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## **INDEPENDENT PWC REVIEW OF CIVIC VENUES PROGRESS UPDATE REPORT Overview and Scrutiny 25<sup>TH</sup> March 2014**

### **1.0 SUMMARY**

- 1.1 This report provides an update on the work undertaken and the progress made on the recommendations made as a result of the independent review of Civic Halls.

### **2.0 MATTERS FOR CONSIDERATION/RECOMMENDATION**

- 2.1 The Civic Venues progress report was last presented to Cabinet in September 2013 and it was agreed that a further update be presented to Overview and Scrutiny in March 2014 to demonstrate the work undertaken and the progress made.
- 2.2 Consider whether a further report is required on progress in 12 months

### **3.0 BACKGROUND INFORMATION**

- 3.1 An independent review was carried out on Civic Venues service due to the continued financial pressures and subsidy required to operate the service.
- 3.2 The Venues operate in a very competitive market locally, and have in the past suffered from declining usage influenced in part by the wider economic recession and lack of investment in facilities. This market will be even more competitive once the Fusiliers development is completed.
- 3.3 The review was undertaken independently by Price Waterhouse Coopers (PWC) utilising service credits. The key points of the review were to;
- Identify underlying issues with the service
  - Develop a sustainable business model going forward
  - Propose a combination of short and long term options to achieve this
  - Improve upon the level of subsidy required at present
  - Improve user satisfaction
- 3.4 The report highlighted several issues namely
- Financial Assessment and Usage levels,
  - Marketing and Promotion,
  - Pricing Structure,
  - Catering,
  - Condition of Venues and
  - Management of Venues

## **4.0 REVIEW OUTCOMES**

- 4.1 The PWC report made several conclusions and recommendations which are as follows.
- 4.1.1 The Council should review margins and simplify the pricing structure, and consider removing the higher charges for the use of external caterers which appears to inhibit demand from local ethnic minorities.
  - 4.1.2 Budgets should be reviewed on a bottom-up basis and more realistic sales targets should be set.
  - 4.1.3 Consideration should be given to rationalising the catering service to the Elizabethan Suite only, and provide access to the catering facilities at the other venues as part of the hire charge.
  - 4.1.4 A review of marketing and sales should consider the option to outsource the function to a specialist provider on a commission basis.
  - 4.1.5 Work should be undertaken by the Council to explore the options for capital investment in the facilities to improve the quality of the service on offer.
  - 4.1.6 The option to engage with a development partner or third party individual to help improve marketing and the catering offer could provide advantages.
  - 4.1.7 The Council should reconsider the long-term options for the management and operational running of the Civic Halls, including alternative service delivery models being implemented by other local authorities.
  - 4.1.8 Set up a Civics Management Group.
  - 4.1.9 Explore the opportunity to integrate Venues Management across similar leisure and cultural areas to increase opportunities to widen the scope of activities taking place in venues.
  - 4.1.10 Aim to reduce the financial subsidy required and improve community value.

## **5.0 ACTION TAKEN**

- 5.1 Civic Venues pricing structure was simplified removing the complex and high charges, changing to hourly room hire and inclusive rates for weekday and weekends.
- 5.2 Budgets have been realigned to reflect more closely the income and expenditure trends and act as a target incentive to management.
- 5.3 In terms of rationalising the catering services, progress has been made by virtue of improved service methods, changes to menus and the development of clear packages to complement an interchangeable a la carte range. We have also introduced Halal menus and drinks package as part of what is a

quality catering service. Catering is a necessary revenue stream at all venues and is contributing to improved financial performance.

5.4 The management group was set up and chaired by the Director of the Met organisation and developed a series of actions that included;

- Marketing plan and objectives for each venue
- Rebranding of suites as individuals rather than group
- Data development and management
- Identify Market Sectors, Audience profiling and development
- E-media development and digital press releases.
- Dedicated web page and ticket portal
- Cultural Partnership development – The Met - comedy & music, Festwich, SOS Rock, Vintage.
- Partnership arrangements – FORCH, 3<sup>rd</sup> Party promoters
- Seasonal promotions and brochure
- Customer Satisfaction Surveys
- Improved flexible use of vacant space

5.5 Due to tight resources and an effort to maximise viability, a member of the management team has been seconded to a part-time marketing role rather than the dedicated officer resource originally recommended. This post is taking the lead in developing and implementing the subsequent Marketing Plans based on the information above.

5.6 Expressions of interest were sought for a suitable partner to manage and operate the facilities at Radcliffe Civic Suite. This was followed by a decision to keep the Radcliffe Civic Suite under existing management but to develop the service.

5.7 Capital investment in Civic Halls is considered not to be compatible with the current economic situation. However the Civic Halls progress is being inhibited by the lack of investment and PWC recommendation of investment in the service to improve facilities and contribute the continued progress of the Civics.

