



## **TOURISM, COMMUNITIES, CULTURE & LEISURE COMMITTEE**

**7 March 2024**

<b>REPORT TITLE:</b>	<b>FLORAL PAVILION – FUTURE OPERATIONAL MODEL</b>
<b>REPORT OF:</b>	<b>DIRECTOR OF NEIGHBOURHOOD SERVICES</b>

### **REPORT SUMMARY**

This report provides members of the Tourism, Communities, Culture & Leisure Committee with an update and information on the proposed short term and medium to long term operational proposals for the future of the Floral Pavilion Theatre & Conference Centre in New Brighton.

In 2023-24, the Floral Pavilion was identified as a potential area for significant savings as part of the Council’s Medium Term Financial Plan. At the July 2023 meeting of this Committee, members expressed concern at the estimated budgeted out-turn for the Floral Pavilion of circa £1.4m. The forecasted net cost of provision for the Floral Pavilion at year end 2023/4 is estimated to be circa £803k. The operational net subsidy for the 2024/5 financial year has been set at £500k.

This report meets the following priorities in the Council Plan 2023-2027

- Safe, resilient and engaged communities

This is not a Key Decision and affects the New Brighton Ward

### **EXEMPT INFORMATION**

Appendix 1 to this report contains exempt information as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 ‘Information relating to the financial or business affairs of any particular person (including the authority holding the information).’

### **RECOMMENDATION/S**

The Tourism, Communities, Culture and Leisure Committee is recommended to authorise the Director of Neighbourhoods to:-

Continue to operate the Floral Pavilion as a Council asset for the 2024/5 financial year the within a net operational budget of £500,000, whilst continuing to identify and implement any efficiency or operational savings as are required to remain within this budget.

Implement the immediate efficiency measures identified in the Section 4.2 to 4.4 of this report; and

Continue with the process of market engagement to establish an alternative operating model to protect the future provision and retention of the venue including the appointment of a commercial operator or the establishment of a charitable trust.

## **SUPPORTING INFORMATION**

### **1.0 REASON/S FOR RECOMMENDATION/S**

- 1.1 The Council's Section 151 Officer has undertaken an extensive process of realignment of service budgets. This process has addressed historic legacy savings and income targets for the Floral Pavilion to provide a true representation of the actual operational cost (subsidy) to the Council of operating the facility.
- 1.2 The forecasted net operational subsidy for the Floral Pavilion at year end 2023/4 is estimated to be circa £803k. The operational net subsidy for 2024/5 has been set at £500k. This will require the service to make in year savings in 2024/5 of £303k. A series of measures have been identified by which this can be achieved and are set out in this report. By way of comparison, the subsidy for the Floral Pavilion in 2017/8 was £961,500.
- 1.3 If the venue were to close, the estimated holding costs have been calculated to be in the region of £321k per year and for every year during which the asset remains inoperative. A breakdown of these costs is provided within Section 4.5 of this report. This excludes any redundancy costs (one off) based on 55 (46.5 FTE) employees estimated at £318.7k. It also excludes any refunds, contract termination costs, unforeseen security or costs of depreciation. These costs of the asset remaining closed could therefore significantly diminish any saving associated with a closure decision.
- 1.4 Remaining operational for the 2024/5 financial year will allow sufficient time for the Council to consider alternative operating delivery models, third party interest, or an alternative use for the asset. The venue will also remain available for the hosting of events and activities planned for the 2024 Borough of Culture year.

### **2.0 OTHER OPTIONS CONSIDERED**

#### **Partial closure whilst retaining the Theatre and Bar Only**

- 2.1 The option of partial closure whilst retaining the Theatre and Bar only and cessation of all other functions has been considered. There is however a healthy demand for the shows and performances within the theatre and audience numbers remain strong. The UK Theatre Association in its UK Theatre Association Presenting and Receiving Venues 2019 report. (2019) states the average capacity for a receiving venue with a size of 800 – 1000 seats is 61%. The Floral Pavilion comparably achieved 68% capacity proving above average attendance levels for the same

period. Cessation of many other secondary spend provisions such as catering, dining and conferencing could further reduce the overall subsidy and the conference centre could close with alternative use of the space. The removal of services such as pre-theatre dining could have a negative effect on theatre ticket sales, although the risk here is deemed low as there are numerous food and drink establishments within the immediate area. There would also be a requirement to significantly reduce the level of staffing required at the venue and some reputational risk to the Council. Whilst not recommended, this option does remain realistic and deliverable.

