

Report To: Cabinet

Date of Meeting: Monday 3rd July 2023

Report Title: White Rock Theatre Options

Report By: Victoria Conheady, Deputy Chief Executive & Director of Place

Key Decision: N

Classification: Open

Purpose of Report

To set out the options and recommendation for the operation of the White Rock Theatre, after the current contract and lease with Trafalgar UK Theatres Hastings Ltd. (Trafalgar) expires on the 31st January 2024.

Recommendation(s)

THAT:

- 1. cabinet note the options analysis undertaken on the future of the White Rock Theatre from the end of January 2024.**
- 2. cabinet instruct the Property & Commercial Assets Manager, under existing delegated powers, and in consultation with the Deputy Chief Executive and the Lead Councillor for Health and Culture to:**
 - a) market the theatre building for lease**
 - b) instruct specialist leisure agents to conduct the marketing and due diligence process**
 - c) agree terms for lease with a successful bidder to enable continuous use of the building for its intended use from 1st February 2024**

Reasons for Recommendations

1. The council needs to make an urgent decision about the future use of the White Rock Theatre from the end of January 2024 when the current lease and management contract with Trafalgar ends.
2. Officers have conducted an options appraisal to identify the best legal and financially viable options open to the council for the future of the White Rock Theatre beyond January 2024.

Introduction

3. The contract and lease with Trafalgar to run the White Rock Theatre (WRT) expires on 31st January 2024. The original contract was for 10 years and allowed for an extension of five years, which has been used. No further extensions are permitted under the terms of the contract. The contract enabled Trafalgar to run a theatre offer, provide for community use of the Sussex Rooms, and required that they take responsibility for repairs and maintenance of the building.
4. Not unusually, the provision of the theatre operation required a significant subsidy from the council. Due to the council's financial situation, the level of subsidy has reduced over the last five-year period of the contract from £550k per year to £125k per year.
5. In preparing for the end of the Trafalgar contract, a number of options have been explored including:
 - a. Short extension to Trafalgar contract
 - b. Re-tendering the contract on similar terms
 - c. Seek interest in a long-term lease of the building (without a management contract)
 - d. Mothball for a period of time
 - e. Sell the building
6. The council's financial position means that each of the options had to be tested against the council's ability to support any subsidy or investment at the present time.

Options

Short management and lease contract extension to Trafalgar

7. The original contract (with HQ Theatres, taken over by Trafalgar in 2021) was for 10 years and allowed for an extension of five years, which has been used. No further extensions are permitted under the terms of the contract, and legal advice is that any further period of extension is not permissible.

Re-tender contract on similar terms

8. It is very likely that any contractor would require a subsidy significantly higher than the council is able to afford at present. In addition, the timescales required to retender the contract and lease to operate the WRT would be expected to take 12-18 months. Without an alternative interim solution, the venue would be closed for many months, during which period some maintenance and other 'caretaking' work would be required.

Long term lease/rent

9. Securing the future of the theatre by means of a longer-term lease or renting out of the building has been explored. The viability of this option depends on the proposed use of the building by a leaseholder. There are a number of planning restrictions on the use of the building, which would limit uses other than for its intended purpose of a theatre. The council has received interest for the leasing of the building for its intended use. Therefore, the option for undertaking a transparent process of offering the building for lease to interested parties has been explored. Theatres are a specialised area so in pursuing this option, it would be necessary to appoint an agent who has the required expertise in Leisure to undertake the marketing and ensure appropriate due diligence could be undertaken.

Offering the building for lease/rental could provide a relatively quick solution, minimising the financial burden on the council and ensuring the continued use of the venue for live performance. **This is the preferred option that officers are recommending.**

Mothball for a period of time

10. If there are no viable alternatives, the council would have to 'mothball' the theatre after the current contract ends. There are different levels of 'mothballing' from cold mothballing when effectively everything is switched off and the very bare minimum is carried out, to warm mothballing where the building is kept in a state of readiness with services functioning and tested regularly to allow operations to re-start fairly easily.

Warm mothballing is not cheap, but would be essential if the building is to be brought back into use in a relatively short period of time.