5.8 A partnership agreement is now in place with the Ramsbottom Friends Group (FORCH). However, it is recognised that it will take time for the group to develop and grow. A change in management structure at Ramsbottom Civic Hall 12 months ago has brought about a number of new initiatives.

## **6.0 OUTCOMES**

6.1 Implementation of the improvement plans is a gradual process reflected in the return to growth in the business. Despite the economy, the actions taken are showing positive results and the second successive year of increased income. Forecast for 13/14 also indicate an increase in income but the budget overall this year has not improved.

Although forecast income is up by £40k, this is offset by an increase of £43k in expenditure, mainly due as a result of necessary work and increase in publicity and artist fees, consequently the trading subsidy is forecast to worsen by £3k.

A breakdown of which is below with a full venue breakdown attached as Appendix A.

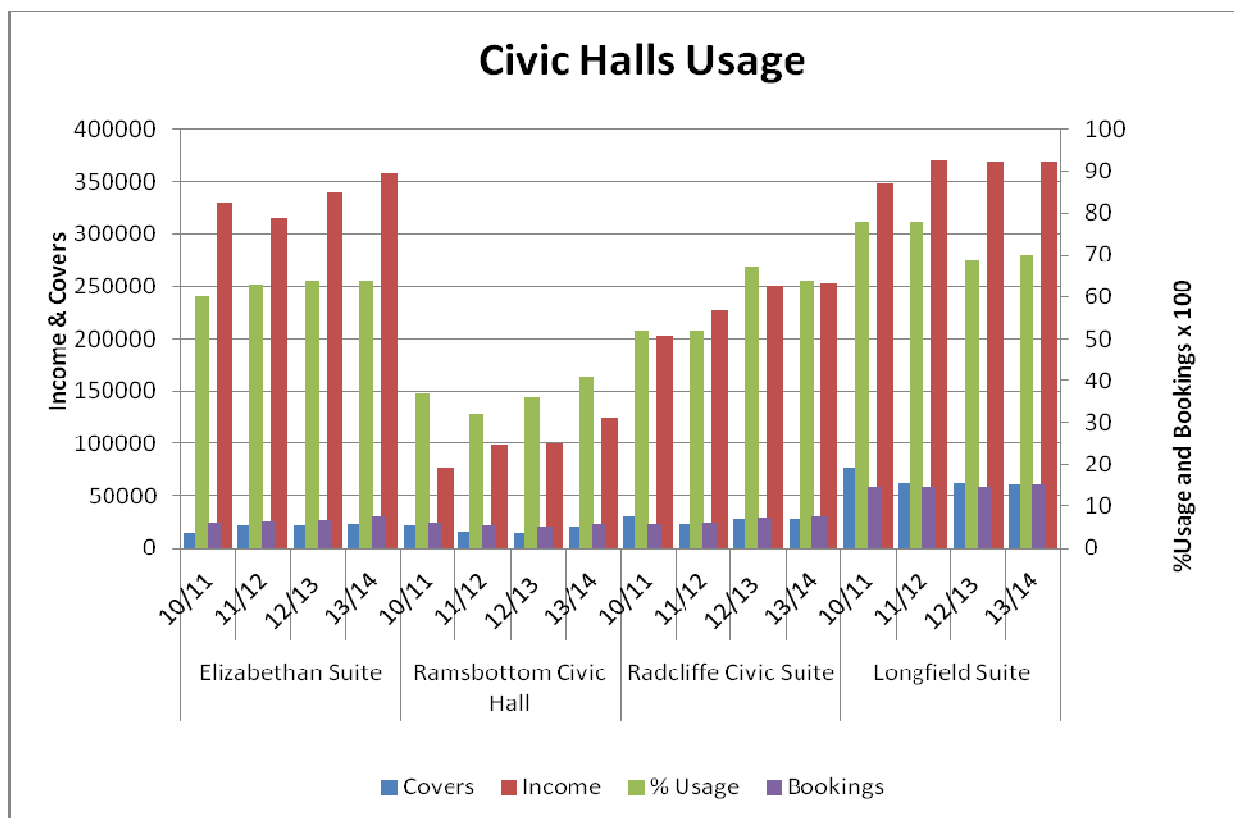
| <b>Civic Halls</b>         | <b>10~11</b> | <b>11~12</b> | <b>12~13</b> | <b>13~14 Forecast</b> |
|----------------------------|--------------|--------------|--------------|-----------------------|
| Income                     | (961,000)    | (1,013,400)  | (1,062,400)  | (1,102,600)           |
| Operational Expenditure    | 1,376,000    | 1,343,400    | 1,373,500    | 1,416,100             |
| Trading Subsidy            | 415,000      | 330,000      | 311,100      | 313,500               |
| Overheads                  |              |              |              |                       |
| Notional Depreciation      | 125,975.00   | 125,975.00   | 125,975.00   | 126,000.00            |
| Grounds - Client           | 300.00       | 300.00       | 300.00       | 300.00                |
| Directorate Recharge       | 11,787.00    | 13,396.00    | 8,500.00     | 7,000.00              |
| Recharge - admin account   | 57,777.00    | 49,588.00    | 47,383.00    | 51,200.00             |
| Central Department Support | 49,700.00    | 49,700.00    | 49,700.00    | 51,200.00             |
| FRS17/IAS19 current cost   |              | (9144)       | (17324)      | (17400)               |
| IAS19 Employee Benefits    |              | (907)        | (1379)       | (1200)                |
| Total Overheads            | 245,539.00   | 228,900      | 231,200.00   | 217,100               |
| Exceptional Items (works)  | 138,000.00   |              |              |                       |
| Total Subsidy              | 798,539.00   | 558,900.00   | 524,300.00   | 530,600.00            |

