

Audit and Governance Committee

Date: 30th June 2026

Report by: Councillor Sarah Hopewell, Executive Member for Wellbeing

Report title: BEAM Trading Update

Ward(s) affected: Hertford Castle

Summary

- This paper covers the performance and financial position for the 2025/26 year, setting out challenges and control measures in place along with business plan targets for 2026/27 onwards

RECOMMENDATIONS FOR DECISION: That Audit and Governance Committee Members:

(A) Review BEAM's position and make any recommendations to the Executive Member for Wellbeing in regards to BEAM's performance and business plan targets

1.0 Proposal(s)

1.1 That Audit and Governance Members review BEAM's position and consider the new business plan targets

2.0 Financial Overview of 2025/26

2.1 At the previous Audit Governance Committee based on quarter 1 information BEAM was forecasting a loss of £275k. Further budget updates to Executive based on quarter 2 information increased the forecast loss to £475k for the 2025/26 year. After reviewing the year end position and making all the relevant adjustments, the loss for the year has been confirmed as £970,000.

- 2.2 This position is enormously disappointing and urgent work has taken place in the last two months to understand the main drivers of the loss, review the commercial roadmap and accelerate actions within it.
- 2.3 It is important to note that there is not one overwhelming factor that is driving the position. Likewise there is no 'silver bullet' solution and a series of smaller interventions across the business are required to collectively to address the challenge. The main reasons driving the loss are summarised below.

Income was below original business plan assumptions:

- 2.4 It had been anticipated during the year that income would not achieve the original business plan target of £4.8m however in the event it fell further short than expected. Actual income generated in 2025/26 was £2.878m for the whole year (£569k for the café and £2.309m for everything else).
- 2.5 While some expenditure does flex up or down in line with the number of shows and screenings, BEAM has significant fixed costs which remain largely unchanged regardless of activity levels. These include permanent staffing costs of approximately £1.1m and building and contract costs of circa £600k resulting in baseline operating costs of around £1.7m per annum before any tickets for live performances, cinema screenings or food and beverage are sold.
- 2.6 Income generated over the year must therefore cover fixed overheads as well as the variable costs associated with individual shows and screenings, such as production fees, additional staffing, bar supplies and security. Where shows under perform on ticketing income, this permeates through the business overall as it means fewer sales elsewhere in the building (eg. at the bar). Some shows over 2025/26 underperformed against expectations.
- 2.7 It should also be noted that income is accounted for in the year in which the show, screening or hire takes place. As a result, £440k of ticket sales and hire income received in 2025/26 relating to 2026/27 activity is deferred and will be recognised in the current financial year. By way of comparison, sales for shows in 2025/26

which were made in 2024/25 were circa £100k.

Expenditure was higher than expected

2.8 Total expenditure in 2025/26 was £3.849m. While this was below the £4.6m forecast in the original business plan, it was high relative to the level of income generated. Key drivers of overspend included:

- Staffing costs – expenditure on casual staff was higher than forecast
- Food offer – this made a loss overall given the start-up costs involved for launching it a new service
- Supplies and services costs which were higher than forecast including IT licences, card transactions fees and security

2.9 Whilst other key areas of spend came in as per budget, the reduced level income combined with higher than forecast expenditure has created the overall loss. The following table provides this in more detail:

Expenditure	2025/26 Budget as per original business plan	2025/26 Actual	Variance against original business plan
	£	£	£
Employees	1,288,700	1,395,235	106,535
Property	582,340	464,990	-116,953
Transport	3,500	2,641	-859
Theatre Expense	1,327,810	839,304	-488,506
Panto Expense	270,000	263,357	-6,643
Cinema Expense	360,680	164,253	-196,427
Food & Beverage Other Supplies & Services	387,500 392,620	191,586 527,730	-195,914 135,110
Total Expenditure	4,613,150	3,849,096	

<u>Income</u>	-		
Theatre	-2,036,270	-1,221,668	814,602
Panto	-390,000	-295,406	94,594
Cinema	-721,360	-438,048	283,312
Food & Beverage	-1,232,850	-569,278	663,572
Other	-432,670	-354,471	78,199
Total Income	-4,813,150	-2,878,871	
Actual year end position for 2025/26	<u>970,225</u>		

3.0 Controls in place

3.1 A number of actions were already in the process of being implemented to improve the commercial outlook. Many have been accelerated since the end of the year and they include:

