

Overview and Scrutiny Committee Report

Ward(s) affected: whole borough

Report of Director of Environment

Author: Jonathan Sewell

Tel: 01483 444729

Email: Jonathan.Sewell@guildford.gov.uk

Lead Councillor responsible: Nikki Nelson-Smith

Tel: 01483 568554

Email: Nikki.Nelson-Smith@guildford.gov.uk

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## **Review of the annual report and monitoring arrangements for the operation of the G-Live contract 2017-18**

### **Executive Summary**

This report has two objectives:-

- (1) To provide a summarised overview of the performance of the contractor operating G Live for the contract year period 1 October 2017 to 30 September 2018. This is the seventh year in a ten-year contract term.
- (2) To provide an opportunity to comment on the current and future service provision and/or the monitoring arrangements for the contract in light of the Overview and Scrutiny sub group's review.

The Council entered into a 10-year contract to operate and manage G Live with HQ Theatres Guildford Limited (HQT) on 12 August 2011. In the contract agreement, HQT is required to optimise commercial and hospitality income in G Live as well as provide different genres of entertainment.

Prior to the building opening, key performance indicators were set out on what was thought to be the desired balance between the provision of:- classical music, co-promotions, dance, rock, pop, folk, jazz and world concerts, comedy/spoken word, children's family entertainments, sport and others. The performance indicators for the seven contract years are shown in section 4 of this report and in more detail at page 16 of the G Live annual report at Appendix 1. The key performance indicators and the annual report indicate a favourable performance by HQT with a record financial performance and the highest ever annual attendances, however, there are isolated areas such as catering/hospitality that remain a challenge.

A sub group of four councillors volunteered to represent the Overview and Scrutiny Committee to consider the G-Live annual report in detail to replace the presentation and detailed consideration of the report by the full committee. The minutes of the annual report presentation are at Appendix 2.

The Council pays a management fee in monthly instalments for the operation of the

venue that is fixed at £328,595 per annum for the ten-year life of the initial contract.

Any net income that is generated over that break-even point is referred to as a surplus and is divided between the operator (80%) and the council (20%). The latest year's figures for 2017/18 provide a record surplus of £315,440 of which the element returned to the council will be £63,088.

The Scrutiny sub-group believed that, whilst there was always scope for further developing and enhancing the offering, the performance of HQT during the period was satisfactory and generally in accordance with the expectations of the Council.

The Scrutiny sub-group continued to encourage improvement of the catering aspect of the business, particularly in relation to the customer satisfaction results. It was also recognised that HQT continued to attempt to improve the business generally throughout the period, including in relation to hospitality.

### **Suggested items for the Overview and Scrutiny Committee to consider**

That the committee considers and comments on:-

- (1) To comment on the performance of HQT in relation to the operation of G-Live
- (2) to comment on the Scrutiny sub group review process

### **Purpose of Report**

- 1.1 To provide a summarised overview of the performance of the contractor operating G Live for the contract year period 1 October 2017 to 30 September 2018. This is the seventh year in a ten-year contract term.
- 1.2 To provide councillors with an opportunity to comment on the current and future service provision and/or the monitoring arrangements for the contract in light of the Scrutiny sub group's review.

### **Strategic Priorities**

- 2.1 The provision of the services detailed within this report support the Corporate Plan in respect of the Community theme in enhancing sporting, leisure, cultural, community and recreational facilities;
  - by attracting visitors to the borough and making Guildford a more attractive place to live in. The venue offers a range of employment opportunities and facilities that businesses need.
  - through providing an enhanced cultural and entertainment offer in an attractive, vibrant town.

### **Background of the contract**

- 3.1 The Council entered into a 10-year G Live Operator Agreement with HQ Theatres Guildford Limited and QDOS Entertainment PLC (HQT) on 12 August 2011, this contract deals with the operation and management of G Live. This contract will expire on 30<sup>th</sup> September 2021.
- 3.2 The Council also granted a lease of the G Live premises to HQT for a period of 10 years at a peppercorn rent. This lease also expires on 30<sup>th</sup> September 2021.

