

Decision Maker: Executive

10th September 2014

Renewal and Recreation PDS Committee

Date: 2nd September 2014

Decision Type: Non-Urgent Executive Non-Key

Title: **GATEWAY REPORT – PROPOSALS FOR THE RE-TENDERING OF THE CHURCHILL THEATRE MANAGEMENT CONTRACT**

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Chief Officer: Executive Director of Environment & Community Services

Ward: (All Wards);

1. Reason for report

This report provides an overview of the current arrangements for management of the Churchill Theatre which are due to expire 3 April 2016, and describes the process and timetable whereby the lease shall be re-tendered in line with the Councils financial regulations and procurement procedures.

2. **RECOMMENDATIONS**

2.1 That the Renewal and Recreation Policy and Development Scrutiny Committee consider the details of the proposed tender process and timescales outlined within this report, and provide the Executive with their comments.

2.2 That the Executive:

2.2.1 Consider the details of the proposed tender process and timescales outlined within this report, along with the comments provided by the Renewal and Recreation Policy and Development Scrutiny Committee.

2.2.2 Approve the proposed tender process and timescales outlined within the document, and agree for Officers to undertake the tendering process.

2.2.3 Note that a further report be brought to the Executive in May 2015 on the results of the tender process and evaluation, along with the results of the condition survey on the building that is currently being undertaken.

Corporate Policy

1. Policy Status: Existing Policy:
 2. BBB Priority: Quality Environment Vibrant, Thriving Town Centres:
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Financial

1. Cost of proposal: Estimated Cost: £7.9m (£317.7k per annum for 25 years)
 2. Ongoing costs: Recurring Cost: £317.7k
 3. Budget head/performance centre: Leisure Trust Client
 4. Total current budget for this head: £317.7k
 5. Source of funding: Existing Revenue Budget 2014/15
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Staff

1. Number of staff (current and additional): n/a
 2. If from existing staff resources, number of staff hours: n/a
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Legal

1. Legal Requirement: Non-Statutory - Government Guidance:
 2. Call-in: Applicable:
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): 200,000
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No
2. Summary of Ward Councillors comments: n/a

3. COMMENTARY

- 3.1 At the Executive meeting on 3rd November 2010 the Executive awarded a five-year contract for the running of the Churchill Theatre, including the education, arts development, and outreach work, from 4th April 2011 to 3rd April 2016, to the Ambassadors Theatre Group (ATG), for a contract sum of £295,000 per annum.
- 3.2 ATG were the only company to submit a tender return and therefore Council Officers undertook negotiations with the ATG and reduced the management fee to £295k per annum, providing a saving of £210k per annum compared to the previous contract. This was made up of £250k per annum to deliver the core programme and co-productions, and £45k per annum for the education, arts development and outreach work delivered through their Creative Learning Department.
- 3.3 The Council is now proposing to retender for the management and operation of the Theatre, for a period of twenty five years, with a break clause for redevelopment at years ten, fifteen and twenty, exercisable with a twenty four month notice period. This gives enough flexibility for the site to be included in any works relating to Site G if required while also giving any contractor a sufficiently certain period of operation to make the proposal attractive. The proposed timetable is detailed in section 3.8 below and has a proposed contract award date of June 2015. This is to allow the successful company a minimum 6 month lead in period to develop and confirm their programme before the contract commences in April 2016, as is normal practice within the Theatre industry.
- 3.4 Prospective companies will be required to detail their proposals, service arrangements and associated management fees for the delivery of the services, and in respect to:
- Programming, audience development, and artistic policy
 - Education, arts development and outreach work.
 - Pricing policy and strategy
 - Planned maintenance and capital investment.
- 3.5 Tenderers shall be required to supply:
- Separate costings to deliver the core programme and co-productions, and to deliver the education, arts development and outreach work.
 - An indicative core programme for the Theatre for its first year of operation.
 - A description of the artistic policy that would be pursued at the Theatre under their management.
 - An indicative programme and development plan for the education, arts development and outreach work.
 - Costed examples of their proposed Planned and Routine Maintenance schedules for the building including the indicative costs of investments proposed and how they address health and safety and statutory responsibilities.
 - Examples of investments that would be made in the building, fixtures or equipment over the life of the contract options which would improve the quality of the customer experience, and enhance the productions and programmes available.