- **New business plan** – based on operational reality after being fully open for twelve months, targets for which are in see section 5
- **Live programme** – programme is now more risk averse, underpinned by commercial framework, focusing on shows and genres that are more likely to generate a surplus, building on the audience participation strategy. It is worth noting that the advanced nature of programming means that changes brought in by the Venue Director in early 2025 are only starting to materialise now
- **Review of contract spend** where we think savings can be made through re-tendering and/ or reducing the specification (eg. the cleaning contract)

3.2 Additional urgent actions have also been implemented including:

- **Dedicated finance business partner support** – a dedicated finance business partner will be embedded within BEAM for a twelve-month period to provide full time, focused financial support and build out new

reporting processes. This will include deeper analysis of costs and income drivers, improved show-by-show financial reporting, strengthened budget monitoring, and support to management in identifying further efficiencies and value-for-money opportunities.

- **Review of opening time against profitability** – traditionally Mondays and Tuesday are less busy with no cinema screenings and few live shows. We rely on regular hirers and passing café trade which can be unpredictable and reliant on variables such as the weather. After a full review of income and expenditure on these days BEAM will be extending cinema programming into Mondays to maximise income and the building will close earlier in the evening (when hirers are finished) to save costs
- **Responsive ticket pricing** – there is the option to simply increase prices to drive up income. However the pricing strategy is sensitively based on benchmarking, producer costs and competition in the market. A universal increase may therefore be detrimental to income and drive audiences away. Instead we are rolling out a responsive pricing model which will increase prices in accordance with demand, or may offer cheaper rates in some cases where there is low demand. This will be trialled on specific shows in the coming months. It is worth noting that BEAM tends to perform quite well on ‘pay what you feel’ shows where contributions are, on average, slightly above what we would typically expect
- **Review of the food offer** – hospitality generally remains a difficult sector in which to operate. BEAM has the added challenges of being in a town with a highly competitive café and restaurant market. The food offer has been well received however and we are still in the process of growing its importance in the overall offer. For 2026/27 we have some catered events booked in (which provide higher margins) and will also look to launch a takeaway/ delivery service and loyalty scheme. The overall profitability of the food offer will be reviewed again towards the end of 2026/27

3.3 April and May have been strong months for BEAM sales and provide confidence that the changes made to date are delivering the growth needed. Our forecasts for Q1 indicate substantial year on year growth in the following areas:

- Stage attendance: +58%
- Cinema attendance: +39%
- Ticketing commissions: +30%
- F&B Income: +32%

3.4 The quieter summer period provides us with the opportunity to make good progress on a number of our current actions, ahead of an autumn/winter period, which is set to be our busiest yet. The next formal update on BEAM's position and forecast for 2026/27 will be mid July, based on the quarter 1 position.

4.0 Operational update on 2025/26

4.1 BEAM has now completed a full year of trading across all spaces, transitioning from launch into a more operationally stable and commercially focused model. Over this period, the organisation has had a clear focus on improving operating margins, reducing commercial risk exposure, and strengthening long-term sustainability.

4.2 Some key statistics from BEAM's first full year of operation are outlined below:

- Delivered 3,170 ticketed events
- Welcomed over 77,000 people to live Stage shows
- Welcomed over 53,000 people to film screenings
- Hosted 862 youth or community workshops
- Sold nearly 122,000 drinks at café bars
- Provided cultural experiences to over 12,000 children and young people
- Sold over 85,000 tickets to East Herts residents
- 36% of Stage audiences were first-time visitors
- 23% of Film audiences were first-time visitors
- Delivered over £2,000,000 in local economic impact

4.3 These outputs demonstrate strong audience engagement and reach. Alongside this, BEAM has implemented a structured programme of financial stabilisation actions, focused on three core areas:

- Revenue optimisation (maximising yield per customer and per event)
- Cost efficiency (reducing fixed and variable costs)
- Risk management (ensuring sustainable, lower-risk growth)

4.4 At the previous update to Audit and Governance Committee in 2025 a number of actions aligned to these principles were outlined. Updates on progress since then is provided below.

Programming Approach Impact

4.5 Changes to the programming model - particularly the introduction of a more structured programming framework and improved commercial contracting - are starting to have a substantial impact on BEAM's financial stability.

4.6 Historically, aspects of programming exposed the organisation to disproportionate financial risk through high fixed costs and uncertain demand. That is to be expected to some extent with a new venue as it tests audience interest and preferences. However the revised approach prioritises portfolio balance, margin protection, and reduced break-even thresholds, creating a more sustainable and predictable income profile.