### **Full closure of the asset and ceasing all services**

- 2.2 The option of full closure of the asset and ceasing all services has been considered. There is no statutory obligation for the Council to provide a theatre or conferencing function. The risk of any legal challenge is therefore diminished however not eliminated as the Council would have to undertake meaningful consultation with any representative user groups associated with the venue. It is however the only large theatre provision on Wirral and previous consultations have established that residents overwhelmingly value the Floral Pavilion and its ability to host events for the borough which otherwise would be undeliverable elsewhere. The complete removal of this provision would undoubtedly cause reputational issues for the Council.

No alternative plans for the asset have been proposed, however a closure decision would not preclude, and could in fact run in parallel with a process of market engagement to establish the feasibility of an alternative operating model to determine the future provision of the venue via a transition to another operator or trust. Due to its size and prominence, closure could have an adverse impact on the streetscape along Marine Promenade. Welcoming over 300,000 visitors a year and an economic value worth millions, closure could have significant impact and reduce the attractiveness of New Brighton as a visitor destination. All associated costs for both the closure of the operation, and retention of the site need to be considered. This option is not recommended, but if it were to be pursued Section 3 Local Government Act 1999 would require the Council to consult representatives of service users and local taxpayers on the proposal before any decision were made to close the only large theatre in Wirral. This would be a major policy decision. The reasons for the proposal would have to be clearly stated, together with a summary of the reasons why other options for savings were not considered to be adequate. The consultees would have to be invited to state their views on the proposals and given a reasonable amount of time to respond (e.g., 6 weeks or more) before any decision were made by the Committee. The Committee would have to take conscientious account of the representations received before reaching a decision and would further have to take into account all relevant considerations at that time, The Committee would not however have to accept the majority opinion of consultees but would have to give reasons for rejecting it.

### **Commercial Redevelopment / Investment of Existing Asset**

2.3 The Council could consider the partial redevelopment of the underutilised areas of the Floral Pavilion to adapt the asset and bring forward revenue-generating uses. This would require a remodelling of the internal space within the building to reshape the offer with a particular emphasis on the Conference Centre side of the building. This could refocus the commercial offer away from the traditional conference market, and towards weddings, live music, cabaret and a community arts hub / other community uses. This option is not recommended for the following reasons:-

- (1) It would require a substantial level of capital investment from the Council to enable these changes, and grant funding may also be required. There is no assurance that a redeveloped site may provide a future level of income necessary to sustain the venue, or to mitigate the Council's requirement to provide a subsidy. Any cost of borrowing would also need to be incorporated into any modelling. This would be both high risk and unaffordable.
- (2) There is an immediacy, in that the Council needs to find solutions that provide financial sustainability in the medium-term financial plan and beyond. Significant remodelling and redesign of the venue would likely be a three-to-five-year programme and subject to any planning requirements as are necessary. During this time, the venue would continue to attract an existing level of subsidy.

### **Redevelopment of Venue via Asset and Service Consolidation**

2.5 The Council's Asset Strategy 2022-2027 aims to secure financial stability in driving forward service improvements that maximum value for money. One of the core principles is to ensure that a primary focus is given to consolidating the Council's assets to reduce its overheads and improve service integration through co-location, putting the customer first in all service planning and reducing the carbon emissions of the estate to as low as practicable to ensure that net zero is reached by 2030. The Floral Pavilion provides an opportunity to explore the co-location of other services in the area around Wallasey and New Brighton to reduce the overall cost, footprint and extent of the Council's estate whilst providing an integrated community hub model with complementary services for the area. Such models of service co-location are becoming increasingly commonplace in local authority service delivery. This option is not recommended at this time however could provide scope for future consideration alongside the Masterplan work taking place in New Brighton.

