New Theatre for Tunbridge Wells
Tunbridge Wells Borough Council
Business Plan

October 2017
New Theatre for Tunbridge Wells – Business Plan

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1. Executive Summary

1.1. Tunbridge Wells Borough Council is building a new 1200 seat theatre beside Calverley Grounds which will be capable of presenting a wide ranging, high quality programme.

1.2. The current theatre operates in the south-east region where there are some 4.452 million people who are likely to be arts attenders and 2.417 million who are likely to attend the theatre. Within TN post codes alone, there are identifiable groups with strong interests in the arts of up to 200,000. Currently the theatre attracts some 60,000 annually from TN post codes. This indicates room for growth in this identified area, with the potential for more attenders from further afield.

1.3. By way of comparison, three Ambassador Theatre Group theatres in Milton Keynes Aylesbury and Woking (which are all one hour or less from central London) offer high quality programmes and attract annual audiences of between 300,000 and 400,000.

1.4. All indications point to there being sufficient supply and demand in the theatre market to sustain a similarly successful larger theatre in Tunbridge Wells, especially since it will be able to receive a much higher quality programme than enjoyed at present.

1.5. The new theatre will have a larger stage, an improved orchestra pit, better wing space and much improved back and front of house facilities when compared with the current venue. It will also have the capacity for a broader F&B offer, generous public areas facing onto the park and a modern 250 place car park close by. This will greatly increase its capacity for the variety of its programme and the potential for commercial income.

1.6. With 1200 seats, the new theatre’s programme will consist of more weekly runs with the annual programme typically containing up to 40/45% musicals; 15% drama; and 15% pantomime (therefore, typically 70% of the whole programme is likely to come from these three genres):
With 985 seats, the Assembly Hall Theatre has been attracting an average of 130,000 annual ticket sales over the past six years. Successful venues at 1200 seats attract at least 250,000 and up to 400,000 sales (the latter being generally managed without subsidies);

At 250,000 ticket sales, subsidies of £350,000 are not uncommon and can be higher;

Therefore, in order to be subsidy free, the ultimate annual target of the new theatre in Tunbridge Wells will be realistically some 400,000 ticket sales;

It would be ambitious to achieve this within the early years of opening (from the starting position of the existing Assembly Hall Theatre operation) and may take up to seven or eight years to attain.

1.7. The future rewards of the larger venue are clear - better, modern facilities for the public and performers, together with an enhanced programme. Equally, attracting more residents and visitors to Tunbridge Wells as evidenced by the potential economic impact. The concomitant risks will be managing a smooth transition from the current theatre’s operation and programming style of largely one night events into the larger venue and achieving a different programming balance with many more weekly runs.

1.8. In order to deliver a smooth transition to the new theatre, a soft opening is recommended, engaging with local companies and residents to assist in establishing the new venue. BK would strongly recommend against attempting to present any interim programme between the closing of the old and opening of the new theatre as this deflects skills and energies away at a critical moment of planning and commissioning of the new operation.

1.9. The Council should be prepared to subsidise the new theatre at a higher level than at present in its early years. The new theatre is likely to require subsidies until it achieves annual sales of towards 400,000 (based on the financial results of 1200 seat theatres elsewhere).

1.10. The current theatre budget is projected as follows:
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<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall return</td>
<td>202,592</td>
<td>197,895</td>
<td>203,122</td>
<td>197,646</td>
<td>191,468</td>
</tr>
<tr>
<td>Creative Learning</td>
<td>47,438</td>
<td>52,452</td>
<td>49,952</td>
<td>51,466</td>
<td>54,480</td>
</tr>
<tr>
<td>Revised total return</td>
<td>250,030</td>
<td>250,347</td>
<td>253,073</td>
<td>249,112</td>
<td>245,948</td>
</tr>
</tbody>
</table>

1.11. The new theatre’s currently projected budget is:

<table>
<thead>
<tr>
<th>New theatre</th>
<th>Soft opening</th>
<th>Overall return</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Overall return</td>
<td>1,127,077</td>
<td>571,942</td>
<td>350,442</td>
<td>24,192</td>
<td>-37,661</td>
<td>-175,908</td>
<td>-314,155</td>
<td>-338,152</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Creative Learning</td>
<td>55,000</td>
<td>55,000</td>
<td>55,000</td>
<td>55,000</td>
<td>55,000</td>
<td>55,000</td>
<td>55,000</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Revised total return</td>
<td>1,182,077</td>
<td>626,942</td>
<td>405,442</td>
<td>79,192</td>
<td>17,339</td>
<td>-120,908</td>
<td>-259,155</td>
<td>-283,152</td>
</tr>
</tbody>
</table>

1.12. The average subsidy taken over 8 years is some £206k per year.

1.13. Sensitivities of ±5% have been applied to the financial projections, with concomitant variations of:

<table>
<thead>
<tr>
<th>Sensitivities on outcomes</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plus 5%</td>
<td>1,241,181</td>
<td>658,289</td>
<td>425,714</td>
<td>83,152</td>
<td>18,206</td>
<td>-126,952</td>
<td>-272,111</td>
<td>-297,306</td>
</tr>
<tr>
<td>Minus 5%</td>
<td>1,122,973</td>
<td>595,595</td>
<td>385,170</td>
<td>75,232</td>
<td>16,472</td>
<td>-114,862</td>
<td>-246,195</td>
<td>-268,992</td>
</tr>
</tbody>
</table>

1.14. Clearly, the key imperative is to build a high quality programme and a large increase in audiences.

1.15. It will be critical to monitor the Assembly Hall Theatre’s key performance indicators on an annual basis up until the new theatre opens and they should include:

- Number of performances;
- Number of attendances;
- Average attendance per performance;
1.16. It would also be advisable to maintain an appropriate contingency operating fund of at least £100k per year until the new theatre model has settled down.