- 3.3 The venue consists of main concert space capacity of 1,031 people seated, 1,700 standing, and a second space seating for up to 100. In addition, there are hospitality and meeting rooms.
- 3.4 In the contract agreement, HQT is required to optimise commercial and hospitality income in G Live as well as provide different genres of entertainment. Key performance indicators set out what was thought to be the desired balance between the provision of:- classical music, co-promotions, dance, rock, pop, folk, jazz and world concerts, comedy/spoken word, children's family entertainments, sport and others.
- 3.5 The original KPI targets prepared at the start of the contract were based on an unopen venue and without the benefit of recent information on the performance of a suitably equivalent venue in Guildford. These KPI targets have shown themselves to be of limited value compared to comparing performance against previous years. The venue has now over seven contract year's history and is an established venue in the marketplace and the comparison against previous year's results is a much better indicator of performance. . The performance indicators are shown in section 4 of this report and in more detail at page 16 of the G Live annual report at Appendix 1.
- 3.6 G Live is reliant on touring product, so promoters will either hire the venue or enter into an agreement for a percentage share of the box office. Promoters will seek to share the risk (i.e. share the box office proceeds) where they believe there is a risk the production may not do as well as anticipated. As G Live has matured, more promoters have looked to hire the venue at a fixed cost.

#### **Overview of the existing monitoring arrangements**

- 3.7 The contract is monitored by the Leisure Services Client Team. A summary of the formal monitoring arrangements are as follows:-
- Monthly client monitoring meetings with the venue's Director using a structured agenda to discuss the operation and management of the venue
  - a quarterly client monitoring meeting attended by the venue's Director and HQT's Regional Director, the Lead Councillor and the Director of Environment using the same agenda as above. Scrutiny sub group members are also invited to the mid-year (i.e. March/April quarterly meeting)
  - the annual report is presented to a separate meeting with the same attendees as the quarterly monitoring meeting plus the four Scrutiny sub group members who are also invited to this meeting
  - the venue's Facilities & Building Manager has monthly meetings with the Leisure Asset Manager to discuss the technical aspects of the venue.
- 3.8 Minutes are prepared of all issues discussed at these meetings. The formal monthly client monitoring meeting includes a report on the outcomes and, where appropriate, will discuss any outstanding issues. Officers consider that HQT are meeting the asset management criteria detailed within the Operator Agreement.

### Performance of the Contractor – Key Performance Indicators

KPI	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	KPI	Variant	Notes
Main Hall Live programme No of shows	180	188	193	164	169	205	203	250	-47	Excludes get ins, rehearsals and non perf. events such as beer festivals, antiques fairs etc.
Main Hall Community Events	60	41	40	92	136	166	173	15	158	Inc. Hillsong services on Sundays
Main Hall non performance events	48	47	47	63	51	49	47	-	N/A	Get ins, rehearsals and hospitality events
Total main hall event activity	288	276	280	319	356	420	423	265	158	
Main hall attendance	130,574	136,021	139,199	177,079	198,900	230,527	246,492	161,257	85,235	
Non-main hall hospitality events STUDIO	50	35	30	27	40	49	25	125 to 156*	40 to 71	Studio only. * KPI tolerance 20% permissible
Other hospitality events	97	66	105	59	128	167	171			All other spaces
Education projects	218	85	215	193	230	212	275	100	175	
Main hall dark days	114	115	116	91	85	64	67	80	+13	
Customer service										90% KPI is based on rated good /very good
Show/event		92%	97%	98%	98%	99%	98%	90%	+8%	
Service/staff		92%	92%	93%	95%	93%	93%	90%	+3%	
Facilities		95%	94%	94%	94%	97%	95%	90%	+5%	
Booking/info		89%	90%	89%	92%	91%	93%	90%	+3%	
Catering/hospitality		72%	75%	64%	66%	65%	66%	90%	-24%	Main bar & pre-show cafe
Combined		88%	90%	88%	89%	89%	89%	90%	-1%	

- 4.1 The table above shows the contractual key performance indicators from the operator agreement. The full annual report for the contract period 2017/18 is shown at Appendix 1.
- 4.2 The key performance indicators and the annual report indicate a favourable performance by HQT with a record financial performance and the highest ever annual attendances, however, there are isolated areas such as catering/hospitality that remain a challenge.