The forecast total subsidy £530,600 for 2013/14 includes fixed and notional costs of £400,700 which would not necessarily be saved in the short term. This includes a contribution of central and departmental overheads; grounds maintenance; depreciation and future pension liabilities; and contributions to the costs of the Catering Central Production Unit at Willow Street and the Town Hall building.

- 6.2 Civic Hall usage - Elizabethan Suite and Ramsbottom have increased across all four categories partially due to wedding and celebration packages that were launched with 13/14 results 21% up on the previous year, with similar numbers already booked for 14/15.

Radcliffe has improved but despite an increased number of functions and numbers attending % usage has fallen due to shorter occupancy.

Longfield Suite has maintained the number of bookings and function occupancy has increased slightly, but income has suffered partially due to the way Easter falls. Traditionally at Easter the Longfield Suite has a series of events that contributes substantially to income targets, but with no Easter weekend in 2013/14 (two in 12/13 financial period), income is down.



- 6.3 Progress on developing the business is inhibited by the inability to invest in the fabric and facilities of the building, something recognised several years ago.

With the current state of the Longfield Suite, despite the marketing efforts the lack of investment is now being reflected in the results. This is also similar with the Elizabethan Suite which as good as it is, is competing in an ever increasing competitive market and against quality venues. Both venues would benefit in continued investment if they are to attract the higher end events and reach the targets required.

- 6.4 Bar gross profit margins are targeted at 65% but on monthly audits, suites achieve 69/70% as the norm. Food profit margins are targeted between 55%-65% depending on meal type, but for accounting purposes surplus is treated as hall hire to take advantage of VAT allowances.
- 6.5 E-media development – all venues have Facebook and Twitter accounts, and collectively has over 4500 Facebook likes and 200 Twitter followers with the Longfield Suite and Longfieldlive accounting for the majority.

Our web presence has improved with Visit Bury, on line directories, such as Thomson and Yell and our own dedicated pages that give us regular high ranking on web searches, usually within the top five and with the development of an individual webpage this should improve further.

This live media source which is still in its infancy and as far as we are concerned is an excellent promotional medium but resource heavy with appropriate updated hardware and the need to constantly monitor and keep it up to date. To gain best advantage it may be possible to share the cost of this resource across a number of sections as the growth in Social Media continues to expand and becomes more relevant to other services.

- 6.6 Our database development has achieved over 15,000 contacts from information from our Bookings system, Ticketline and external sources. The data is profiled in preparation to launch a more tailored corporate business campaign and other entertainment and promotional campaigns.
- 6.7 It has been accepted that due to resource issues the work of the Management Group has been completed and it now no longer meets. Its role was very important and valued, the contribution by the members of the group is very much appreciated and with the knowledge and experience gained carried forward by the venue management team.  
There is however a continuing relationship with The Met in terms of joint event programming.
- 6.8 Integration with our leisure partners has introduced a range of events from Burlesque to Boot Camps, Tai Chi and Zumba, Active dance, Boxercise and Circuit training; these are in addition to our regular roller skating, karate and keep fit classes.
- 6.9 With improved training with an emphasis on service, customer satisfaction levels has increased over the last three years from 90.3% to its current position of 95.8% at 13/14 and reflected by our repeat business which accounts for 35.4% of our events.
- 6.10 As part of the Civic management group a new marketing strategy was developed with promotional plans tailored to each venue which will be complete by the end of March and reviewed regularly. Initiatives from these plans have already been rolled out with positive results.
- 6.11 The above includes a joint marketing plan being developed with the Friends of Ramsbottom Civic Hall, including the development of mutually beneficial events.
- 6.12 Progress against the action plan has been closely monitored throughout the year through regular "Portfolio Meetings". This assessment should continue based on ongoing actions with a further progress report to Cabinet after closure of the 13/14 accounts.