1.17. In terms of economic impact, the current calculation would indicate the following as an indicator of potential:

<table>
<thead>
<tr>
<th>Economic impact</th>
<th>New Theatre Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from ticket sales</td>
<td>£9,200,000</td>
</tr>
<tr>
<td>Booking fees</td>
<td>£400,000</td>
</tr>
<tr>
<td>Overseas earnings</td>
<td>£0</td>
</tr>
<tr>
<td>Additional visitor spend</td>
<td>£751,000</td>
</tr>
<tr>
<td>Salaries</td>
<td>£1,681,361</td>
</tr>
<tr>
<td>Subsistence allowances &amp; local spend by visiting companies</td>
<td>£1,725,000</td>
</tr>
<tr>
<td>Goods &amp; services expenditure, including recharges</td>
<td>£1,000,000</td>
</tr>
<tr>
<td>Total before multiplier</td>
<td>£14,757,361</td>
</tr>
<tr>
<td>Total economic impact</td>
<td>£22,136,042</td>
</tr>
</tbody>
</table>

1.18. Other theatres which use the Shellard formula report results as follows:

- The Hippodrome in Birmingham (1800 seats) is estimated to have an economic impact of over £45 million;
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- The Lowry Centre in Salford (1730 and 430 seats) is estimated to have an economic impact of £29 million per annum;
- The Theatre Royal Norwich (1200 seats) an economic impact of £28 million;
- The new Marlowe Theatre in Canterbury (1200 seats) an economic impact of over £34 million;
- The Grand Theatre Blackpool (1000 seats) an economic impact of £12 million.
2. FAQs (frequently asked questions)

2.1. Here are some FAQs which may help with the interpretation of this report:

**Will the new theatre be a success?**

2.2. There is a wide network of professional theatres across the UK. This includes some 40 presenting houses with capacities of between 900 and 2300 seats, of which around half are operated commercially. Those operated independently or by local councils with around 1200 seat capacities include Norwich Theatre Royal, Newcastle Theatre Royal (both used here as models), Wolverhampton Grand, Marlowe Theatre Canterbury, Northampton Derngate and the New Theatre Hull. In addition to these, the commercial Ambassador Theatre Group operates a number of similar sized theatres including the Waterside Theatre, Aylesbury, Milton Keynes Theatre and the New Victoria, Woking. At the present time, all of those which publish accounts are reporting stable and successful operations. Some operate without subsidy (Newcastle and Norwich), some with local authority support currently reducing to zero (Wolverhampton and Canterbury). There are various operating models, but the new theatre in Tunbridge Wells will share all of its characteristics within the key elements of that group and there is no reason therefore, in principle, why the new theatre will not be successful.

**Why is the theatre at 1200 capacity and not 1500?**

2.3. The scale of any theatre is critical to the programme which it is able to present. Currently, the Assembly Hall Theatre at less than 1000 seats is not able to offer a commercial return to external producers and companies due to its well documented capacity and technical constraints. Commercial producers have articulated these issues in detail.

2.4. For example, from the producer of *Legally Blond*: “Further to our conversation the other day I just wanted to confirm our reasons for not including the Assembly Hall Theatre on the UK tour we are producing. As you know we are very aware of your space and the technical limitations therein. Whilst we would love to bring the show to Tunbridge Wells we would have to compromise the physical production too much to get it on stage. There are several elements in the design of the show that simply wouldn’t make it on to the stage due to lack of wing space and a useable dock area.”
I know that there are ongoing discussions to build a new theatre for Tunbridge Wells and as a touring producer I can assure you that where this to go ahead there would be no shortage of number one productions queuing up to be a part of your programme. The market in your area is absolutely right for large scale shows and deserves a theatre capable of fulfilling this potential, and showing them off as they were designed to be seen” (Martin Dodd, Managing Director, UK Productions).

2.5. An extensive piece of research into show fits by Theatre Projects identified that all 25 currently touring productions would fit into the new theatre – with the sole exception of *Phantom of the Opera* which will only fit a few theatres in the UK in any event.

2.6. At 1200 seats the new theatre will both increase its capacity and its capability for presenting a wide-ranging programme. With this many seats, it will be able to present operas, dance and musicals, as well as high quality touring drama productions which may attract some 700-800 attendances. At 1500 seats, although the theatre can offer a higher gross income to visiting companies, it would be too big for drama productions (for example, the Olivier Theatre at the National is 1200 seats and West End drama theatres are all less than 1200 seats (current plays performing in WE are all in theatres with less than 900 seats except for *Harry Potter and the Cursed Child*). It would also disadvantage community groups for the same reasons.

2.7. It is important to note that, with 100 seats removed for musical performances, the seat count at 1100 will still accommodate the average projected capacity for musicals at 900 seats per performance (the average attendance achieved elsewhere for musical performances).

2.8. Commercial theatre operators were consulted and agreed with this assessment. For example, Ambassador Theatre Group, which runs the largest number of theatres at all scales in the UK, confirmed that 1200 seats would be a “sweet spot” - “A new theatre in Tunbridge Wells is a very exciting proposition, it will help to attract a wider range of West End/touring shows to the town, and we would certainly consider the new venue for our tours. It’s fantastic to see a Town developing its cultural economy with such commitment, and developing a vibrant destination in this part of the region.”
Is the growth in ticket sales realistic and is the projected annual capacity figure realistic and what evidence do we have to back this up?

2.9. The new theatre will be a very different operation from the current Assembly Hall Theatre and will be able to offer a much broader and higher quality programme due to its increased capacity and technical capability. The 1200 seat theatres listed above which operate without subsidy typically attract an average of 300,000 to 400,000 ticket sales per year, compared with the AHT’s current 100,000 or so.