## **Scrutiny sub group monitoring process 2017/18**

- 5.1 The sub group of four councillors who volunteered to represent the Scrutiny Committee (the “Scrutiny sub-group”) to consider the G-Live annual report in detail were invited to the annual report presentation by HQT. Councillors Phillips, Sarti, Christiansen and Searle have previously received a detailed briefing and discussion on the contract from the Leisure Services Client team and the Lead Councillor and have had a written update and the offer of a review discussion prior to the annual presentation.
- 5.2 Unfortunately, Councillor Christiansen and Councillor Searle were unable to attend the presentation on this occasion.
- 5.3 The post of Director of the venue was vacant at the point of the presentation so the Operations Director, Alvin Hargreaves, delivered a presentation on site to Lead Councillor Nelson-Smith and the sub-group covering this contract year’s performance by HQT. The new venue Director, Derek Aldridge, also attended the presentation so he could be introduced to the councillors and officers in advance of his official start date in January 2019.
- 5.4 The councillors considered the contents of the report and raised a number of questions relating to the breadth and financial performance of the programme, the demographics of the customer base, the cooperation with other venues, the challenges and developments in the market place, the sustainability arrangements, the ancillary offering (particularly in relation to the catering and hospitality) and customer satisfaction. The minutes of this meeting are at Appendix 2.
- 5.5 In summary, the Scrutiny sub group concluded that, whilst HQT is striving to improve performance and is doing a good job, there remain some opportunities for further improvement. The Lead Councillor felt the Sustainability section of the report was of particular interest.

## **Financial Implications**

- 6.1 All income and tariff receipts at G-Live are the property of HQT (subject to the agreements with the promoters) i.e. HQT keep the income attributable to the venue from hires, bookings and ticket sales and secondary income (such as catering, refreshments, programmes, souvenirs etc.). The council pays a management fee in monthly instalments for the operation of the venue that is fixed at £328,595 per annum for the ten-year life of the initial contract.
- 6.2 Any net income that is generated over that break-even point is referred to as a surplus and is divided between the operator (80%) and the council (20%). The latest year’s figures for 2017/18 provide a surplus of £315,440 of which the element returned to the council will be £63,088. The surplus has grown each year as the venue has matured and this year’s surplus is therefore a new record and a significant improvement on the previous period.

## **Legal Implications**

- 7.1 Section 3 of the Local Government Act 1999 requires that the Council as a best value authority to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Reviewing and where required monitoring the Council’s contractual approach is an important way in which that obligation can be fulfilled.
- 7.2 Any formal changes to the current contractual arrangements will have to be agreed with HQT and varied by agreement.
- 7.3 As the Overview and Scrutiny Committee has no decision-making powers, any recommendations that may arise would need to be referred to the relevant decision making body of the Council for a decision.

## **Human Resource Implications**

- 8.1. There are no HR implications arising from this report.

## **Suggested items for Overview and Scrutiny to consider**

- 9.1 Councillors may wish to consider whether:-
  - To comment on the performance of HQT in relation to the operation of G-Live
  - to comment on the Overview and Scrutiny sub group review process

## **Conclusion**

- 10.1 The Scrutiny sub group received suitable background information and followed a robust process to review the annual report of the operator at G-Live.
- 10.2 The Scrutiny sub-group believed that whilst there was scope for further developing and enhancing the offering to the community, the performance of HQ Theatres during the period was satisfactory and generally in accordance with the expectations of the Council.
- 10.3 The Scrutiny sub-group were keen to encourage the improvement of the catering aspect of the business, particularly in relation to the customer satisfaction results. It was also recognised that HQT continued to attempt to improve the business generally throughout the period, including in relation to hospitality.
- 10.4 The councillors involved believed that the Scrutiny sub group approach led to a more detailed and effective performance review than could be effectively conducted in a public meeting. Both the performance report and findings of the sub-group can be considered by Overview and Scrutiny and published for public information.

## **Background Papers**

G Live Annual report Presentation 2017/18

## **Appendices**

Appendix 1 – G-Live Annual Report 2017/18

Appendix 2 – Minutes of Annual Report Presentation 30 November 2018