

**Report to:** Council

**Date of Meeting:** 13<sup>th</sup> December 2017

**Report Title:** White Rock Theatre – Future Options

**Report By:** Monica Adams-Acton, Assistant Director Regeneration & Culture

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### **Purpose of Report**

To examine options and propose a way forward for the management of the White Rock Theatre beyond the expiry of the present contract in January 2019 which will deliver ongoing cultural provision, achieve budget savings and allow a strategic approach to the development of cultural provision.

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### **Recommendation(s)**

1. That the council should as its first preference negotiate terms for the extension of the current contract with HQ Theatres & Hospitality Ltd for a period of 5 years
2. That the council begins an OJEU compliant procurement process to secure a new operator in order to ensure continued operation should negotiations with HQ Theatres & Hospitality Ltd for an extension prove to be unsuccessful.
3. That both processes be delegated to the Director of Operational Services or his nominee working with the Assistant Director Financial Services and Revenues and the Chief Legal Officer in consultation with the Leader of the Council.
4. That the council develops a firm long term view of the type of cultural programme it is seeking and wishes to subsidise beyond this period, and develops the ideas and vehicles needed to deliver these aspirations.

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### **Reasons for Recommendations**

1. To achieve the budget savings required by the council's financial position.
2. The negotiated approach allows for the continuity and effective management of the facility whilst allowing the scope for more refined options to be considered and developed in the future for cultural activity to be developed.
3. Procurement is the appropriate legal and business approach if the contract extension cannot be negotiated satisfactorily.
4. Legal advice has clarified that the negotiated pathways are possible. This presents the council with a more flexible approach than procurement.

## Introduction

1. The White Rock Pavilion was opened in 1927 as a concert hall and has undergone modifications over the years, most recently in 1985. Following this, it was re-named the White Rock Theatre. Since 2002 it has been operated by independent theatre operators under a series of leases and management contracts. It is currently managed by HQ Theatres and Hospitality (HQ Theatres) under a ten-year contract that expires in January 2019. Under this contract, the council pays an annual management fee:

2017/18            -            £615,400

2018/19            -            £633,500

2019/20            -            £649,450

Additionally the council has a repairs and renewal budget of £80k per annum.

2. The council has already determined that from February 2019 it can no longer continue to allocate such significant sums annually towards the theatre's operations, and has factored a reduced allocation into future budgets.
3. The theatre is a medium-scale receiving venue for a variety of touring shows, including comedy, light drama, music and pantomime. It is also a venue for a number of locally produced annual events, including Hastings Musical Festival, gang show, children's shows and the Hastings International Piano Concerto Competition.
4. The main auditorium, with a fixed seating capacity of approximately 1066, is split on two levels, and the stage has a proscenium arch. The venue also houses the Campbell Room and Sussex Hall which are used for community events, corporate hospitality and other private functions; two bars; and a café with seating for approximately sixty diners.
5. The construction, age, and current condition of the building and its mechanical and electrical plant and equipment all mean that significant and costly repairs and refurbishment will be required within the next few years, and the annual maintenance regime will become more expensive.
6. The theatre's physical and technical constraints pose particular challenges for its continued use as a venue for high quality live performances. The seating capacity, the lack of sufficient back stage area and height, and the inflexible nature of the stage and auditorium mean that the venue cannot attract large scale national touring productions, and the fixed nature and layout of the auditorium limits its attractiveness as a profitable venue for many other types of productions (eg touring music performances).
7. Nevertheless, the theatre is the only venue in Hastings with the capacity to house mid-scale touring productions and the large scale community events that are annual fixtures in the town's cultural calendar.
8. The theatre is a popular venue. The audience is primarily local (76%), and is broadening. Ticket sales have increased from 68,000 to 83,000 (2016/17). It is an important resource for local community groups.
9. Its programme is primarily driven by HQ Theatres' corporate programming policy and its contractual arrangements with agents/content providers. HQ Theatres has recognised that programme improvements are necessary and the local manager has been given some leeway in programming in an effort to broaden the audience base,



but this is still influenced by the company's corporate programming thrust (as well as by the building's physical constraints).

10. The theatre occupies a particularly prominent position on the seafront directly opposite Hastings Pier, and its future use will have an impact on the Pier, other nearby commercial activities and the local environment generally.
11. The theatre site is identified as an important cornerstone in the recently completed White Rock Area masterplan, which acknowledges the significance of the site's use as a potential catalyst in the successful long term regeneration of the area, as well as its current role as the town's foremost performance venue.