## **3.0 BACKGROUND INFORMATION**

3.1 The venue has been in situ since 1913 and was redeveloped into a theatre and conference centre in 2008 after a complete rebuild as part of the £60m Neptune Project. It is the largest theatre on Wirral and is valued extensively by residents. It comprises an 814-seat theatre, a foyer plaza, bar, and four areas for general hire. The 2008 rebuild was funded through a combination of Council Capital and external grant funding as follows:-

European Regional Development Fund grant (ERDF)	£4.5 million
North West Development Agency grant (NWD)	£3.7 million.

Council capital funding

£2.9 million

- 3.2 Any clawback agreements relating to the NWDA grant ended in December 2018 meaning that no grant would be repayable. The ERDF grant was subject to a 20-year agreement from the date of completion (18<sup>th</sup> December 2008 – 18<sup>th</sup> December 2028). On 6 February 2024, the Council has received confirmation from the Department for Levelling Up, Housing & Communities that no ERDF grant would be repayable.
- 3.3 The Floral Pavilion attracts approximately 300,000 visitors a year and will typically host over 880 events, performances, or rehearsals in any given year. On average 78% of Floral Pavilion customers have a postcode from within the Borough, indicating that the main users of the venue are local people. The venue provides a forum for meetings, events, weddings, and conferences amongst other uses and makes a significant contribution to local economic activity within New Brighton
- 3.4 A 2017/18 consultation established that residents value the Floral Pavilion and overwhelmingly wish it to remain open and accessible to all (70.4%), remain affordable to use (57.6%) and provide services that are of a good quality (48%). Respondents were less concerned as to whether it was the Council who continued to operate the service (27.8%).
- 3.5 The Council's Local Plan identifies New Brighton as a priority area for regeneration in recognition of its potential, as a high-quality visitor destination and sustainable community. The Council has commissioned work on the production of a New Brighton Neighbourhood Framework and Marine Promenade Masterplan. The Neighbourhood Framework will provide an ambitious vision and a clear framework to drive forward and guide the sustainable economic growth and renewal of New Brighton over the next 15 years, covering the New Brighton Regeneration Area. The Marine Promenade Masterplan (Local Plan reference MPA-RA10.1) will provide more detailed guidance on design parameters for the area stretching from the Floral Pavilion to the junction of Rowson Street and Marine Promenade. The Masterplan has been subject to public consultation in Autumn 2023, and is to be adopted as a Supplementary Planning Document following the adoption of the Local Plan
- 3.6 Any decisions on the future of the Floral Pavilion future could have implications for the regeneration ambitions for New Brighton. In March 2023, the design consultants for the Marine Promenade Masterplan to explore future options for the Floral Pavilion. A copy of the final report is provided as Appendix 1 to this report. Appendix 1 contains exempt information as defined in Schedule 12A of the Local Government Act 1972. It is in the public interest to exclude the press and public under Paragraph 3 'Information relating to the financial or business affairs of any particular person (including the authority holding the information).'

#### **4.0 FINANCIAL IMPLICATIONS**

- 4.1 The net operational budget for 2024/5 for the Floral Pavilion has been set at £500,000. The service will undertake changes to its operating practices to achieve the net £303k savings requirement via a mixture of cost saving measures and income generation. A breakdown of the 2024/5 budget is provided in Table 1 (below) All proposed measures have been through a validation and feasibility exercise

between the service and the Council's financial assurance team. The achievement of the measures and cost control will be rigorously monitored on a month-by-month basis by both parties.