4.7 Due to long programming lead times, the benefits of these changes are emerging gradually, but performance indicators show clear positive movement. Comparing September–March across 2024/25 and 2025/26:

- 10% increase in stage attendance
- 11% increase in average ticket price
- 59% increase in ticketing commissions
- 576% increase in transaction fees
- 47% increase in overall ticket sales
- 12% increase in Stage occupancy

4.8 These results reflect successful implementation of yield optimisation strategies, including adjusted pricing structures, commissions, and ancillary revenue streams.

4.9 Programme development continues and we are currently making considered changes to programming strands - including across Cinema, to ensure that every strand is meeting is strategic and financial

objectives. We are also in the process of preparing to extend Cinema programming into Monday daytimes, to capitalise on high footfall from some audience segments.

Embedding Entrepreneurialism

- 4.10 Embedding entrepreneurial thinking across all departments has been a key part of transitioning to a commercially disciplined operating model. For example, marketing BEAM as a venue for corporate events would be labour intensive and require a reasonable financial outlay. We have partnered with a booking platform which connects corporate clients to venues based on their needs. The platform takes a commission from any bookings ensuring our approach requires no upfront investment. We have a number of events booked in for the 2026/27 year.
- 4.11 This approach has reduced reliance on static or legacy processes and encouraged data-driven decision-making, cost recovery, and revenue accountability across teams. As a result, between September and March there has been a 16% increase in cost recovery across Technical and Marketing areas
- 4.12 This reflects the wider organisational shift toward commercial sustainability over volume growth and margin improvement over headline revenue.

Commercialisation of Digital Presence

- 4.13 In March 2026, BEAM launched a new website as part of a broader digital transformation strategy, designed to improve conversion rates, enhance customer experience, and act as a key revenue driver.
- 4.14 Digital channels are central to BEAM's commercial model, enabling both revenue growth and operational efficiency through improved user experience and reduced manual intervention. Although digital exclusion can be a challenge for some, less than 3% of overall tickets are sold in person at the venue.
- 4.15 Performance improvements compared to the previous website include:

- Reduction in abandonment rate to 2.2% (68% improvement)
- 9% increase in basket value
- 27% conversion rate (industry benchmark: 12.6%)
- 2,600% growth in membership purchases

4.16 The website has also received two awards for web excellence, reinforcing the strength of the platform.

4.17 Further enhancements are underway to strengthen yield optimisation and customer journey conversion, including:

- Apple Pay and Google Pay integration
- “Buy Now, Pay Later” (*Klarna*)
- Ticket protection (“*Secure My Booking*”)
- One-click checkout functionality
- Integration of pre-ordering for F&B

4.18 Customer feedback remains strong, with a satisfaction score of 9.1/10 as of May.

Launching a Food Offer

4.19 The in-house food offer is now embedded and forms part of BEAM’s long-term strategy to grow high-margin secondary spend and diversify revenue streams.

4.20 While overall profitability is still developing, early indicators are positive:

- 16% growth in food sales from Q3 to Q4
- Transactions including food increase total spend by ~25%

4.21 The introduction of food has also unlocked growth in meetings, events, and conferencing, where catering is a key requirement. Operational

restructuring (moving Non-Theatrical Hires activities to the Operations team) has improved cross-selling and revenue capture. This aligns with the broader strategic objective of maximising spend per head (SPH) and integrating F&B within programming and events activity.

Food and Beverage (F&B) Developments

4.22 F&B remains a key focus area due to its strong margin potential and role in enhancing customer experience. Across the last year SPH has increased by 27% compared to 2024/25.

4.23 Ongoing developments are focused on increasing revenue and improving margin efficiency:

- Reviewing cinema F&B offer
- Exploring takeaway partnerships (e.g. Deliveroo)
- Introducing pre-theatre packages integrated into ticket purchase flow
- Exploring loyalty schemes for daytime usage

4.24 These initiatives reflect a strategic shift toward data-led upselling, improved pricing, and better integration of F&B across the customer journey.

Pantomime

4.25 A revised commercial approach to pantomime delivery, including our partnership with *Imagine Theatre*, has demonstrated the benefits of stronger commercial frameworks and revenue optimisation.

4.26 Year-on-year performance improvements include:

- 20% increase in attendance
- 11% increase in average ticket price
- 46% increase in ancillary income

4.27 Advance sales for our upcoming production of *Jack & The Beanstalk* (also to be delivered in partnership with Imagine Theatre) are already ahead of prior year by 1,379 tickets, indicating strong continued growth.