- 3.6 The Council will again grant a lease of the Theatre with the day to day maintenance being undertaken by the operator. The responsibilities of both parties will be detailed within the lease and contract arrangements. Officers will review the current lease generally, and in particular the split of responsibilities between the landlord and tenant maintenance obligations, and will seek to assign to the tenant as many responsibilities as is practical, although much of the plant and equipment serves both the library and the theatre and will therefore have to remain as the landlord's responsibility. The lease will, like previous leases, be outside the provisions of the Landlord and Tenant Act 1954 to ensure that the contractor does not acquire a right to a new lease and to ensure the break clause can be operated.
- 3.7 Tenders will be evaluated in respect of the cost of delivering the service, the quality of the services proposed, the technical competence and the financial robustness of the tenderer, to determine overall value for money and ensure the Councils priorities are being met.
- 3.8 The proposed timetable for the tender process is as below:

Report to Renewal and Recreation Committee	2 nd September 2014
Report to the Executive	10 th September 2014
Advertisement to tender, and issue of PTQ	September 2014
PTQ analysis and approval of short list of tenderers	November 2014
Tender documents issued	December 2014
Tenders returned	January 2015
Tender evaluation	February 2015
Interviews and presentations	March 2015
Report to R and R PDS and PH	May 2015
Report to E and R PDS	May 2015
Report to Executive	May 2015
Award Contract	June 2015
New contract commences	April 2016

- 3.9 Officers from the Councils Operational Property section are currently undertaking a condition survey of the Churchill Theatre and Central Library building. A summary of the findings from that survey will be included within the Report on the outcome of the tendering process which is scheduled to be considered by this Committee in May 2015.

4. FINANCIAL IMPLICATIONS

- 4.1 The 2014/15 revenue budget for the Leisure Trust Client includes a sum of £317.7k for the current Churchill Theatre Contract.

5. LEGAL IMPLICATIONS

These are contained in the body of the report.

6. PROCUREMENT IMPLICATIONS

The service is currently a B service and therefore not subject to OJEU. It will be advertised transparently and given the nature of the market, opened out to any foreign commercial operations.

7. CUSTOMER PROFILE

7.1 At present, there are around two hundred thousand visits per annum to the Churchill Theatre. This includes attendances to performances on the main stage, plus comedy and other acts shown in the small hall, plus those attending the education and arts development work that the ATG deliver at the Theatre.

8. STAKEHOLDER CONSULTATION

8.1 There has been no stakeholder consultation undertaken, as there are no service reductions planned. The longer contract terms being proposed may enable greater future investment opportunities at the Theatre, providing enhanced services to customers.

9. SERVICE PROFILE / DATA ANALYSIS

9.1 This Report proposes to re-tender the management of the Churchill Theatre using a similar process to that used on 2010. A key part of the re-tendering process is to ensure that the Theatre continues to deliver high quality services and shows, with tenderers being required to provide Method Statements, proposed programmes and their artistic policy. These qualitative elements will be evaluated as part of the selection process.

10. MARKET CONSIDERATIONS

10.1 There are two major theatre management companies currently operating within the United Kingdom that officers anticipate will be interested in tendering for this contract. The Ambassador Theatre Group (ATG) is the largest owner and operator, and currently manages the Churchill Theatre, and HQ Theatres is the second largest owner and operator and is a wholly owned subsidiary of Qdos Entertainment Ltd. The Theatre market is however becoming increasing a global industry and therefore there may be interest from other theatre owners or operators from outside of the United Kingdom.

10.2 The market is now favoring longer term contractual arrangements, enabling theatre operators and management companies to make more significant capital investments into buildings and facilities, hence the proposal to go to the market for a twenty five year period as detailed in 3.3.

11. OUTLINE CONTRACTING PROPOSALS & PROCUREMENT STRATEGY

11.1 All contracts for the proposals will be undertaken in accordance with the Council's Procurement Guidance and with the advice of the Council's Head of Procurement.

Non-Applicable Sections:	PERSONNEL IMPLICATIONS
Background Documents: (Access via Contact Officer)	Churchill Theatre Award of Contract Executive 3 rd November 2010 Churchill Theatre Extension of Contract Renewal and Recreation Portfolio Holder 13 th October 2009