

## **Policy and Resources Committee – 25 November 2020**

### **Part 1**

#### **Briefing Paper Hazlitt Theatre Referral**

##### **Introduction**

In accordance with Council procedure rule 33 which requires a minimum of three Councillors to call-in a decision of a Service Committee, six Councillors have called in the following decisions of the Economic Regeneration and Leisure (ERL) Committee:

That:

1. It be recognised that subsidy paid to Parkwood Theatres to operate the Hazlitt Theatre is not sustainable under the Council's new Medium-Term Financial Strategy;
2. The Council should seek to reduce its monthly expenditure on the Hazlitt Theatre complex to a maximum of £8,630, that being the amount it would cost for the Council to mothball the building;
3. The Head of Regeneration and Economic Development enter into discussions with Parkwood Theatres and terminate the Hazlitt Theatre contract; and
4. Alternative uses, in the short and medium term, be looked into.

The reasons for the decision referral are attached at **Appendix A**.

##### **Decision Referral Process**

The constitution outlines the process for the referral of a Service Committee's decision to Policy and Resources Committee.

The Councillors who have referred the decision shall have the opportunity to present their reasons for referral. They are then able to participate in the discussion and debate.

The Chairman of Economic Regeneration and Leisure Committee supported by the Head of Regeneration and Economic Development will brief the Committee on the decisions taken.

To allow as full a public debate as possible a part 1 briefing note has been prepared. The minutes of the meeting of the Economic Regeneration and Leisure Committee from 12<sup>th</sup> November 2020 are attached at **Appendix B**. The Part II report considered by ERL is also included on the agenda papers, should the committee wish to consider anything included in the report but not in the briefing or minutes the committee will need to consider moving into Part II.

The report considered by ERL was taken in Part II with the exclusion of the press and public as it contained commercially sensitive information relating both to the Council and the financial affairs of a third party, in this case, Parkwood.

Under Section 100A(4) Local Government Act 1972 the public can be excluded from a meeting where it is likely that, in view of the nature of the business to be transacted or the nature of the proceedings, if members of the public are present there will be disclosed to them exempt information as defined in one or more of the following paragraphs of Part (1) Schedule (12A) Local Government Act 1972, in this case namely Paragraph 3; Information relating to the financial or business affairs of any particular person (including the authority holding that information).

The Council endeavours to be as transparent as possible and applies a public interest test when considering the justification for exemption. This briefing note has been provided in Part I to ensure as much debate as possible can be in the public domain without disclosure of that commercially sensitive information.

## **Options**

In accordance with Procedure Rule 33 The Policy and Resources Committee shall consider the matter; decide to endorse the original Committee decision; or may substitute a different decision in place of the decision of the Committee. The decision of the Policy and Resources Committee on the matter shall be final.

## **Background**

The Covid-19 pandemic has had a significant impact on the council's budgets and its medium-term financial strategy. It has also adversely impacted some of the council's contractors.

The *Strategic Plan Review – Update on Priority Milestones* report to Policy and Resources Committee on 16 September 2020 forecast (at paragraph 2.5) a budget gap of £3.3m in 2021/2022, after using reserves to fund the deficit in 2020/2021.

In this context, as part of a wider Council led review of priorities and budgets, Policy and Resources Committee on 16 September 2020 noted that the subsidy to the Hazlitt was still sizeable and asked Economic Regeneration and Leisure Committee (ERL) to consider the Theatre's contribution to the town centre economy and alternative options for sustaining the theatre or alternative uses of the asset.

If the current conditions continue the Council would have paid Parkwood Theatres £243,960 by March 2021 - effectively paying for a closed Theatre. The Council also agreed to increase its support in during the first lockdown to assist Parkwood Theatres so that the theatre would be able to re-open post lockdown. Unfortunately, this has not been possible and Parkwood Theatre's endeavours, supported by the council, to secure funding via the Cultural Recovery Fund have not been successful. The theatre therefore has remained closed.

There remains a great deal of uncertainty regarding when or if these conditions will change. Continuation of these arrangements can no longer be considered good value for money for the council or the Maidstone tax payer and as the basic commercial assumptions of the contract with Parkwood are no longer viable, ERL Committee have reluctantly agreed to negotiate a termination of the contract with Parkwood Theatres.

ERL's decision on 12 November 2020 was to terminate the contract with Parkwood Theatres and return the building to the council's own control. With a commitment to considering alternative uses in the short and medium term.

### **Economic Impact**

Economic impact of theatres is calculated using the Shellard Model, which calculates the direct and indirect contributions that a theatre makes to the local economy. Under normal operating conditions this model gives a positive economic impact of the Hazlitt Theatre of £5,152,761 into the local economy per annum.

### **Normal contract arrangement**

The council contracts Parkwood Theatres to run the Hazlitt theatre, which includes providing a commercial theatre for professional acts, a community theatre for various amateur groups and studio space for dance groups. The council pays Parkwood Theatres £243,960 per annum, or £20,330 per month, to provide these services. This fee increases year on year in line with inflation. The contract with Parkwood Theatres began in October 2013. It is due to run until September 2028.

### **Interim contract arrangement**

The Hazlitt Theatre closed on 17 March 2020 because of the Covid-19 pandemic. The building has been put into hibernation and all but two members of staff are furloughed. These two staff members are looking after the building and dealing with all enquiries from customers and promoters.

The council agreed to support Parkwood Theatre in April 2020 by increasing the monthly payments by £3,100 per month for April to September 2020 inclusive. This extra £18,600 contract relief supported the theatre to remain ready for re-opening. At the time of this agreement it was anticipated that during or after a six-month period the theatre would be able to re-open and the increased payment supported that intention. After an initial re-opening to community dance groups and youth theatre the second UK lockdown has now forced the venue to close again for at least another month.

### **Arts Council Recovery Fund**

The government's Culture Recovery Fund, which stems from the £1.57bn relief package that was announced in July, was for local theatre and could be used to mitigate the impact of Covid-19 over the period from October 2020 to March 2021. Parkwood Theatres submitted a bid to the Culture Recovery Fund but were not successful.

## **Future contract arrangements**

With social distancing in place it is not commercially viable to recommence performances at the Hazlitt Theatre. The second lockdown is now also preventing community activities that had restarted. The basic commercial assumptions that underpinned the viability of the original contract at the Hazlitt are no longer the case and this situation looks likely to continue. It is not known when, or if, the conditions for sustainable local theatre will return.