



CABINET REPORT

Report Title	ROYAL & DERNGATE THEATRE COMPLEX
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AGENDA STATUS: PUBLIC

Cabinet Meeting Date:	11 th July 2012
Key Decision:	Yes
Listed on Forward Plan:	Yes
Within Policy:	Yes
Policy Document:	No
Directorate:	Resources Directorate
Accountable Cabinet Member:	Alan Bottwood
Ward(s)	All

1. Purpose

- 1.1 The report seeks the agreement of Cabinet to confirm the Council's support for a continuing reduced rental arrangement in respect of the Royal and Derngate Theatre Complex, after taking into account the Council's costs in providing capital financing assistance to create a new Cinema "Pod" within the existing Complex

2. Recommendations

That Cabinet:

- 2.1 Support the use of Council capital funding for the creation of a Cinema "Pod" on the site of the Royal and Derngate Theatre Complex, on the basis that the additional facility created by Northampton Theatres Trust Limited (NTTL) will become part of the Council's overall property asset at this location
- 2.2 Support a continued reduction in the contractual rent payable by NTTL in respect of the Royal and Derngate Theatre Complex for a period of 11 years from 1st April 2012, to a level that reflects the full costs to this Council (as determined by the Director of Resources) of providing capital finance to support the creation of the Cinema "Pod" facility.

3. Issues and Choices

3.1 Report Background

- 3.1.1 The Royal and Derngate Theatre complex, including ancillary buildings and adjacent land, is owned freehold by this Council and is let to the Northampton Theatres Trust Limited (NTTL).
- 3.1.2 The rental arrangements for the theatre complex is now up for review and this report seeks to confirm the existing arrangements along with the consideration of financing for a Cinema “Pod” on the existing site.
- 3.1.3 The Theatre contributes significantly to the local economy of the town. With a turnover of just under £8m in 2011/12, the economic impact locally has been calculated to be £20m.
- 3.1.4 The work of the Theatre contributes significantly to Northampton and Northamptonshire in terms of the arts, culture and regeneration of the town.
- 3.1.5 The Theatre Trust intends to develop a small (approx 100 seats) specialist cinema 'pod' adjoining the rear entrance to the Royal & Derngate Theatre. The 'pod' will be self contained but will make use of the box office, restaurant and bar facilities, cloakrooms and other facilities of the host building.
- 3.1.6 The Cinema will screen a wide range of features spanning, independent, classic, documentary and world cinema films. It is not intended the facility would compete with the mainstream cinemas.
- 3.1.7 The Cinema is an important feature, together with other regeneration projects being delivered in the St Johns area. This part of the town centre is a focus for developing an attractive "cultural quarter" as part of an invigorated and enriched regional centre, which currently includes the Royal & Derngate Theatre (which has been subject to a major refurbishment over the recent years) and the central museum which houses the national shoe collection. In the very near future, the Northamptonshire Arts Collective will occupy their new premises in the Quarter.
- 3.1.8 Other projects currently in progress within the area are a major University facility, 100 bedroom hotel, commercial offices and family orientated restaurants. All these planned new facilities will uplift the local economy, introduce as more diverse mix of people, to achieve the Council's ambition to have a buoyant and vibrant town centre.
- 3.1.9 The St Johns cultural quarter also has within the Waterside Enterprise Zone whose success is dependant on several factions including a provision of a high quality town centre offered. The Theatres, along with the Cinema “Pod” helps deliver this offer.