2.10. The capacity in the local and regional market for theatre attendances within one hour’s drive time of Tunbridge Wells is identified as 2.417 million people, with 200,000 in local post codes alone, of which the AHT currently captures 60,000 (source: 2011 National Census; TGI (Target Group Index); BMRB 2015, Audience Spectrum; Experian 2015 and Mosaic profile data).

2.11. Given the capacity of the local and regional market and the improved programme which will be similar in quality to the exemplar theatres used in this report, in principle, the new theatre in Tunbridge Wells will be able to match their performances. Achieving that will be subject to a high number of variables including, for example, maintaining the highest quality of management, access to national programming, the success of the annual pantomime, first class customer service and modern marketing operations). This is why the future financial model shows the 400,000 sales and a subsidy free status being achieved only after 7 or 8 years.

What will be the competitive position with the Marlowe Theatre?

2.12. As a rule of thumb, one third of any venue’s audience comes from within a few miles, one third from the surrounding region and one third from further afield.

2.13. Taking into account the one hour drive time from Tunbridge Wells, Canterbury is 50 miles distant at just over one hour’s travel by car. As many will know, this is not an easy drive and the main route would go through Maidstone, which is 17 miles from Tunbridge Wells and 28 miles from Canterbury (all routes calculated by the AA).

2.14. Maidstone is the biggest population centre between the two towns (113,000 population at the 2011 census) and, as can be seen, once the new theatre is open,
audiences will be more likely to travel from Maidstone to Tunbridge Wells than Canterbury as it is much closer.

2.15. It is likely that there will be considerable cross over between the programmes of the two theatres, but some shows would appear in different seasons. It can be argued that the Marlowe will lose audiences to Tunbridge Wells once its new theatre is open rather than the other way around. However, even more important is to note that the catchment area for the Tunbridge Wells area to the south and south west is much greater than Canterbury enjoys (because some of Canterbury’s one hour drive time covers a large area of sea).

**Why will people attend performances locally and not go to London?**

2.16. The market for theatre in the West End is buoyant and there are 241 professional theatre spaces with more than 110,000 seats accounting for more than 22 million sales annually (split evenly between commercial and not for profit sectors). Three out of ten of theatre attendances there are estimated to be by overseas visitors.

2.17. West End nights out are very costly, with audiences spending upwards of £300 for tickets, travel, food and drink which makes attendances there an exceptional event rather than a regular activity. By way of comparison, tickets for touring musicals cost an average of £33 at regional theatres.

2.18. In addition to a price advantage, modern local theatres offer better seats, FOH space and accessibility; low travel costs; are affordable for families; and good for local businesses. Audiences become habitual attenders, trusting the theatre’s programming style.

2.19. Despite high levels of attendances in the West End, the market for regional theatre remains very resilient and there is a great demand for West End productions on tour. Typically, successful West End shows undertake regional tours, firstly to metropolitan centres with large theatres such as Manchester, Birmingham and Glasgow and then to regional centres such as Canterbury, Norwich and Newcastle. For the purposes of this report, BK analysed the current touring pattern of a variety of West End shows, namely, *Jane Eyre, Curious Incident of the Dog in the Night Time, War Horse* (all National Theatre), *Mathilda* (RSC), *Shrek, Sister Act* and *Wicked* (all commercial productions). Each of these shows covered the network of
theatres in the national list of 40 receiving houses, including Norwich, Newcastle and Canterbury. Very successful shows tour the country more than once and attract repeat audiences.

**What is the difference between fixed vs variable costs?**

2.20. The way that the Council currently accounts for the Assembly Hall Theatre has developed over time to reflect the Council’s own internal reporting requirements. These are not typical for theatre operations generally and do not, for example, make the fixed and variable costs immediately clear. Therefore, the accounts are presented in two ways in the report: one as per the current Council format; and one restructured into a more traditional theatre format. This identifies the variable and fixed costs.

**Why is the Shellard Formula used for the economic impact assessment?**

2.21. The Shellard Formula was developed for the Arts Council’s use in 2004 and has become a standard tool for a simple approach to economic impact assessment. It is routinely used by the majority of UK theatres to demonstrate their local contributions to local authorities. More detailed assessments which identify the direct and indirect GVA (Gross Value Added) involve more in-depth research and consultation – for example, the 2016 economic impact assessment of the Edinburgh Festivals (estimated at £313 million in 2015) involved undertaking 29,000 audience surveys.

2.22. A recent example of such a study would be KPMG’s economic assessment of Colston Hall which can be downloaded at https://home.kpmg.com/uk/en/home/insights/2017/06/colston-hall-economic-impact-assessment.html. The complexity of the more detailed approach is plain to see.

2.23. The Shellard Formula does not capture the finer points of economic impact assessment such as leakage (for example, do some staff live outside the area); displacement (for example, will the new theatre take money away from local cinemas) or deadweight (for example, would local spending have occurred anyway irrespective of new theatre). Given that the new theatre is not yet built, it would be impossible to survey its audience or, for example, to identify staff members home
locations. This measurement could be set up in advance of the opening to measure the more detailed impact from the beginning of operations.

2.24. The latest reported economic impact for the new Marlowe Theatre is £34 million.

**Why we are conservative on the catering offer?**

2.25. The independent report by Tricon consultants studied the potential F&B offer in the new theatre. The results are summarized in this report. The reality is that very few theatres make any net return from café / bar or restaurant facilities, which are typically viewed as audience facilities rather than profitable vehicles. Those that do, operate independent facilities which exist alongside venues but not because of them. Therefore, the F&B operation in the new theatre is projected to return a very small net profit. This is prudent at this point in the planning process.

2.26. However, strong net returns are enjoyed from the sales of drinks, sweets and ice creams (with the pantomime season being critical in this respect). This is also reflected in this report.

**What is the preferred operating model and why?**

2.27. As already noted, there is a variety of operating models for presenting theatres across the UK, including local authority, charitable trust and commercial management.

