

## **For publication**

### **Winding Wheel Capital Investment (TV000)**

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|--------------------|----------------------------------|
| Meeting:           | Cabinet                          |
| Date:              | 14 <sup>th</sup> November 2017   |
| Cabinet portfolio: | Town centres and visitor economy |
| Report by:         | Arts and Venues Manager          |

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#### **1.0 Purpose of report**

- 1.1 To seek approval to undertake capital works to improve the front of house facilities at the Winding Wheel

#### **2.0 Recommendations**

- 2.1 That approval is given to upgrade the ground floor of the Winding Wheel at an estimated cost of £426,000. The work to include: the renovation of the foyer, administration box office and the adjacent shop unit 15 Holywell Street; the creation of a foyer café bar; the renovation of the existing public toilets on the ground floor.
- 2.2 That authorisation is given to fund the works using approximately £294,000 from the existing Theatres Restoration Fund reserve with the balance of £132,000 from the future proceeds of the Theatre Restoration Levy.

#### **3.0 Report details**

##### **Background**

- 3.1 The Arts and Venues service is responsible for the management of the Pomegranate Theatre, Winding Wheel, Hasland Village Hall, and Assembly Rooms. It has been tasked with reducing the net controllable costs of the service to NIL by the end of 2020/21.

The net controllable costs of the Winding Wheel and the Pomegranate Theatre have already been reduced from £687,931 in 2011/12 to £345,847 in 2016/17. This is a reduction of £342,084 which is equivalent to a reduction of 49%. The net controllable costs of the Winding Wheel were £218,521 in 2016/17 and the Pomegranate Theatre was £127,326.

3.2 A plan is being developed to reduce these net controllable costs incrementally over the next four financial years, 2017-2021. The main driver of that reduction is further increasing the net profit from the following key income streams:

- Production show income - the net profit that the Council makes from the visiting shows
- Bar and Catering income
- Ticket Booking Fees income– the amount charged to each customer for purchasing a ticket
- Venue Hire income
- Advertising and promotional income

Capital investment is required to deliver some of these improvements in financial performance.

3.3 This year is the thirtieth anniversary of the opening of the Winding Wheel Exhibition and Conference Centre. Chesterfield Borough Council converted the building on Holywell Street, which had been previously been the Odeon Cinema and Chesterfield Picture House. It is a Grade 2 listed building.

The main activities of the Winding Wheel are currently the promotion of entertainment events, and the hire of rooms to private individuals, organisations, and companies for a wide range of activities.

During 2016/17 there were 149 performances attracting 37,745 ticketed attendances. Overall the building was used for events or private hires for 280 days during the year. This included performances, dinners, blood donation, meetings, parties, weddings, religious services, beer festival, dances, and fairs / exhibitions.

3.3 Both the Winding Wheel and Pomegranate Theatre venues operate in commercially competitive markets. They have to compete with

both other local theatres and cinemas, and also with other hotels and conference/meeting venues. Many of the direct competitors operate more modern upgraded facilities. First, it is essential that the front of house facilities at the Winding Wheel remain attractive to customers and hirers. The venue needs to sustain the existing level of business but importantly needs to develop new business in the future. In addition maintenance and improvements of back of house services are required to ensure that the venue is operationally efficient. Secondly, investment in new facilities can enable new activities to take place, which can generate new income streams.

3.4 Capital investment in the venues in the past has made a significant contribution to the sustained programme of deficit reduction over the last 5 years. In 2014, approximately £750k was invested in the Winding Wheel and the Pomegranate Theatre. This was made possible by a grant of £495K from the Arts Council National Lottery Capital scheme. At the Pomegranate Theatre the seats were refurbished or replaced, and the seating capacity was increased to 590 seats, and a digital cinema facility was installed. In addition the front of house areas were re-decorated and they were re-carpeted.

At the Winding Wheel the improvements included a new stage with automated stage extension, an additional dressing room, and additional lighting grid, and portable tiered seating platforms.

