

East Herts Council Report

Audit and Governance Committee

Date of meeting: 31 May 2023

Report by: Councillor Sarah Hopewell, Executive member for Wellbeing

Report title: Hertford Theatre Pricing Strategy

Ward(s) affected: ALL

Summary

The purpose of this report is to outline the pricing strategy for the new Hertford Theatre building.

RECOMMENDATIONS FOR Audit and Governance Committee:

- a) To endorse the principle of, and approach to, charging for all aspects of the new Hertford Theatre building, as outlined in this report, in order to inform the Executive's consideration for adoption.

1.0 Proposal(s)

- 1.0 To introduce a new pricing strategy for the new Hertford Theatre building as described in this report.

2.0 Background

- 2.1 In 2018 Council approved a capital development scheme for the Hertford Theatre referred to as the Growth and legacy project. The project has seen a number of financial

challenges with inflationary pressures resulting from Covid, Brexit and the war on Ukraine.

- 2.2 The project is however now on track to complete in Spring 2024 and in readiness for this a pricing strategy including proposed fees and charges have been compiled to allow bookings to commence prior to opening.
- 2.4 The approach considers the Council's fees and charges policy including full cost recovery.
- 2.5 The strategy for determining costs used the following inputs:
 - Up to date capital investment figure for return on investment of £22.7m
 - Consideration of detailed VAT advice on hires and purchases to ensure charges have correct VAT treatment.
 - Consumer Price Index (CPI) uplift to reflect current prices
 - Up to date borrowing rate
 - Occupancy rates guided by 19/20 levels

Spaces for hire

- 2.6 A full pricing list for hire spaces can be found in Appendix A. A commercial rate and community rate have been included for the main auditorium and studio-theatre to ensure all sectors of the population are able hire the facilities. Commercial hirers include private organisations including limited companies and businesses, self-employed individuals. Examples include dance companies. Community hirers include schools, charities, social enterprises, children's parties, other local authorities and not-for-profit groups. For other spaces in the building there is a single rate only.

- 2.7 In line with the 2019, business plan which has been adopted for the current revised business plan the community room hire rate is £30 per hour for the first year of operation.
- 2.8 The percentage increase of the main theatre and studio reflects both inflation and the increase in capacity from 400 to 550 in the main theatre and from 60 to 150 in the studio. This percentage increase is in line with the business plan. It is worth noting that this uplift in capacity affords any hirer(s) the opportunity to increase their overall revenue return by an equivalent percentage. For example, a sold-out main theatre show for a hirer on a £15 ticket potentially returns £8250 per performance against £6000 previously. Or in the studio; £2250 against £900 previously.

Ticketing

- 2.9 In terms of cinema ticketing, the price will include VAT. At opening it is expected that the price of a cinema ticket on average for an adult will be £7 plus VAT. It is important to note that depending on the film screened, where it is screened in the new building and the date and time of the screening this cost will fluctuate.
- 2.10 A booking fee of £2.00 will be added to all ticketing transactions, this is in line with the business plan approval in 2019, this figure has been retained for the current business plan update. This fee will be reviewed annually.

Food and Beverage

- 2.11 At this stage of the opening plans it is too early to determine the detailed pricing of the food and beverage (F&B) offer however high-level pricing has been carried to determine

that for the first year of opening F&B pricing will be between £3.50 - £10 plus VAT.

- 2.12 It is proposed that the Head of Operations approves the detailed pricing for the food and beverage offer in consultation with the Theatre Director and requirements of the business plan.

Events, Productions and Merchandise

- 2.13 Each production that is curated to form part of the commercially focussed, culturally balanced, programme is made available to the theatre on a variety of terms: a guaranteed fee, a percentage box office split, or a combination thereof. This impacts on the potential price of the ticket which is negotiated with the producers or promoters to ensure parity with other venues and viability in relation to the business case. There are many moving parts to these deals, including terms on additional necessary technical staff, marketing, press, royalties, licenses, merchandise and other fees. Each event or production is negotiated individually to ensure best value for the theatre. There is no negotiation on cinema deals as these are delivered on set fees against percentage splits set by the film distributor. However, the face value of the ticket and any associated booking fees are set by the theatre itself.

Annual uplifts

- 2.14 All costs will be adjusted annually in line with September CPI in the previous year. The business plan and pricing from April 2024 onwards will be based on September 2022 pricing in order to progress bookings in advance of opening.

Reporting

- 2.15 As agreed at full Council in March 2022, a report on finances and performance of the Theatre will be provided to the Audit and Governance committee annually.

3.0 Reason(s)

- 3.1 Given the level of investment into the expanded offer and invest to save principles this was based on, the new pricing offer needs to recover the capital investment and contribute to the council's Medium Term Financial Plan (MTFP). Prices lower than those stated will impact the council's financial position and ability to re-pay the loan. This approach achieves what was set out in 2018, an investment that provides for the local community, contributes financially, and is protected as a non-statutory service by reducing its financial burden to the Council.

4.0 Options

- 4.1 Do nothing – NOT RECOMMENDED. Not charging to reflect the expanded offer means the council would operate the Theatre at a cost which will significantly impact the Medium Term Financial Plan. This goes against the original drivers for the project.

5.0 Risks

- 5.1 There is reputational risk associated with the introduction of any new charge which could possibly be amplified should users compare prices to the old building. It is important to note that the offer is different and larger and therefore providing hirers the opportunity to expand their return also.

6.0 Implications/Consultations

- 6.1 A number of implications have been considered as part of this report.

Community Safety

N/A

Data Protection

N/A

Equalities

Yes – Appendix B

Environmental Sustainability

N/A

Financial

Yes – the approach fulfils the requirements of the fees and charges policy and contributions to the medium term financial plan.

Health and Safety

N/A

Human Resources

N/A

Human Rights

N/A

Legal

Yes – contracts for hirers have been reviewed and updated as part of this process.

Specific Wards

No

7.0 Background papers, appendices and other relevant material

7.1 Appendix A – Spaces for hire charges HT

7.2 Appendix B – Equalities Impact Assessment

7.3 Appendix C – Summary of business plan

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