Whilst not recommended at this time, this option remains a possibility if an alternative use for the building cannot be found in time for a continuous use from January 2024.

Selling the building

11. Whilst the council has no desire to cease the use of the building as a theatre, the council's financial position requires that officers explore the option of what would be involved in selling the building for alternative use. The Planning Services Manager has advised that any plans to redevelop the site into non-theatre use would be challenging due to the restrictions placed on the use of the building and addressing these would be both time-consuming and costly. This option has not therefore been explored further.

Conclusion

12. It is officer's view, based on a review of the options listed above, and taking account of all the information we have, that the only practical way forward is to find a tenant for the theatre building.

13. HBC has recently been approached by a potential operator interested in taking on the WRT for a lease, given this approach, and in order to ensure the best outcome for the town, officers recommend that a marketing exercise be undertaken and an external specialist leisure agent be appointed to manage this process.

14. Depending on what interest is received this could either provide a short term or more sustainable long-term use. If the interest is short term, then more detailed work would need to be undertaken to identify a long-term use.

Urgency

15. Under Rule 26 this decision is required to be made under urgency provisions in order to secure a viable alternative to the theatre closing at the end of the current contract. A decision is required urgently in order to allow time to conduct the market testing of the interest in leasing the theatre, and if this is positive, to allow time for the new lessee to mobilise activity before the end of January 2024.

Timetable of Next Steps

1. Please include a list of key actions and the scheduled dates for these:

Action	Key milestone	Due date (provisional)	Responsible
Cabinet Paper	Agreement to progress	3 rd July 2023	Cabinet/ Deputy Chief Executive
Instruct Agents	Instruct agents as outlined in recommendation	Before 31 st July 2023	Property & Commercial Assets Manager
Marketing	Particulars released and marketed for 6-8 weeks	August 2023	
Heads of Terms agree for lease	Agree terms with successful bidder	October 2023	Property & Commercial Assets Manager
Legal instructed on new lease	Lease completed	31 December 2023	Property & Commercial Assets Manager and Legal Services
New lease commences		1 st February 2024	Property & Commercial Assets Manager

Wards Affected

(All Wards);

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness Yes

The venue, which is accessible, is widely used by the local community, and provides opportunities for those from disadvantaged background to participate in event production. It is also the only major indoor event venue operational in Hastings, so allowing local residents to visit the theatre without having to travel out of town. It also employs a number of locally based permanent staff, and many more locally based casual staff

Crime and Fear of Crime (Section 17) Yes

An open, programmed theatre supports the evening economy in the town centre and seafront, mitigating fear of crime to some extent.

Risk Management

Yes

Short of disposal the WRT will remain on our risk registers as an ageing asset

Environmental Issues & Climate Change

Yes

The theatre has recently had new boilers installed, more efficient than the ones which had failed. Given its nature the venue will always be a high energy consumer

Economic/Financial Implications

Yes

The theatre will cost the Council c£125k this financial year, down from c£600k a few years ago, this is the management fee paid to Trafalgar. Should there be a wish to review the options in the future for a management contract the cost of that will likely be in the same or higher per year, as is current.

Human Rights Act

No

Organisational Consequences

Yes

Whichever route is chosen there will be impacts on staff resources in the following departments: Estates and property management, Surveyors, Regeneration and Culture, Legal and Finance.

Local People's Views

Yes

As the only major indoor events venue in the borough, it's future is of significant interest to the residents of Hastings. It holds several significant local and well supported/nationally/internationally recognised events and festivals: Hastings Fat Tuesday and The Hastings international Piano Competition. It is also heavily utilised by a number of schools in and around the local regions, for example the 'a time to dance' festival.

Anti-Poverty

Yes

The theatre currently employs a number of local people, its youth theatre supports the development of employability skills in dramatic arts, and backstage jobs (carpentry, lighting engineering, Sound technicians etc).

Creative experiences for individuals from deprived communities' aids in developing alternative routes to employment, raises productivity, and aspiration).

Legal

Yes

As the body of this reports advises, the legal options have been considered in writing this report. Should the recommendation be approved legal colleagues will work with Estates in developing the marketing pack and in entering into lease agreements.

Additional Information

N/A

Officer to Contact

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