2.28. Tunbridge Wells Borough Council is making a considerable investment in its new theatre and will continue to take full responsibility for its operation. Currently, the Assembly Hall Theatre is under confident management and has time to grow and develop its operation towards the opening of the new theatre. Given the significance of its considerable investment in the new theatre, this approach gives the Council the opportunity to realise that value and to be able to assess accurately the ongoing costs of operation. It is planned that this will result in a subsidy free or near subsidy free as is achieved in other theatres at this scale.

2.29. Commercial operators would normally require a guaranteed subsidy for ten years when taking on a new theatre, keeping all of the returns. There would be no guarantees of community access unless written into a contract, for which there would be a further financial penalty.
Is inflation included in the financial projections?

2.30. Inflation, typically introduced as RPI (Retail Price Inflation) or CPI (Consumer Price Index), is not included in the forward financial projections in this report. RPI / CPI are calculated by a representative sample of retail goods and services which do not readily apply to the economic model of theatre operations. For example, following the 2008 recession, when inflation was prevalent, the theatre world was relatively untouched (much to its surprise). Inflationary pressures which do affect theatres are, for example, changes to union rates of pay (Equity, Musicians Union, BECTU), utility costs, show fees (producers profits). These are profiled as part of the sensitivity analysis of the financial projections as separate events which could have a future impact both separately and together.

2.31. Inflation is an operational matter and the business will respond in its pricing strategies to order to be responsive to it. The budget does not need to have inflation as a consideration as it will simply inflate all income and expenditure in the same proportion so the net impact is in reality zero.

Is Vat included in the financial projections?

2.32. The financial projections in this report are shown as VAT neutral because the Council is fully VAT registered and its effects are evened out on both sides of the equation. Some theatres have VAT cultural exemption which applies to admission charges (but not, for example, where the local authority acts as a ticket broker for a commercial promoter or has a profit/income sharing arrangement with that promoter for a qualifying performance).

Why are the launch costs so high?

2.33. The launch costs are shown in this report as being relatively high because, at this stage, there is not enough detail on the construction programme to know when the new theatre might open. For example, there will be a substantial difference between opening in September, December or June in terms of programming, likely audience attendances and financial returns. Similarly, the transition period between ceasing operations in the Assembly Hall Theatre and opening the new theatre will not be less than 3 months and could be as long as 6 months, based on experiences elsewhere and, again, the construction timetable. This takes into account the need to commission the new theatre (for example, plant, technical equipment, recruitment
and training of new staff) as well as necessary investment in upfront marketing and publicity to attract new audiences and to signal a change in programming policy and quality. Once a contractor is appointed and the construction programme is detailed, then these costs can be revised.

**What will be the future subsidy requirements?**

2.34. At this stage, some years away from completion, the business model is necessarily relatively cautious in the early years and the need for up front subsidy reflects this.

2.35. The income, expenditure and net subsidy requirements are profiled as follows:

<table>
<thead>
<tr>
<th>BUDGET</th>
<th>Soft opening</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income incl subsidy</td>
<td>2,879,171</td>
<td>5,744,421</td>
<td>6,813,730</td>
<td>7,466,230</td>
<td>8,626,980</td>
<td>9,226,127</td>
<td>9,824,787</td>
<td>10,440,786</td>
<td>10,465,785</td>
</tr>
<tr>
<td>Expenditure</td>
<td>2,879,172</td>
<td>5,744,421</td>
<td>6,813,730</td>
<td>7,466,230</td>
<td>8,626,980</td>
<td>9,226,127</td>
<td>9,703,879</td>
<td>10,181,631</td>
<td>10,182,633</td>
</tr>
<tr>
<td>Subsidy required</td>
<td>245,948</td>
<td>1,182,077</td>
<td>626,542</td>
<td>405,442</td>
<td>79,152</td>
<td>17,339</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net return</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>120,908</td>
<td>255,155</td>
<td>283,152</td>
</tr>
</tbody>
</table>

2.36. As is noted later in this report, there are examples of trust and local authority operated theatres with 1200 seats that operate successfully without subsidy.

2.37. The average subsidy over the 8-year period profiled here would be some £205,000.
3. **Future programming policy and positioning**

3.1. The current Assembly Hall Theatre’s programme consists primarily of one-night events (60-70% of the programme), with an annual pantomime and occasional weekly or part weekly runs. It also hosts several local non-professional companies for which it is an important venue. The overall structure of the AHT’s programme includes a third being popular music or tribute bands, 20% being pantomime performances and a variety of genres making up the rest:

- This pattern is entirely due to the physical constraints of the current venue, rather than reflecting audience demand or programming aspirations.

3.2. The new theatre will join a wholly different section of the UK’s theatre provision, namely theatres that can host a wide-ranging programme including touring musicals, opera and high-quality drama. There are some 38 theatres in this category (with capacities of between 1200 and 2300), ranging from trust managed, to local authority and commercial operations:

- There is a marked difference in the quality of programming in these theatres from smaller venues such as the AHT.

3.3. The programming models for a transition to a larger scale theatre are the Theatres Royal in Newcastle and Norwich and the new Marlowe Theatre in Canterbury (all around 1200 seats). It is important to note that, prior to redevelopment, with 1,000 seats, the Marlowe had been achieving 30% full capacity audiences for its programme, with a 70% capacity achieved annually overall – this represented some 275,000 pre-development annual attendances. This was due to the theatre’s stage facilities which were the only part of the old theatre that was retained in the redevelopment. At predevelopment stage, the old Marlowe was receiving an annual subsidy of more than £600,000 including recharges and capital charges made against the theatre. It is only now able to achieve a subsidy free status some six years after re-opening, even given the advantages of its relatively high previous ticket sales in the old venue.