## Strategic Context

12. The council has firmly rooted cultural provision at the heart of its regeneration and this is reflected in both the corporate plan and the Hastings & Rother Task Force's six point plan. The case for the creative and cultural sector's contribution to the economy is increasingly well researched, and the government has reflected the importance of creative industries within its recently published industrial strategy.
13. The council has been very active in promoting culturally focused regeneration. The Jerwood Gallery, Stade Open Space, Hastings Pier and Source BMX are all examples of the financial, organisational and political commitments made (across party boundaries) to this work.
14. Other examples of the council's financial investment in the town's growing cultural programme include:

Hastings Museum & Art Gallery	ROOT 1066 Festival
Stade Saturdays	White Rock Theatre
St Mary in the Castle	Coastal Currents Arts Festival
St Leonards Festival	
15. The council's culture-led regeneration strategy identifies four key areas:
  - i. Cultural activities to be accessible to all
  - ii. A place where creative and cultural business and practitioners can thrive
  - iii. A place that attracts UK and overseas tourists all year round to its cultural offer, food and accommodation
  - iv. A place that has a reputation for innovative cultural activity
16. The council has actively facilitated the kind of partnership working that supports the growth of the cultural and creative sector locally. In particular the council supports the Hastings and Rother Cultural Leaders' Group, Hastings & Rother Arts Education Network and new initiatives such as Hastings & Rother Music City.
17. The council also employs a cultural strategic development specialist and an arts and cultural development officer. This dedicated resource represents a substantial commitment to cultural development and programming.



## Future of the Theatre

18. The council has been clear in signalling its intention to reduce the level of subsidy currently committed to the running and administration of the theatre. This partly reflects the council's financial position and partly the wish to reappraise how the arts are supported and encouraged in the town and surrounding areas.
19. In the longer term the council wishes to see the future of the theatre determined not only in the context of its cultural ambitions, but within the potential that the development of the White Rock area is anticipated to bring. At this stage however the values of land and the costs of redevelopment mean that these are currently likely to be beyond the means of the council.
20. The council commissioned specialists Carter Jonas to review the future options for the theatre in the context of the council's cultural objectives, budget and the development of a long term approach to the regeneration of the White Rock. The outcome of this review identifies four different physical options for the theatre. These include:
  - a) An interim solution based on the current theatre operation with a developed programme – this option would potentially require cosmetic improvements to the building or more significant investment and the remodelling of the theatre and the potential development of the Sussex Hall.
  - b) A medium term solution involving more substantial investment in a repurposed theatre or cinema.
  - c) Site development based on residential and commercial/cultural activity. The land values are unlikely to yield sufficient income for any new investment in cultural facilities.
  - d) A new theatre development, based on an expanded White Rock Theatre site, which would be likely to involve substantial capital costs.
21. In the view of officers none of the proposed longer term options are immediately desirable, chiefly because of the very significant potential costs of redeveloping the theatre or rebuilding it elsewhere. They would need to be thoroughly appraised and none of them appear deliverable in the short term or within current financial constraints. It is too early to be able to take such decisions. Additionally, the council and the Cultural Leaders' Group are at early stages in thinking through a long term plan for the delivery of cultural activity which should go beyond the issues of the physical future of a single building. There are a number of questions that warrant consideration:
  - a. What cultural products will deliver a programme what will encourage the cultural tourism agenda?
  - b. What local markets exist – who are our current customers currently and how might the customer base change in the future?
  - c. How can culture be used to raise the aspirations of local people, particularly the young?
  - d. How can culture be used to promote economic growth?