3.5 In addition the Council has maintained the building and from time to time invested in the buildings facilities, including a new fire detection system in 2012, the replacement of the boilers in 2016, and the refurbishment of the two lifts in 2017. The Assembly Rooms was completely refurbished as part of the Market Hall refurbishment project in 2012/13 and Hasland Village Hall was refurbished as part of the Eastwood Park refurbishment project in 2013.

#### **4.0 Investment Proposals**

4.1 In order to retain existing customers, and attract new customers, and to further increase income at the Winding Wheel, it is proposed to invest in some of the front of house areas at the Winding Wheel to update them and make the building more attractive. In particular one of the proposed projects will generate

additional bar and catering income and is part of the business plan to reduce the net controllable costs at the venues.

- 4.2 The proposed projects include a new foyer café bar and the refurbishment of some of the public toilets. The overall purpose of the investment is to improve the welcome of the Winding Wheel and to give it modern improved facilities on the ground floor.
- 4.3 A new café bar (with approximately 40 covers) will be installed in the Foyer area serviced by the existing kitchen in the auditorium. This includes a refurbished entrance area and enlarged foyer which incorporates the existing Administration and Box office area, and the vacant adjacent Glasses shop at 15 Holywell Street.
- 4.4 All the customer toilets on the ground floor will be re-furbished. The draft proposals have been created by Glen Howell Architects and costed by PMP Consultants. Both these companies worked on the Arts Council funded project in 2014. In addition, the designs have been initially reviewed by the CBC Head of Planning.
- 4.5 The proposal is that both projects will be done simultaneously, and the work will be completed during July to September 2018. It is proposed that the building is closed for approximately 8 weeks during the construction period. This period has been chosen as this is historically a relatively low income period for the venue, and it will mean that we can re-open the Winding Wheel for the autumn season with new facilities.

## **5.0 Project 1 – Foyer Café Bar**

- 5.1 In 2015, a sales and information hub was created at the Visitor Information Centre, and the main box office, venue hire reception, and the Venues marketing staff were moved from the Pomegranate Theatre and the Winding Wheel to the Visitor Information Centre. From that time, the Pomegranate Theatre and the Winding Wheel have only been opened to the public, when there is a show or event on in either of the venues. This has meant that the main administration / box office at the entrance in the Winding Wheel is no longer required in the same way. In addition the adjacent Glasses shop which is currently a lock up shop part of the Winding Wheel building became available

earlier this year due to the retirement of the owner. This has given us the possibility to create a much larger foyer area by removing the current administration/box office and opening up one of the walls into the existing Glasses shop. This will enable us to create sufficient circulation space whilst at the same time introducing a new café bar. A new bar counter will be installed in the existing alcove in front of the fire place in the foyer, and this will be given access to the existing kitchen in the auditorium area. The bar would have a full counter display and fridges. Food storage and preparation would be done in adjoining auditorium kitchen.

The counter would also incorporate an information point and suitable IT for issuing tickets.

Seating (approximately 40 covers) will be provided in the areas (previously part of the administration/box office and Glasses shop) which currently overlook Holywell Street. It is proposed that this area is re-decorated in a modern contemporary fashion, with floor tiles and modern lighting.

(See Appendix A to D for proposed designs).

## **6.0 Project 2 – Public Toilet refurbishment**

6.1 It is proposed that all the customer toilets on the ground floor at the Winding Wheel are all refurbished. There are three toilets in all:

- Disabled toilet
- Ladies
- Gents

6.2 In addition to the general refurbishment, it is proposed that the current ladies toilet in the foyer be re-modelled into two separate toilets for ladies and gents, which alongside the existing disabled toilet, will mean the new Foyer café bar has its own separate toilet provision. Also, it is proposed that the current gents' toilet in the auditorium foyer be re-modelled into two separate toilets for ladies and gents.

6.3 As can be seen in the cost estimate Appendix 5, the costs are estimated as follows:

## **7.0 Proposed Foyer café bar**

### **7.1 Foyer Café Bar**

Assuming that the café bar will open in September 2018, it is estimated that the bar will break even in its first six months, and will generate marginal net profit of £16,277 in 2019/20, and increase further to £18,575 in 2020/21 and to £21,103 in 2021/22, and a similar amount in 2022/23 and 2023/24, and 2024/25. This is a total accumulated net profit return of approximately £119,000 in 6.5 years.