3.4. Post development, the new Marlowe Theatre further enhanced its programme of shows to include plays, major West End musicals, ballet, contemporary dance,
opera, stand-up comedy, orchestral concerts, music gigs and children’s shows. Regular visiting companies include Glyndebourne Opera, National Theatre, RSC, Matthew Bourne, Propeller, Northern Ballet, Rambert Dance Company and Theatre Royal Bath:

- This is typical of other theatres operating nationally at this scale (and above);
- The New Marlowe has now started producing its own shows with support from Arts Council England and is approaching subsidy free status.

3.5. The new theatre in Tunbridge Wells can aspire to a similar programme with its new and modern facilities, both backstage and front of house.

3.6. Typical comparable theatres at 1200 seats make up almost 80% of their programme from musicals, pantomime and drama, whilst the current AHT programme is much more mixed, for example:
3.7. The structure of programming by the larger theatres reflects both audience demand and more rewarding financial returns.

3.8. A key difference from the current AHT operation will be in the balance of the programme from one night events into weekly runs. Currently, more than 65% of the AHT’s programme is one night events, compared to less than 15% for the Marlowe, 17% for the Milton Keynes Theatre and under 3% for Norwich Theatre Royal.

3.9. This translates into the structure of the programme, with the AHT only offering musicals, pantomime and drama as less than 35% of its programme, compared to some 60% elsewhere:
3.10. Comparing seat sales on the same basis, the difference is clear:

![Seat sales comparison chart]

3.11. As well as restructuring and enhancing its programme, the new theatre in Tunbridge Wells will still retain access by local non-professional groups such as TWODS, TW Puppetry Festival, Royal TW Choral Society, TW Dance Festival and the Royal TW Symphony Orchestra.

3.12. Taking all of this into account the likely future structure of the programme will include:
3.13. This demonstrates some significant targets for the new theatre, particularly in the genre of musicals, even though it can be demonstrated that the product to fill the performance targets exists in the market (see next section).

3.14. The present theatre management is well aware of its programming constraints as a result of its current capacity and stage restraints. However, it needs to be noted that the programme in a 1200 seat venue will perforce need to be quite different from the current offering in order to be economically viable.

3.15. Despite the current constraints, the new business plan for the current AHT aims to build both quality and quantity in the programme and audience attendances in the period up to the new theatre’s opening.

3.16. It will be important to monitor the outcomes of these plans and to modify this plan accordingly in terms of planning the transition from old to new venue.
4. Market position

4.1. The Assembly Hall Theatre has an existing brand and market position, which it is now seeking to build upon in the years leading towards the new theatre opening.

4.2. However, unlike the Marlowe Theatre, Canterbury, when that increased from 900 to 1200 seats and did not change its programming mix greatly, but improved upon quality, the new theatre in Tunbridge Wells will have a markedly different programme in quantity and quality from the current Assembly Hall Theatre offer:

- The new theatre will move from presenting a programme of primarily one night stands towards longer weekly runs with many more musicals and higher quality drama.

**Competitive position**

4.3. The new theatre will place Tunbridge Wells into a new competitive position, most notably in the South East in the same group as existing theatres in Eastbourne, Canterbury and also the West End (considering the easy access from Tunbridge Wells).

4.4. In order to test availability of important sections of the proposed programme of the new Tunbridge Wells theatre, BK tested several current shows against the UK theatres to which they toured in recent seasons. These were:

**Drama**
- *Jane Eyre* (National Theatre production);
- *The Curious Incident of the Dog in the Night-Time* (National Theatre production);
- *War Horse* (National Theatre production);

**Musicals**
- *Matilda* (RSC production);
- *Shrek The Musical* (Dreamwork Theatricals commercial production);
• *Sister Act* (Curve, Leicester production);
• *Wicked* (Universal Stage Productions commercial production).

4.5. Of 21 independent theatres studied (i.e. those not commercially run), there were 55 weeks of touring by the these shows. All of the theatres shared some of the programme. The ones that appeared the most over the period surveyed were *Jane Eyre* and *Curious Incident* (although it is known that all of the shows toured over a longer time frame to most of the theatres).

4.6. These shows also toured to 17 ATG (Ambassador Theatre Group) commercial theatres and 1 HQ commercial theatre. There was no discernible difference between the access to programming between the independent and the commercial sectors.

4.7. Overall, this demonstrates that the new theatre in Tunbridge Wells will have access to the same product as the rest of the market on the basis of when it becomes available:

• In terms of competition, it may be that certain shows would appear in different seasons between Canterbury, Eastbourne and Tunbridge Wells, but not that there should be any exclusivity around existing theatres;
• Tunbridge Wells is likely be in the group of theatres that receive second run tours (i.e. shows that have been around the UK once to the larger metropolitan cities), but that would be the same as for Canterbury and Eastbourne.

**Growth of audiences**

4.8. The total number of tickets sold by the Assembly Hall Theatre has fallen in recent years to less than 100,000 in 2016/17. This is partly because of fewer performances, with the average attendance per performance remaining more stable currently at 463 (from a high of 501 in 2012) and an average annual attendance over the past 6 years of 130,000.

4.9. The existing theatre’s current business plan projects a planned growth of audiences to an average of 563 in 2022, or 157,746 annual sales.
4.10. The Assembly Hall Theatre is also planning price growth, building the Friends scheme, leading to incentives to get access to tickets at the new theatre.

4.11. This growth is very important in terms of the new theatre since the ultimate target for the new venue needs to be in the region of some 400,000 tickets sold to achieve a subsidy free status.