**Table 1 - Floral Pavilion Financial Profile 2024/5**

<b>Detailed draft budget</b>	<b>Theatre</b>	<b>Hospitality</b>	<b>TOTAL</b>
Employee	1,107,576	510,228	1,617,804
Agency Staff	15,000	-	15,000
Repairs & Maintenance	70,000	-	70,000
Electricity	161,300	-	161,300
Gas	58,700	-	58,700
Water Charges	25,000	-	25,000
Cleaning Materials	7,000	500	7,500
Window Cleaning	5,000	-	5,000
Security	8,000	-	8,000
Cleaning Contract	84,000	-	84,000
Insurance - Premises	9,600	-	9,600
Car Allowances	500	1,500	2,000
Office, Tools/materials	-	5,000	5,000
Catering equipment	-	15,000	15,000
Fire safety equipment	1,300	-	1,300
Computer Equipment	57,000	3,000	60,000
Provisions - Food	-	304,500	304,500
Uniform & Laundry	1,000	500	1,500
Cash Collection Fees	208	-	208
Purchase Of Paper	200	-	200
Stationery - General	200	-	200
Comms/Postage	5,000	-	5,000
Marketing/Promotion	140,000	3,000	143,000
Subsistence	800	500	1,300
Insurance	1,400	-	1,400
Performing Rights	80,000	-	80,000
Spec.Prom.& Attractns	1,746,988	-	1,746,988
Online Booking	500	-	500
Hired services	20,000	-	20,000
Bank Charges	100,000	-	100,000
<b>TOTAL EXPENDITURE</b>	<b>3,706,272</b>	<b>843,728</b>	<b>4,550,000</b>
Admission Charges	- 3,180,000		- 3,180,000
Catering	-	- 870,000	- 870,000
<b>TOTAL INCOME</b>	<b>- 3,180,000</b>	<b>- 870,000</b>	<b>- 4,050,000</b>
<b>NET BUDGET</b>	<b>526,272</b>	<b>- 26,272</b>	<b>500,000</b>

- 4.2 It is proposed that the Floral Pavilion will cease to provide an in-house catering function for event provision. Any parties wishing to hire the venue for events will be required to source external catering. A commission fee of up to 20% will be applied to external catering companies using the facilities at the venue. Savings will also come from reduced purchasing of supplies. The associated saving with this service change is estimated to be circa £140k per annum. There will be a requirement to reduce the existing workforce by 4 FTE via redeployment or voluntary / compulsory redundancy.
- 4.3 The venue is increasing its performances from 350 individual in the theatre in 2023/4 to 370 in 2024/5 resulting in a significant increase in forecasted income. In late 2023 the programming business strategy was rewritten to actively challenge the competition in Liverpool. The strategy was to decrease the amount of tribute shows and build a reputation for original music, comedy and larger touring musicals and plays. This is now bearing fruit with the award-winning musical Blood Brothers, a host of nationally acclaimed musicians, comedians and celebrities such as Jason Donovan, David Walliams and Marc Almond and West End transferred performances such as Jane Austen (a West End transfer).
- 4.4 Reductions in agency worker costs of £50k will be achieved via the remodelling of staffing structures within the building. These largely include more utilisation of volunteers and reducing opening hours of the café. Other elements such as the use of self-service ticket machines seen at cinemas and other venues will reduce box office staffing hours.
- 4.5 As identified in Section 1.3 of this report, the annual holding costs associated with any closure of the asset have been estimated as follows-

**Table 2 – Forecast Annual Holding Costs for Floral Pavilion site**

<b>Category</b>	<b>Amount</b>
Security, Repairs & Maintenance	£162K
Electricity	£50K
Gas	£25K
Water	£25K
Rates	£35K
Insurances	£11K
Capital Repayments	£13K
<b>Total</b>	<b>£321K</b>

## **5.0 LEGAL IMPLICATIONS**

- 5.1 There are no legal implications associated with the recommended option in this report.
- 5.2 Legal implications may exist if any of the other options are adopted, notably: -

- Contractual arrangements & associated penalties due to closure – predominantly associated with customer refunds and early termination of contracts and producer agreements.
- Redundancy / TUPE arrangements
- Stakeholder consultation requirements where there is a reduction or cessation of core services associated with the venue.

## **6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS**

- 6.1 The Floral Pavilion currently employs 55 staff (equivalent to 46.5 FTE). In accordance with the Council's redeployment policy, any employees affected by any closure, cessation service or cessation of part of any service would be offered suitable alternative employment within the Council where any such vacancies may exist.