### **7.2 Operation**

It is proposed that initially the Foyer Café bar will open during the day and evening when there are events or performances in the auditorium or in other rooms within the building. It is envisaged that once the café bar is established, it will open every day between 10am to 4pm and in the evenings when there are performances or events.

The Foyer Café bar would offer a full bar and a range of hot and cold drinks, snacks, confectionery, ice creams and light catering. Competitively priced and delivered in modern and attractive surroundings, the foyer café bar would be welcoming, comfortable and convenient.

The Foyer bar would be managed by the Operations Manager of the Venues, and it would either be staffed by direct employees of the venues or sub-contracted out to the commercial catering service being developed by the Council's commercial services team.

### **7.3 Customers**

The target "individual" customers would be as follows:

- Individuals attending private hire events at the Winding Wheel during the day
- Customers attending performances at the Winding Wheel
- Customers attending performances at the Pomegranate Theatre (cross –selling promotional offers)

- Passing trade

The target “business” customers would be as follows:

- Free Wi-Fi hot spot coffee shop for customers
- Town centre locations for informal one to one business meetings and interviews
- Links to new innovation centre
- Local town centre professional firms

#### 7.4 Market Research

Some of the customers attending performances at both the Winding Wheel and Pomegranate Theatre visit competitor outlets either before or after the shows at the Winding Wheel. This includes local bars and pubs in the evenings and local cafes during the day. We have an established a dinner and show package with a number of local restaurants and identified there is a small market for combining some sort of food offer with tickets for shows at Chesterfield Theatres.

In addition in a recent user’s survey, our customers indicated that there were opportunities to improve the offer at the Winding Wheel in the following areas: 26% though our Sweets were poor, 32% thought our snacks were poor, and 10.5% thought our soft drinks and hot drinks were poor.

In the forthcoming venues users’ survey, and subsequent focus groups, there are plans to explore further how the proposed café bar can meet the needs of our customers.

#### 7.5 Benchmarking

A number of other local venues have foyer café bars including Derby Theatre, Deda in Derby, the Cast in Doncaster, and the Lakeside Theatre in Nottingham. Further afield other local authority managed venues have similar outlets including Dorking Halls, Millfield Theatre Edmonton, Spa Theatre Bridlington, and Pavilion Theatre Worthing.

#### 7.6 Market strategy

The offer would be advertised and promoted through a variety of different channels:

- New advertising and promotion campaign for the venue hire facilities at Chesterfield Venues
- Additional service offered as part of marketing of shows at Chesterfield Theatres
- General local resident promotion
- Local business promotion

This would include digital marketing, print marketing, advertising, distribution, press and events.

## 7.7 Differentiated offer

The ambience and offer of the Foyer Café bar would be developed as part of the venue branding and offer and as an alternative to the other local cafes and bars. It will enhance our existing customers' visits to the venues, and add value to their experience when they visit the Winding Wheel.

In addition, this will enhance the venue's offer for hirers, as it will enable us to compete more effectively with other hotels and competing venues. Combined with the planned developments of the multi-storey car park at Saltergate, and the planned new innovation centre on the existing Holywell Cross car park, the Winding Wheel will be well positioned to the town centre venue of choice for both private and business hirers.

## **8.0 Human resources/people management implications**

- 8.1 There are no human resources or people management implications for the capital works. It is assumed that a full design team will be appointed for the project. This team will be appointed through a procurement process. In addition it is proposed that an external project manager will be employed for the project, who will act as the employer's agent. The project manager will operate a procurement process for the capital works on behalf of the council according to the council's procurement rules. This was done during the Arts Council works at the venues in 2014, and was very successful.