4.12. Given that the new theatre will have access to a much stronger and more varied programme, in principle, this can be done similar to other theatres at the 1200 scale – it should be just a matter of timescale.
4.13. BK’s previous report *Feasibility Study and Options Analysis April 2016*, identified the opportunities in the market and where future demand might lie.1

4.14. In the 2014 UK Theatre Venue Sales and Benchmarking Analysis Report, out of 36 theatres at above 1,000 seats in scale, 16 are run by ATG. This represents the largest commercial theatre operation in the UK. The other theatres are either independent trust or council run:

- On average, they all performed to a 60% annual capacity (but NB the comparator theatres chosen for the purposes of this plan – the Theatre Royals in Norwich and Newcastle – routinely achieve 70 - 73%);

- The average ticket price achieved in 2014, was £28.71 (the Assembly Hall theatre currently achieves some £20);

- 40% of performances were musicals, 15% plays, 15% pantomimes, with a wide variety of other genres in support;

- Therefore, 70% of performances were of musicals, plays and pantomimes which then equated to 75% of ticket sales (the Assembly Hall Theatre is currently much more varied);

- The average ticket price achieved for musicals was £38.59, with drama at £24.74 and pantomimes at £20.43.

4.15. This provides a firm, evidence based benchmark for the new theatre in Tunbridge Wells, but nonetheless the market challenges will be considerable:

<table>
<thead>
<tr>
<th>Current and future venues</th>
<th>AHT 16/17</th>
<th>AHT 21/22</th>
<th>Future lyric theatre</th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
<th>Year 4</th>
<th>Year 5</th>
<th>Year 6</th>
<th>Year 7</th>
<th>Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capacity</td>
<td>985</td>
<td>985</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
<td>1200</td>
</tr>
<tr>
<td>Tickets sold</td>
<td>103,139</td>
<td>157,746</td>
<td>200,000</td>
<td>250,000</td>
<td>275,000</td>
<td>350,000</td>
<td>350,000</td>
<td>375,000</td>
<td>400,060</td>
<td>400,060</td>
<td></td>
</tr>
<tr>
<td>Performances</td>
<td>214</td>
<td>300</td>
<td>325</td>
<td>335</td>
<td>375</td>
<td>400</td>
<td>410</td>
<td>420</td>
<td>430</td>
<td>430</td>
<td>430</td>
</tr>
<tr>
<td>Average tickets per performance</td>
<td>482</td>
<td>526</td>
<td>615</td>
<td>714</td>
<td>733</td>
<td>813</td>
<td>854</td>
<td>893</td>
<td>930</td>
<td>930</td>
<td></td>
</tr>
<tr>
<td>Average capacity achieved</td>
<td>49</td>
<td>53</td>
<td>51%</td>
<td>60%</td>
<td>61%</td>
<td>68%</td>
<td>71%</td>
<td>74%</td>
<td>78%</td>
<td>78%</td>
<td></td>
</tr>
<tr>
<td>Total ticket sales</td>
<td>£1,443,948</td>
<td>£2,034,923</td>
<td>£4,000,000</td>
<td>£5,250,000</td>
<td>£6,050,000</td>
<td>£7,475,000</td>
<td>£8,050,000</td>
<td>£8,825,000</td>
<td>£9,200,000</td>
<td>£9,200,000</td>
<td></td>
</tr>
<tr>
<td>Average ticket price paid (all tickets)</td>
<td>£14.00</td>
<td>£12.90</td>
<td>£20.00</td>
<td>£21.00</td>
<td>£22.00</td>
<td>£23.90</td>
<td>£25.00</td>
<td>£25.00</td>
<td>£25.00</td>
<td>£25.00</td>
<td></td>
</tr>
</tbody>
</table>

1 The market research section from the previous report is added here as an appendix.
5. **Transition planning**

5.1. The transition to the new theatre may take different guises. In this plan, a soft opening is projected for Year 1, following on from the end of the Assembly Hall Theatre operation closing down. The actual transition may include up to three months with no activity whilst the new theatre is commissioned and the staff trained on the new facilities. Therefore, three months operating costs could be incurred with no income.

5.2. Although some of the new staff will be recruited during the opening period and not be at full cost, the largest part of the transition cost will be for maintaining and developing the staffing structure and skills. The commissioning of the new theatre is a critical period of normally three months, together with staff training for backstage and front of house operations.

5.3. As a pivotal point, the transition from the existing Assembly Hall Theatre to the new venue will be critical to achieve successfully and this will work on a number of different fronts, for example:

- Publicly – keeping the loyalty of existing audiences and encouraging new attenders; offering a confident and efficient front of house service ensuring that the public’s experience is first class from day one; immediately presenting a high quality programme to satisfy customers and to act as a benchmark for the future;

- Behind the scenes – successfully commissioning the new theatre’s plant and technical facilities; recruiting and training new staff as and when required; familiarising staff with the operation of the new theatre; managing new systems such as the box office; establishing a first class FOH offer, including catering; ensuring that the back stage team can service large-scale incoming shows from day one;

- Timing of opening – depending upon when the new theatre is ready for occupation, the opening date will have a different impact dependent upon the time of year. For example, there will be a significant difference in programming
opportunities between opening in the summer, in the autumn, at Christmas or early in the new year.

5.4. Equally important will be not to be too ambitious in terms of programming continuity, and BK would strongly advise against trying to present any kind of interim programming between the closure of the old and opening of the new theatre:

- The time gap is likely to be only a few months;
- Interim programmes divert the attention and energies of the management at a critical moment when they need to be concentrating upon opening the new theatre;
- It is very difficult to deliver quality in an interim programme and interim venues are often not up to a high visitor experience which will count against the theatre’s management;
- For example, when working with the Marlowe before the new theatre opened, BK advised against an ambitious interim programme, advice which they did not take and then acknowledged they should have listened to.

5.5. The public can be unforgiving when new venues open, for example, the new Marlowe had some 400 complaints in the first months of opening because the timescale of the opening did not give enough time for the operation to plan, prepare and settle down.