- e. What partnership or business vehicles would assist in the delivery of an ambitious and viable programme?
22. Within the current context, the future of the theatre is difficult to determine on a long term basis and so it is proposed that the council should adopt an interim process that keeps open options for the future whilst contributing to budget objectives. Interim term options are:
- i. Negotiate an extension to the current agreement with HQ Theatres. Legal advice is that this can be secured if the conditions of the management contract and lease do not change substantially to the benefit of the operator.
  - ii. Establish a trust to take over the theatre, with a more developmental programme. This might, in the long term, be an option the council would wish to explore, and this has been done by other local authorities. However, advice is that a trust would take at least 18 months to set up and would require interim arrangements with a body having the competence to manage the theatre. This would be a very high risk strategy. The setting up of a trust is supported as a potential medium term vehicle and, in the shorter term, any renegotiated contract with HQ Theatres & Hospitality should include provision for developing the venue (particularly the Sussex Rooms) as a live music venue and a venue for innovative performance.
  - iii. Procure an operator through an OJEU compliant process. This would set out mandatory criteria via a fixed specification including outcomes/delivery and the management and maintenance of the building, whilst allowing some negotiation with potential operators. This process could be completed in 5 months and (depending on outcome), allow a secure period from and beyond May 2018. The challenge is chiefly in the uncertainty of the outcome of the tendering process in the context of a substantially reduced budget and the limited numbers of players within this market. There would, in all likelihood, be TUPE (Transfer of Undertakings [Protection of Employment]) implications and this poses uncertainties about when a new contract could actually start. It does have the clear benefit of competition and in a relatively short timeframe.
  - iv. Go out to the wider market for wider uses – theatre or otherwise. This might attract leisure contractors as well as theatres and produce new types of offer with potential for new investment. However, any substantial investment in the building is likely to require a long lease. The likelihood of a successful outcome is not clear, and it could well detract from the continued development of a cultural programme and, therefore, is not recommended.
23. Operating the building directly would require the council to assume all the risks for the programme and the council would need to develop, cost and organise this on the basis of extremely short timescales. This does not seem a viable option in the short term. However, the council might wish to consider a council owned company as an alternative to a trust or a bridge towards it if this was a long term option chosen. On balance though officers think that if an alternative model is developed the trust would be the most attractive to funders, artists and practitioners who would need to be willing to develop it in the future.
24. The option exists to close the building in order to maximise savings to enable funding to be redirected to alternative cultural activity. However, mothballing the building would incur very considerable costs (see appendix) without useful public good. Initial estimates are that this would be around £50k but some costs would continue to



ensure the essential services and insurance of the building. The damage to the image of the town would be considerable. A closure option could only sensibly be produced if an alternative use for the site had been developed to the point that closure could be seen as a stepping stone towards a greater vision. This option would also be likely to lead to redundancy for the theatre's staff.

25. Given the questions that remain about the long term future of the theatre and the short term nature of the options considered, the “derisking” of any arrangement will be important. The council will need to thoroughly examine the short and medium term issues and agree a programme of maintenance which will be required and arrive at a pragmatic arrangement with any operator. Exactly the same dilemmas would be faced in any options except closure.

## Conclusion

26. Extending the current management contract with HQ Theatre & Hospitality is viewed as the single most attractive option if this can achieve the necessary savings on the council's budgets over the term. It gives scope for stability and service delivery over a 5 year period while allowing time for the council and partners to develop mechanisms and approaches to help drive the future cultural development of the town. It is quite possible that this time period (and more) might be required to find a more permanent solution to the provision of a performance venue that will meet the needs of the town into the future.
27. During discussions, HQ Theatres & Hospitality expressed an interest in working to develop additional innovative aspects to programming. This could be achieved through work with a consortium from the local arts sector. There is potential to develop the Sussex Rooms in this respect and for a bid to the Arts Council or other source. There may be other ways to increase the flexibility of the main space which should also be examined to see if its use can be increased.
28. It is sensible that work also begin on the procurement option set out in section 22.iii of this report. This will ensure any period of negotiation with HQ Theatres & Hospitality does not impose pressures on the procurement timetable if they are unsuccessful.
29. **Risk Management** – The proposed way forward seeks to minimise the risk to the provision of cultural activity in a process where expenditure is being substantially reduced.
30. **Economic / financial** – (a) the reduction of expenditure in the theatre is necessary as part of the council's efforts to reduce its costs. (b) The theatre is a significant part of the current cultural provision and it is important to the economy of the town that the seafront is highly active. This is the key aim of the council's seafront strategy.

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Wards Affected:  
All

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Policy Implications:  
Please identify if this report contains any implications for the following:  
Equalities and Community Cohesiveness  
Crime and Fear of Crime (Section 17)  
Risk Management

✓



Environmental Issues	
Economic/Financial Implications	✓
Human rights Act	
Organisational Consequences	
Local People's Views	✓
Anti-Poverty	

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Additional Information:

Appendix – Building surveying notes on mothballing the building

White Rock Area Masterplan -

[https://www.hastings.gov.uk/content/planning/planning\\_policy/pdfs/White Rock Masterplan.pdf](https://www.hastings.gov.uk/content/planning/planning_policy/pdfs/White_Rock_Masterplan.pdf)

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