## **7.0 RELEVANT RISKS**

- 7.1 Any operation of a commercial nature will always carry a risk of under achievement of income, or increases in costs, sometimes because of macroeconomic factors. The financial position of the venue will be closely monitored on a month-by-month basis by the service in partnership with the Council's Financial Assurance Team and interventions designed to remedy any overspend will be implemented as required. All income forecasts assume 84% achievement (as opposed to a 100% full achievement). Achievement of income and control of costs will be rigorously monitored on a month-by-month basis by both the Director of Neighbourhood Services and the Council's Financial Assurance team. In the event of any variance from budget, appropriate and proportionate interventions will be used to address any adverse position.
- 7.2 There is a risk that the market engagement process will not return an interested party willing to assume operation and future development of the venue. Likewise, any interested party may seek a level of annual subsidy, and / or up-front investment from the Council for assuming control of the asset. A comprehensive evaluation and assessment process will be developed to manage any process. It is expected that a period of negotiations between any potential provider and the Council will be required with any subsequent proposition being reported to this Committee for approval.
- 7.3 If outsourcing were to be considered the principle would need to be put out to public consultation in accordance with the requirements of Section 3 of the Local Government Act 1999 as explained above in relation to closure. This would occur at a point when it became clear that outsourcing would be a feasible proposal but before any detailed negotiations were entered into pursuant to a formal procurement.
- 7.4 The building is significant in size and located in a prominent beachfront position within a tourist destination. There is no identified plan as to what the Council would do with the asset in the event of a closure decision, whereby the asset could remain unoccupied for a significant period of time creating a reputational risk.

## **8.0 ENGAGEMENT/CONSULTATION**



- 8.1 An informal workshop of members of this Committee met on 11<sup>th</sup> October 2023 with 4 options presented to determine the future of the Floral Pavilion Theatre and Conference Centre. Members requested the 4 options to be considered to identify risks, opportunities, review previous recommendations and to present a report back for a formal decision.
- 8.2 Consultation with trade unions and the affected staff would be required if it were proposed to terminate the employment of those working in the Floral Pavilion, on the grounds of redundancy.

## **9.0 EQUALITY IMPLICATIONS**

- 9.1 Wirral Council has a legal requirement to make sure its policies, and the way it carries out its work, do not discriminate against anyone. An Equality Impact Assessment is a tool to help council services identify steps they can take to ensure equality for anyone who might be affected by a particular policy, decision or activity.
- 9.2 There are no equality implications associated with the recommended option in this report. An equality impact assessment may be required for the adoption of any of the other options considered. Any associated actions from the recommended option may need an Equality Impact Assessment and this will be done at the earliest stage of development.

## **10.0 ENVIRONMENT AND CLIMATE IMPLICATIONS**

- 10.1 There are no significant environment or climate implications associated with the recommended option within this report. Due regard will be given as appropriate in respect of procurement and expenditure decision-making processes that contribute to the outturn position.

## **11.0 COMMUNITY WEALTH IMPLICATIONS**

- 11.1 The Floral Pavilion makes a number of significant contributions to the Community Wealth Building agenda, including the employment of apprentices and care leavers, a resident choir, thriving volunteer programme (170 regular volunteers) and the hosting of many community focussed activities within the New Brighton area. Any future operating model should be designed to sustain and build on this foundation to provide new opportunities for community wealth building. The local focus of activity within New Brighton has the potential to complement the existing offer and create new economic opportunities for local groups. The Social Value calculation for the choir and volunteers is estimated at c. £370k.
- 11.2 The Floral Pavilion also delivers social projects with diverse resident and community benefits such as its beach wheelchair project allowing those who require the use of a wheelchair access to the local beaches.
- 11.3 According to the Society of London Theatre and UK Theatre in the document Priorities for an Incoming Government October 2023 it is stated that theatre audiences contribute to additional spending in local economies. When visiting a performance. For every £1 spent on a theatre ticket, an additional spend of £1.40 is

generated in local economies, adding up to £1.94bn per annum of extra value added to local economies by theatre audiences.

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## **APPENDICES**

### **Appendix 1 – Consultant Report - Options for Floral Pavilion, New Brighton, March 2023**

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### **BACKGROUND DOCUMENTS**

### **SUBJECT HISTORY (last 3 years)**

<b>Council Meeting</b>	<b>Date</b>