3.2 Issues

- 3.2.1 The Theatre complex is let to NTTL under the terms of two leases both dated 10 September 2009. The leases are both for a term of 50 years commencing from 1 April 2003. The rent payable under the leases is £135,000 per annum, subject to five yearly reviews.
- 3.2.2 The Council, as the landlord is responsible for major external repairs to the Theatre complex and NTTL, as the tenant, are responsible for most revenue related repairs and reimburse 50% of the full insurance buildings insurance premium paid by the Council in relation to the premises.
- 3.2.3 In recognition of the significant funding obtained by the Trust from bodies external to this Council and the consequent investment made in the Theatre complex to re-configure and improve the buildings, an initial nine years rent free period was agreed from 1 April 2003. This period expired on 31 March 2012.
- 3.2.4 The permitted use of the Theatre is as an Arts Complex. This definition would allow the proposed development of some of the land adjacent to the main buildings, currently comprised within the lease area, as a cultural cinema without lease variation.
- 3.2.5 The Theatres, like a large number of Enterprises, are finding it financially challenging in the current economic environment. The Cinema "Pod", along with the continuation of the current rental agreement, is a critical part of R&D future business plan and is seen as an enabler to ensure that the theatres and related areas remain financially viable.
- 3.2.6 NBC, as the owner of the Theatre complex has an interest in any development on the site. The Theatre Trust has asked NBC to help facilitate the building of the Cinema "Pod".
- 3.2.7 As the Cinema "Pod" is being built on a NBC asset, the easiest and most financially efficient method of facilitating the building of the Cinema "Pod", is for NBC to fund the capital aspects of the building via its capital programme and then lease the building to the trust ensuring, as a minimum, that all NBC costs are covered by the rental. In that way NBC will own the whole asset. The estimated capital cost is £350,000.
- 3.2.8 Should the R&D trust cease to run the theatre and the building vacated NBC would incur substantial direct costs. There is the potential of a capital claw back in relation to the grant funding for the renovation of the Theatres, along with empty property holding costs which would include cost of security, utilities and maintenance, empty property rates and insurance.
- 3.2.9 The overall loss of the Theatre Complex would have an impact on the Town's economic, culture and regeneration.
- 3.2.10 This report therefore seeks to reconfirm concessionary rental arrangements in favour of NTTL, after taking due account of the funding arrangements for the Cinema "Pod", for a period of 11 years from 1st April 2012.

3.3 Choices (Options)

3.3.1 The Council could choose to support the Theatre Trust as outlined above or equally choose not to support the building of the Cinema “Pod” and / or seek to charge a rental on the Theatre Complex.

4. Implications (including financial implications)

4.1 Policy

None

4.2 Resources and Risk

4.2.1 There is a risk that without the stability of the current agreement with regard to the rental payments the Theatre Trust will have significant financial issues.

4.2.2 The proposal for the Cinema “Pod” will greatly enhance the Theatre Trusts overall financial position. The funding, and cost of funding, provided by NBC in the first instance will be covered, over the 11 year period by the proposed rental agreement.

4.2.3 Should the Theatre Trust become financial unviable, NBC would incur significant costs to mothball the Theatres, and would be challenged in finding another suitable use to mitigate these costs.

This would include a potential capital claw back in relation to the grant funding for the renovation of the Theatres, along with empty property holding costs which would include, on top of the cost of security, utilities and maintenance:

NNDR on empty property	£111,752
Insurance	<u>£ 52,060</u>
	£163,812

4.2.4 The overall loss of the Theatre Complex would have an impact on the Town’s economic, culture and regeneration.

4.3 Legal

There are no additional Legal issues other than what has been addressed in the main body of the report.

4.4 Equality

An initial Equalities Impact Assessment will need to be completed, as part of the Waterside Enterprise Zone business case to ascertain if there is a need for a full assessment

4.5 Consultees (Internal and External)

Internal: Management Board
Valuer to the Council
Cabinet Member for Finance
Cabinet Member for Planning, Regeneration & Enterprise
Legal Services – Solicitor to the Council

External: Theatre Trust

4.6 How the Proposals deliver Priority Outcomes

4.6.1 A successful Theatre helps deliver a number of corporate priorities, and very specifically

Priority 1, Northampton – on track, which includes:

- An economically prosperous, successful and vibrant Town Increased numbers of visitors
- A Delivery with partners of major town centre regeneration projects
- The Town's history, heritage and culture is promoted and preserved

Priority 3 - Celebrating our heritage and culture which includes:

- Increased tourism
- Promotion, protection and improvement of our heritage and other attractions
- Delivery of events to celebrate and enjoy the Town's heritage and culture
- Celebration of national events through a varied cultural programme

4.7 Other Implications

None

5. Background Papers

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