- 8.2 There will be a human resources/people management implication from the operation of the new foyer café bar. Whilst it is assumed that the bar will be managed by the Operations Manager of the venues, there will be a requirement for additional front of house staff to operate the foyer café bar. These staff will either be direct employees of the venues or members of the commercial catering service team being developed by the Council's commercial services team. The additional staff hours are equivalent to 1.75FTE.

## **9.0 Financial implications**

- 9.1 Estimated costs for the proposed works at the Winding Wheel including the renovation of the foyer, administration box office and the adjacent shop unit 15 Holywell Street; the creation of a foyer café bar; the renovation of the existing public toilets on the ground floor have been provided by PMP consultants and are attached in full at Appendix E.

- 9.2 An outline of these costs is as follows:

Winding Wheel Foyer £241,968  
Project Design team and other project costs - £55,653  
Sub Total £297,621

Public Toilet Refurbishment £104,400  
Project Design team and other project costs - £24,012  
Sub Total £128,412

Total for Project £426,033

- 9.3 In addition to the direct project costs detailed above, it is anticipated that there will be closure costs as there will not be any events or shows at the Winding Wheel during the refurbishment works. Based on the income levels this year it is estimated that the reduction in net income would be approximately £15,000.

9.4 Also there would be costs of WIFI installation in the Foyer but this would be part of the larger Council WIFI installation IT project, and are not detailed here.

#### 9.4 **Theatre Restoration Levy**

Due to the possible reduction in the availability of capital funding, and the ongoing requirement for further capital investment at the venues, it was decided to introduce a theatre restoration levy in 2014 to build up a ring-fenced reserve. Currently there is a compulsory £1.50 levy per ticket on all tickets for professional productions. The balance of the Theatre Restoration Fund is approximately £294,000, and it is anticipated that it will be approximately £430,000 by the end of December 2018.

To date only a small amount of the fund has been used since it was established. Most of the funds to date have been used to purchase additional or upgraded equipment for the venues.

It is proposed that the capital costs for this project be funded from the Theatre Restoration Fund. In addition it is proposed that this use of the funds is communicated widely to the public and specifically to the customers of the venues. This will be in the venue itself, but also in the brochure for the venues, on the website and also in social media for the venues, and of course across all council communication channels.

#### 9.5 **Sales and costs forecast of the proposed Foyer café Bar**

These are detailed in Appendix F.

The main projections are as follows:

|             | 2018/19 – 6 months | 2019/20 | 2020/21  |
|-------------|--------------------|---------|----------|
| Income      | £36,037            | £92,257 | £101,482 |
| Expenditure | £35,855            | £75,979 | £82,907  |
|             |                    |         |          |
| Net Profit  | £181               | £16,277 | £18,575  |

As can be seen, it is assumed that following the initial opening period of six months, the proposed foyer café bar will contribute

additional net profit to the venues, and this contribution will be part of the plan to reduce the operational subsidy of the venues.

The income and costs projections are based on actual figures currently being achieved in bar and catering at the Winding Wheel and Pomegranate Theatre. In addition the figures have been checked against figures from the Market hall café operation since it opened in the summer.

The figures include an amount for the rent and rates of 15 Holywell Street.

## 10.0 Legal and data protection implications

- 10.1 The shop at 15 Holywell Street already belongs to the Council, and is currently unlet due to the retirement of the proprietor of the Glasses shop.
- 10.2 There will need to be an application for an amended premises licence for the Winding Wheel to take into account of the opening of the new foyer café bar.

## 11.0 Risk management

| Description of Risk      | Likelihood | Impact | Mitigating Action  | Resultant Likelihood | Resultant Impact |
|--------------------------|------------|--------|--|----------------------|------------------|
| Project costs over run   | Medium     | Medium | Use of professional firm of quantity surveyors, and use of project manager. Robust procurement process.                | Low                  | Low              |
| Planning consents issues | Medium     | Medium | Initial review by CBC Planning. Use of architects experienced in working on listed building projects                   | Low                  | Low              |
| Project period runs over | Medium     | High   | Use of project manager and professional design team and establishment of project steering group, which meets regularly | Low                  | Low              |
| Foyer café bar           | Medium     | Medium | Realistic targets set  | Low                  | Low              |

|   |  |  |  |  |  |
|---|--|--|--|--|--|
| does not meet income targets or exceeds expenditure targets |  |  | based on Winding Wheel figures and Market Hall figures. Careful day to day management on site once facility is open with regular reviews of performance. |  |  |
|---|--|--|--|--|--|