Stage 2 Performance

4.28 The first year of Stage 2 highlighted operational challenges, particularly the high cost of changing configurations. In response, we have implemented a revised programming approach aligned with operational simplicity and cost efficiency, ensuring that programming fits predetermined configurations rather than driving costly changes. This has:

- Reduced staffing and operational costs
- Improved margin performance
- Enabled more predictable and sustainable programming

4.29 Additionally, improved understanding of audience demand (from careful analysis of the programme across the first year) has allowed future programming to focus on events with stronger financial performance potential.

5.0 Future Business Planning

5.1 Over recent years, the Arts & Culture sector has changed dramatically - costs of creating shows, touring and running venues has risen significantly, but ticket prices haven't risen in line with these costs putting significant pressures on the margins for live events. Similar challenges are evident in the Cinema sector, which is still seeing attendance figures that are 30% lower than 2019.

5.2 As a result of these challenges, we have created a new Business Plan rooted in the reality of the current Arts & Culture Marketplace. This new plan is designed to ensure that ambition can remain ringfenced at a time of potential turbulence.

5.3 In creating this Business Plan, we have drawn from a number of sources including:

- Actual figures from 2025/26
- Growth metrics since opening
- Sector Benchmarks for Theatre, provided by TRG Arts
- Sector Benchmarks for Cinema, provided by the Independent Cinema Office and British Film Institute.

5.4 In looking ahead, we have also considered the following reports:

- Arts Council England's report: *The State of Touring across the Performing Arts Ecology*. Published April 2026.
- UK Theatres report: *Theatre In The UK 2026 Report*. Published March 2026.
- BFI's report: *UK Box Office January – December 2025*. Published in February 2026.

5.5 Given challenges across the sector, we have been considered in where we are forecasting growth and at what pace. The new plan sees us transition towards a break-even point around 2028/29. The growth within this is measured, achievable and based on data.

	26-27	27-28	28-29
Staffing Costs	£1,377,553	£1,537,538	£1,591,466
Building Costs	£225,915	£238,086	£248,215
Utilities	£333,743	£352,870	£374,933
Programme Costs	£1,949,753	£2,102,820	£2,306,882
Operational Costs	£464,832	£513,515	£559,641
Other Costs	£26,004	£28,604	£29,749
Total Costs	£4,377,801	£4,773,434	£5,110,885
Programme Income	£2,651,631	£3,008,115	£3,355,911
Hire Income	£211,420	£223,280	£235,971
Café Sales	£849,450	£960,912	£1,065,895
Other Income	£381,329	£417,474	£451,975
Total Income	£4,093,830	£4,609,781	£5,109,752
Outturn	-£283,971	-£163,653	-£1,133

5.6 The above plan has been created in conjunction with Finance colleagues and has been tested and scrutinized to ensure

accuracy. In due course this will be built in the Council's Medium Term Financial Plan.

6.0 Reason

6.1 Audit and Governance Committee are required to have an annual update on BEAMs position.

7.0 Options

7.1 N/A – no recommendations made other than for Audit and Governance Members to make recommendations to the BEAM Board or Executive Member for Wellbeing

8.0 Risks

8.1 The paper covers key areas of risk facing BEAM (see sections 2.0 and 3.0) and mitigating actions in place.

9.0 Implications/Consultations

9.1 N/A

Community Safety

N/A

Data Protection

N/A

Equalities

BEAM is a fully accessible building. In addition the BEAM Board have recently agreed an overall programming framework which sets out the principles behind programming. Ordinarily the venue will not programme events that are designed primarily to promote political parties, ideologies, or candidates, religious beliefs, contain extremist content or pose a risk to public safety, community cohesion, or are inconsistent with the Equality Act 2010 or any UK laws prohibiting discrimination or hate speech.

The actions being implemented, such as responsive ticketing will also be considered in the context of any equalities impacts.

Environmental Sustainability

Beam recently won the sustainability prize at the UK Theatre Awards and a sustainability award at the RIBA East Architectural Awards. Alongside this we are still intending to install PV panels on the roof of the building (funded via the UK Shared Prosperity Fund)

Financial

As detailed in the report

Health and Safety

N/A

Human Resources

N/A

Human Rights

N/A

Legal

N/A

Specific Wards

Yes – Hertford Castle

10.0 Background papers, appendices and other relevant material

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