign during 2005/06 for funding for its refurbishment and improvement. A capital grant of £550,000 was given to the theatre towards the total cost of the works of £2.3million. In addition, in order to bridge the final funding gap of £300,000 for the project, a further interest free loan of £200,000 was approved by Executive in January 2007. Repayment was agreed on the basis of £40,000 per annum, and the first repayment was made in September 2008. A second repayment due in September 2009 was deferred in the light of cash flow problems experienced at that time.
- 2.3 In February 2010, following a period of uncertainty over the solvency of the theatre, and after a number of shows failed to meet their targets, the Trustees of the Exeter Northcott Theatre Trust sought external professional financial advice. As a result they concluded that it was necessary to place the theatre into administration. This took place on 25th February 2010.
- 2.4 Since that date meetings have been held with the University of Exeter, the Arts Council and the administrator to determine how the theatre can continue to operate in the short-term, whilst addressing its financial position. Discussions have also taken place over options for its future.

3.0 PROGRESS

- 3.1 Following the assessment of the financial predicament of the theatre, the administrator has been working to reduce its current operating costs and address outstanding debts. The single main asset is the theatre's rehearsal and storage facility, Emmanuel Hall, in Cowick. It is understood that this is now for sale. It is also understood that nine staff have been made redundant.
- 3.2 With financial support from the Arts Council, the administrator has worked with the remaining theatre staff to enable most of the planned spring season of performances, except the in-house production scheduled for the end of April, to be delivered. In view of the indebtedness of the theatre, the current theatre organisation is unlikely to continue after this period.
- 3.3 It is almost certain that a new organisation will have to be created to run the theatre or an existing organisation will have to take it over, not the current Theatre Trust.

- 3.4 The University, Arts Council and the City Council are working together in trying to determine the options for a new organisation to run the theatre. Specialist advice has been jointly commissioned to urgently develop a business plan and proposed governance arrangements for a new organisation. Key to this will be identifying to what extent the theatre could be operated viably in the future, including assessing the potential for it to sustain or increase income and funding levels to match a realistic programme of activity.
- 3.5 It is proposed that the current level of funding support for the theatre, already included in budgets from the University and the City Council in this financial year is assumed for inclusion in drafting this new business plan. Grants Committee have approved in principle the City Council's grant of £85,000 for 2010/11, but final allocation of this grant should depend on the forecast viability of the theatre within the new business plan, and an assessment of the level of risk associated with that plan.

4. FINANCIAL IMPLICATIONS

- 4.1 Repayment of all or part of the remainder of the City Council's loan to the theatre depends on the value of the theatre's assets realised by the administrator. It is unclear when this will be finalised.
- 4.2 The cost of specialist advice and the preparation of the business plan will be about £10,000. This cost will be shared equally with the University and the City Council element will be funded out of the grant awarded for 2010/11.
- 4.3 It is proposed that If a viable proposal for a new organisation to run the theatre can be found, the Council maintains its grant support at no more than its current level of grant of £85,000, including the costs of preparing the business plan as referred to in 4.2.

5. RECOMMENDATION that:-

- 5.1 Executive supports the efforts being taken, together with the University and Arts Council, to determine a viable option for a new organisation to operate the Exeter Northcott Theatre.
- 5.2 The decision over whether the Council commits its grant of £85,000 to a new organisation operating the theatre is delegated to the Leader of the Council, the Portfolio Holder Economy and Tourism, the Chair of the Grants Committee, the Director of Community and Environment, and the Head of Economy and Tourism.

RICHARD BALL
HEAD OF ECONOMY AND TOURISM

ECONOMY AND DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1985 (as amended)

Background papers used in compiling the report:

1. Report to Executive 23 January 2007 – Northcott Theatre Development and Refurbishment