## **12.0 Equalities Impact Assessment (EIA)**

12.1 A preliminary EIA has being carried out on the proposed works at the Winding Wheel. This is attached in Appendix G.

## **13.0 Alternative options and reasons for rejection**

13.1 Not investing in capital works at the Winding Wheel

The Council will retain approximately £426,000 in funds for other projects. However the business risk from not investing in the front of house facilities at the Winding Wheel will be that it will be become increasingly more difficult to hire out the venue for parties, meetings and events. In addition it will be difficult to retain existing customers for shows and events. The consequence of this will be that it may prove difficult to reduce the operational subsidy of the venue any further.

13.2 Not investing in the proposed projects at the Winding Wheel, but invest in other projects at the Winding Wheel or Pomegranate Theatre.

There is an opportunity cost with any capital investment project. By investing in the proposed projects at the Winding Wheel, there will be less available funds to invest in other areas at the Winding Wheel or at the Pomegranate Theatre. We have considered alternative projects at the Winding Wheel, including upgrading the other public toilets on the first and third floors, introducing a new bar into the Function Room, and upgrading the other main bars at the venue. Also, we have looked at alternative projects at the Pomegranate Theatre including a refurbishment of the backstage area including the eight dressing rooms, or retaining the funds as part of a major project to repair and upgrade the

whole of the George Stephenson Memorial Hall. However the proposed projects will enhance the customers' experience more significantly and also generate more net income to the Council in the near future.

### 13.3 Not using the proceeds of Theatre Restoration Levy

Due to the constraints on available capital funding for the Council as a whole, it is not possible to fund these projects in any other way. In addition, it is important that the Council uses the funds built up using the Theatre Restoration Levy to recognise the contribution made by local residents. This would be the first major project using funds raised since it was established in 2014.

## 14.0 Recommendations

14.1 That approval is given to upgrade the ground floor of the Winding Wheel at an estimated cost of £426,000. The work to include: the renovation of the foyer, administration box office and the adjacent shop unit 15 Holywell Street; the creation of a foyer café bar; the renovation of the existing public toilets on the ground floor.

14.2 That authorisation is given to fund the works using approximately £294,000 from the existing Theatres Restoration Fund reserve with the balance of £132,000 from the future proceeds of the Theatre Restoration Levy.

## 15.0 Reasons for recommendations

15.1 To make further progress towards a sustainable financial position for the Venues.

### Decision information

|   |  |
|---|--|
| <b>Key decision number</b>              | 771  |
| <b>Wards affected</b>                   | <b>All</b>   |
| <b>Links to Council Plan priorities</b> | 1)To improve the quality of life for local people<br><br>The project will enhance an |

|  |  |
|--|--|
|  | <p>existing Council asset by making it a more attractive place to hire and visit.</p> <p>2)To provide value for money services</p> <p>The creation of a new cafe bar will contribute to increased income at the Winding Wheel and is part of our plan to achieve zero subsidy.</p> |
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### **Document information**

| <b>Report author</b>   | <b>Contact number/email</b>                         |
|--|---|
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| <b>Background documents</b>  |   |
| These are unpublished works which have been relied on to a material extent when the report was prepared. |   |
| <i>This must be made available to the public for up to 4 years.</i>                                      |   |
| <b>Appendices to the report</b>  |   |
| Appendix A   | Entrance lobby - proposed finishes and palette      |
| Appendix B   | Entrance plan - layout and floor finishes           |
| Appendix C   | WC's - Auditorium WC layout                         |
| Appendix D   | WC's - Foyer WC layout                              |
| Appendix E   | Cost estimate                                       |
| Appendix F   | Foyer Bar income and expenditure                    |
| Appendix G   | Preliminary EIA                                     |