5.6. In this respect, it may be advantageous for the new theatre in Tunbridge Wells to go for a “soft opening”, inviting local groups to stage the first shows and asking the residents to come and help “get it right”. That way the public would be encouraged to be involved and feedback would be likely to be more generous.

5.7. It is worth noting that TWODS were the first performers in the Assembly Hall Theatre in 1939. Local groups that could be involved in opening the new venue might be:

- TWODS;
New Theatre for Tunbridge Wells – Business Plan

- Royal Tunbridge Wells Symphony Orchestra;
- Royal Tunbridge Wells Choral Society;
- Royal Tunbridge Wells Dance Festival;
- Tunbridge Wells Puppetry Festival;
- Royal Tunbridge Wells Choral Society.

5.8. Realistically, the timing of the opening of the new theatre will not be known until the construction contract is let in 2018. At that point, it will be possible to plan more accurately for both the opening moment and ongoing seasons – in terms of programming, operations and finances.

5.9. It would still be prudent to plan for some delays in construction and leave some room for varying the final dates of opening until a year before construction is deemed to be complete.

5.10. For the purposes of this plan, a soft opening has been assumed and a partial opening year in terms of programming and operations. This will require revision once there is a clearer timetable:

- Depending upon the construction timetable, this could have a significant impact on the first year’s budget;
- Many new theatres budget for six months of overhead costs for a transition period, which in the case of the new theatre in Tunbridge Wells would amount to some £500,000;
- This is reflected in the Year 1 Soft Opening figures of the budgeted calculated in this plan.
- It will be important to monitor and refine this annually between now and the opening of the new theatre.
6. Management structures

Operating model

6.1. Other 1200 seat theatres across the UK have a variety of operating models, including commercial managements, independent trusts and local authority administrations.

6.2. The assumption of this report is that the new theatre in Tunbridge Wells will continue to be managed by the local authority. This reflects the significance of its considerable investment in the new theatre and gives the Council the opportunity to realise that value and to be able to assess accurately the ongoing costs of operation. It is hoped that this will result in a negative or near negative annual subsidy as is achieved in other theatres at this scale.

Management model

6.3. Similar to differences between the existing and new programme structure, scale and sales targets, there are marked differences between the scale of operational managements at 1000 and 1200 seat venues and above.

6.4. This is principally reflected in staffing numbers, with the larger theatres employing up to 100 staff, depending on how they deliver their catering operations (in house or franchised). The minimum level is typically 60 – 70 FTEs, including café/bar staff (catering staff are excluded in this section as they have been included in Tricon’s report – see section 6).

6.5. There are some simple equations driving the larger staffing complements, which are due to an increase in the number of performances, for example, requiring a larger front of house staff (duty managers, ushers, F&B staff). Equally, more backstage performance staff will be required to service more technically complex week long runs and to allow for necessary shift work and holidays within a more intensive programme and increased sales staff to service higher demand:

- Management structures remain largely similar;
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- Some management services are likely to be delivered through the Council, as now.

6.6. The existing Assembly Hall Theatre management structure is relatively simple as follows:

6.7. The current business plan for the AHT includes growth in the staffing structure over the next five years, with posts added incrementally. This will begin to develop key skills and capabilities as the new theatre approaches. These include:

- Finance Manager
• Producer
• Production Manager / Deputy Technical Manager
• Creative Learning Assistant
• Marketing Apprentice and Assistants
• Duty Managers

6.8. For the new theatre, there will need to be other additions including:

• Finance Assistant
• General Manager
• Lighting and Sound Technician
• Building Services and Facilities Manager
• Business Development Manager
• Greater box office resources
• More Duty Managers and more ushers
• Stage door keepers

6.9. This will result in a more complex structure reflecting the new expertise required and greater numbers of staff overall:
6.10. For the purposes of this report, BK has used the Theatre Royal, Newcastle, as a model because it is a single auditorium venue with its own in-house catering operation:

- The Newcastle theatre is an independent trust, but its board is chaired by the local authority, with which it maintains very close ties;
- Its current staffing complement is some 48, excluding cleaning staff and café bar staff;
- Currently, the projection for the new theatre in Tunbridge Wells in early years is just over 41 staff on the same basis, rising to 46 by years 5 to 8;
• The early difference is largely due to the Newcastle TR having a group sales team and a bigger development department.

6.11. The total salary bill in Newcastle is £1.668 million (including NI, pensions, less contra payments to the theatre). The total future salary bill for Tunbridge Wells is currently projected to be £1.489 million (including on costs at 32% which reflects current levels in operation).

Governance and oversight

6.12. The new theatre will be a completely different model from the Assembly Hall Theatre. The Council has retained detailed and experienced knowledge of this venue and its operations built up over many years.

6.13. The new theatre will present new governance challenges and the Council may consider strengthening its methods and skills of oversight.

6.14. In this respect, the Theatre Royal Newcastle might be a helpful model in both governance and management terms.

6.15. BK would recommend study visits to both the Theatre Royal Newcastle and the Theatre Royal Norwich in order to gain insights into successful 1200 seat theatre operations.
7. Food & beverage

7.1. Catering is a challenging question in new or redeveloped theatre. It does not greatly impact greatly upon the current AHT operation because it lacks the facilities to deliver more than the simplest of offers.

7.2. Empirical evidence indicates that all new or redeveloped venues take some years to achieve a stable and profitable food and beverage operation. Whether the choice is made for an outsourced operation or for one delivered in house, the early years are typically challenging and often result in financial losses.

- It is also often true that the immediate nature of problem solving day to day F&B operational challenges is a big distraction at a point when the operational management is working hard to establish a new venue.

7.3. In any event, the reality is that net profits are only reliable from three sources:

- Drinks (alcoholic and non-alcoholic);
- Confectionery;
- Ice cream (particularly during the panto season).

