
Executive

8 April 2008

Report of the Assistant Director (Lifelong Learning and Culture)

Renewal of the Service Level Agreement between City of York Council and the York Theatre Royal

Summary

1. The current 3-year service level agreement (SLA) with York Theatre Royal comes to an end on 31 March 2008. This report recommends a new service level agreement for the next period.

Background

2. In accordance with best practice recommended by the Department of Culture, Media and Sport (DCMS) we have previously negotiated 3-year partnership funding agreements with our significant cultural organisations in York. The previous 3-year funding agreement set out the following key requirements:
 - The need to provide a year round programme of high quality work promoting the city regionally, nationally and internationally
 - The potential for the theatre to take a more significant role in supporting children and young people to enjoy and achieve in schools and in extended schools settings
 - The opportunity for the Studio theatre to support new talent in the creative sector in the region
 - The need to ensure that the theatre was accessible and developed its audiences especially within those sectors of the community that traditionally had low attendance or participation rates
 - The need to improve the proportion of earned income against public investment.
3. In the three years since 2005 the Theatre has clearly been through a period of change with a renewed emphasis on education and young people's provision, the introduction of a second performance space and the establishment of a national production and touring reputation. This has coincided with some difficult financial issues, which has seen a marked reduction in the Theatre's reserves. However, the Theatre is making progress towards becoming less financially dependant on the Pantomime box office and currently has a healthy financial position this year.

4. The increase over the last 3 years in Youth Theatre Provision, outreach project work and new work in the Studio with the Higher Education sector has been positively welcomed by partners. National figures for 2006 from the Arts Council England show that the York Theatre Royal has one of the broadest social mix of audiences in the country, supported by a pricing policy that encourages attendances by young people.
5. In addition to the requirements of the SLA the Theatre has been a positive partner in the development of the vision for a Cultural Quarter in the city. Work with the City of Festivals initiative and tourism product development, though slow to start with because of forward planning timescales, is now imbedded in the management planning at the Theatre.

Consultation

6. Following three way discussions between the Council, the Theatre and the Arts Council England: Yorkshire (ACE:Y), and in the light of its own internal review, ACE:Y has indicated that it will increase the funding of the Theatre Royal by nearly £47K over the next three years. A condition of the Theatre receiving this increase is that the investment by the council does not reduce over the same period.
7. At the Culture and Heritage EMAP in January 2008 members discussed the 2005/08 SLA. Issues raised and suggestions made for improved reporting have been included in the proposed SLA, which is set out in Annex A.

Options

8. The negotiations have centred on the following key performance areas and these are reflected in the targets set out in the proposed SLA Annex A.
 - Develop provision as a local, regional and national theatre provider, creating productions of quality, daring, delight and accomplishment for the citizens of York and the region, and for visitors to the city
 - Create opportunities for all ages, but particularly young people, to create and learn. By using the entire theatre building and organisation as a resource ensure developing a wide range of skill-based programmes
 - Work in active partnership with business, education, community and arts organisations, and local authority service providers to extend both the range and reach of the Theatre's work
 - Contribute to York's economy and to strengthen the evening economy of the city by attracting visitors to the city. Play an active role city wide initiatives including the development of the Cultural Quarter and in promoting York- City of Festivals

9. Under the previous SLA an inflationary increase was allocated to the Theatre. If this was to be applied at the beginning of the SLA round this would mean an increase of £6,860 (2.3%) on the current allocation of £298,200. However this year in the budget setting process no provision for inflation has been made. Therefore an increase for the Theatre in 2008/09 is not possible unless resources are diverted from other areas of the Arts & Culture budget. However, in order to secure the increase in funding for the theatre from the Arts Council England they have indicated that they would be able to accept standstill award this year and inflation increases in the following years if the SLA would then run for 4 years.
10. Therefore our proposed options for consideration are:
 - Option 1.** SLA to run for 2008/09 only with no inflationary increase included. This would give the council the opportunity to review future funding levels in light of the overall budget position from 2009/10.
 - Option 2.** SLA to run for 3 years (1 April 2008 to 31 March 2011) with no inflationary increase included across the 3-year period.
 - Option 3.** SLA to run for 4 years (1 April 2008 to 31 March 2012) with no inflationary increase in 2008/09 but with inflationary increases guaranteed for the following three years.

Analysis

11. To avoid the renewal of the SLA falling in the same year as the renewal of funding from the Arts Council England, and therefore allowing the Theatre some stability, a four-year funding agreement is the preferred option. This would also allow for the inflationary increases to be built into future years budget processes. Inflation increases would always be calculated on the same basis that the council calculates its own standard inflation rate used in the relevant years budget process.

Corporate Priorities

12. The theatre contributes some £11.2 M to the local economy (figures provided by EDU), and is a key stakeholder in the development of the cultural quarter for the city. In addition to its economic contribution the theatre is a regionally and nationally recognised producing theatre and its work with Families and Young people (in partnership with the council) is a DCSF model of good practice. It has been actively involved in work to support the priority outcomes of the Lifelong Learning and Culture Plan.

Implications

Finance

13. The following implications have been considered

- **Financial** The 2008/09 budget for the Theatre Royal SLA is £298,200, representing a cash freeze on the payment made to the Theatre in 2007/08. As none of the options for consideration propose an increase in the payment for 2008/09 they are all affordable within the existing 2008/09 budget.

If Option 3 is chosen then the Executive will have to agree a pre-commitment to inflationary increases in each of the years 2009/10 to 2011/12. Assuming a standard inflation rate of 2.3% pa this would equate to estimated payments to the Theatre of:

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|---------|----------|
| 2008/09 | £298,200 |
| 2009/10 | £305,060 |
| 2010/11 | £312,070 |
| 2011/12 | £319,250 |

14. There are no Human Resources, Equalities, Legal, Crime and Disorder, IT, or Property implications arising from this report.

Risk Management

15. The performance of the Theatre is subject to regular monitoring with twice-yearly reports on the SLA to EMAP. The Council also has 3 councillors on the Theatre board and an officer attends board meetings in a client role.

Recommendations

16. The Executive is asked to approve the proposed Service Level Agreement set out in Annex A and to agree a 4 year service level agreement as set out in paragraph 8 above.

Reason: To provide programme at the Theatre that meets the Council's objectives and to secure the additional investment of the Arts Council England.

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Report Approved

Date 12/3/08

Specialist Implications Officer(s) *List information for all*

Financial
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Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Background Papers:

Purchasing from the Not for Profit sector 2008/09: Service Level Agreements

Annexes

Annex A York Theatre Royal Partnership Agreement 2008 - 2012