**Neil Long**  
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## Appendix A

| Civic Halls<br>13~14 | Elizabethan<br>Suite | Ramsbottom<br>Civic Hall | Longfield<br>Suite | Radcliffe<br>Civic Suite | Shared  | Total       |
|----------------------|----------------------|--------------------------|--------------------|--------------------------|---------|-------------|
|                      | £                    | £                        | £                  | £                        | £       | £           |
|                      |                      |                          |                    |                          |         |             |
| Income               | (356,000)            | (124,300)                | (369,300)          | (252,000)                | (1,000) | (1,102,600) |
| Expenditure          | 411,100              | 150,500                  | 441,500            | 330,400                  | 82,600  | 1,416,100   |
| Trading<br>Subsidy   | 55,100               | 26,200                   | 72,200             | 78,400                   | 81,600  | 313,500     |
|                      |                      |                          |                    |                          |         |             |
| Overheads            | (5,100)              | (2,200)                  | (4,200)            | (2,800)                  | 231,400 | 217,100     |
| Total Subsidy        | 50,000               | 24,000                   | 68,000             | 75,600                   | 313,000 | 530,600     |

| Civic Halls<br>12~13 | Elizabethan<br>Suite | Ramsbottom<br>Civic Hall | Longfield<br>Suite | Radcliffe<br>Civic Suite | Shared  | Total       |
|----------------------|----------------------|--------------------------|--------------------|--------------------------|---------|-------------|
|                      | £                    | £                        | £                  | £                        | £       | £           |
|                      |                      |                          |                    |                          |         |             |
| Income               | (340,000)            | (100,000)                | (369,000)          | (251,000)                | (2,000) | (1,062,000) |
| Expenditure          | 392,000              | 137,000                  | 415,000            | 321,000                  | 108,000 | 1,373,000   |
| Trading<br>Subsidy   | 52,000               | 37,000                   | 46,000             | 70,000                   | 106,000 | 311,000     |
|                      |                      |                          |                    |                          |         |             |
| Overheads            | (5000)               | (2000)                   | (4000)             | (3000)                   | 227,300 | 213,300     |
| Total Subsidy        | 47,000               | 35,000                   | 42,000             | 67,000                   | 333,300 | 524,300     |

| Civic Halls<br>11~12 | Elizabethan<br>Suite | Ramsbottom<br>Civic Hall | Longfield<br>Suite | Radcliffe<br>Civic Suite | Shared  | Total       |
|----------------------|----------------------|--------------------------|--------------------|--------------------------|---------|-------------|
|                      | £                    | £                        | £                  | £                        | £       | £           |
|                      |                      |                          |                    |                          |         |             |
| Income               | (315,700)            | (98,300)                 | (370,700)          | (227,300)                | (1,400) | (1,013,400) |
| Expenditure          | 363,900              | 125,200                  | 449,600            | 288,100                  | 116,600 | 1,343,400   |
| Trading<br>Subsidy   | 48,200               | 26,900                   | 78,900             | 60,800                   | 115,200 | 330,000     |
|                      |                      |                          |                    |                          |         |             |
| Overheads            | (200)                | (100)                    | (300)              | (200)                    | 229,700 | 228,900     |
| Total Subsidy        | 48,000               | 26,800                   | 78,600             | 60,600                   | 344,900 | 558,900     |

| Civic Halls<br>10~11         | Elizabethan<br>Suite | Ramsbottom<br>Civic Hall | Longfield<br>Suite | Radcliffe<br>Civic Suite | Shared  | Total     |
|------------------------------|----------------------|--------------------------|--------------------|--------------------------|---------|-----------|
|                              | £                    | £                        | £                  | £                        | £       | £         |
|                              |                      |                          |                    |                          |         |           |
| Income                       | (330,800)            | (76,300)                 | (347,800)          | (203,200)                | (2,900) | (961,000) |
| Expenditure                  | 400,200              | 110,300                  | 429,300            | 296,300                  | 139,900 | 1,376,000 |
| Trading<br>Subsidy           | 69,400               | 34,000                   | 81,500             | 93,100                   | 137,000 | 415,000   |
|                              |                      |                          |                    |                          |         |           |
| Exceptional<br>Items (works) |                      | 138,000                  |                    |                          |         | 138,000   |
| Overheads                    | 0                    |                          | 0                  |                          | 245,500 | 245,500   |
| Total Subsidy                | 69,400               | 172,000                  | 81,500             | 93,100                   | 382,500 | 798,500   |