7.4. Some theatres are very successful, for example, the recently redeveloped 1200 seat Chichester Festival Theatre (set in a park), has a thriving restaurant and FOH operation that delivers £100k per year net profit. Its restaurant is in a dedicated space and not part of any foyer area.

7.5. The equally well-established Norwich Theatre Royal (1200 seats) makes its net F&B income from the following sources:

<table>
<thead>
<tr>
<th>Norwich Theatre Royal F&amp;B income</th>
<th>Net result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bars</td>
<td>£174,641</td>
</tr>
<tr>
<td>Catering</td>
<td>£11,277</td>
</tr>
<tr>
<td>Confectionery</td>
<td>£35,781</td>
</tr>
<tr>
<td>Ices</td>
<td>£133,430</td>
</tr>
</tbody>
</table>
7.6. In contrast, the new Marlowe Theatre in Canterbury struggled with F&B losses in its early years, at best breaking even.

7.7. The F&B projections for the new Tunbridge Wells venue will therefore be cautious.

**Tricon report**

7.8. Foodservice consultants Tricon were commissioned by GVA Acuity to undertake a Foodservice Feasibility Study which was delivered in December 2016.\(^2\)

7.9. The brief covered the whole of the redevelopment of the Calverley Grounds site, including a new theatre, civic building containing council and tenant office accommodation, and the development of Calverley Grounds amenities.

7.10. Sections of that detailed report are reproduced here.

7.11. Tricon reported that key factors and considerations that will have an influence on the foodservice strategy are that:

- Foodservice within the theatre should not detract from bar and ice cream sales, which will provide the highest sales level of profit contribution;

- The proposed performance programme, with significantly more musicals and plays and higher ticket prices, will also drive a change in the general profile and demographics of the audience, compared to current;

- Space availability will restrict scale of any foodservice operation and the proportion of the audience that can be realistically served prior to a performance;

- It will be difficult to open theatre catering to the general public in the evenings as foyer areas will be used by the audience and there will be security/access implications;

- There is a high level of external foodservice provision within a 5 minute walk of the new Civic Centre. There are over ten popular “branded” restaurants and bars

\(^2\) **TUNBRIDGE WELLS CIVIC CENTRE FOODSERVICE FEASIBILITY STUDY** Draft issue 03 1\(^{ST}\) December 2016
available for pre-theatre dining, many offering competitive early evening meal packages. However, the availability of quality, daytime cafés and coffee shops in the immediate vicinity is low;

- The spaces available for foodservice (Theatre and Civic Building) are in attractive locations, but passing footfall is relatively low and visibility/accessibility restricted;
- TWBC requires catering to be self-sufficient financially and not to be a drain on the Council’s resources (cost and manpower);
- A low quality and unsuccessful foodservice operation is likely to detract from the overall perception of both the theatre and the overall development.

7.12. Alternative foodservice options were considered including a coffee bar; café / deli; café / bar; and restaurant operation. The management options considered in support of these operations were in-house management; contracted management; and a commercial operator. These options were underpinned by a number of assumptions that applied to all four options.

7.13. Given all Tricon’s research and consultations, their recommended option was:

- Theatre provides an all day café/deli and evening café bar service – operated in-house;
- Civic Building ground floor space designated for non-foodservice use;
- All foodservice activity is focussed on the Theatre.

7.14. This option is underpinned by a number of assumptions:

- The theatre bar and catering services will in all cases be managed by the theatre’s in-house team. To split the services would be both financially and operationally unviable;
- The café operation in the Park Café will cease on termination of existing agreement in December 2017 *(NB it is now the case that there is no intention to close the café)*;
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- Park catering, including refreshment kiosk for playground and temporary seasonal “pop up” and mobile services will be operated by the theatre catering department (or whichever party is delivering the theatre food and beverage operation);
- Catering for park events will continue to be organised and let by the Council using third party caterers as required.

7.15. However, in reaching these conclusions Tricon have a number of caveats:

- The Theatre should be cautious about trying to deliver too extensive an all-day offer initially. It is arguably better to focus on the Theatre audiences first and optimise the services to this market before committing to opening up to the wider public. There is a strong risk of loss of reputation if the Theatre opens an all day café service, only to then decide to close it down if it isn’t commercially viable;
- If the Civic Building space is let for retail or other non-foodservice use and the Theatre ultimately decides not to open the café all day, there will be no foodservice provision for the wider public in the new development. Therefore, the Council should retain the flexibility to convert some or all of the space in the Civic Building for foodservice use; even it is not designated as such initially;
- The interior design and fit out of the café/bar areas in the Theatre will need to carefully consider the different requirements of the day time and theatre audience markets. For example, furniture that is appropriate for a day time café deli may need to be cleared to enable the café area to be used as a bar supporting theatre performances.

7.16. Tricon’s financial and operational conclusions of the report were as follows:

- Overall, that the most appropriate foodservice provision to match potential demand from target user groups is a flexible style of operation that is able to vary the menu offer, style of service and general perception as follows:
  - Daytime weekdays - Café/Deli
  - Evenings pre-performance – Café Bar
7.17. There is no reason why this cannot be achieved operationally through careful and innovative planning of the service counters and equipment.

7.18. The most challenging aspect will be the interior design of the foodservice area, which will need to provide an appropriate bar and dining environment in the evening but with a warmer and more relaxing café style environment during the day, with soft seating and other furnishing appropriate for informal working and social interaction.

7.19. Based on the above research, consultation and modelling, the suggested financial outcome was as follows:

<table>
<thead>
<tr>
<th>All day café deli &amp; evening café bar operation</th>
<th>Daily covers</th>
<th>Average spend</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Low</td>
<td>Medium</td>
</tr>
<tr>
<td>Daytime</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average daily covers</td>
<td>100</td>
<td>130</td>
</tr>
<tr>
<td>Average spend (inc VAT)</td>
<td>£5.25</td>
<td>£5.19</td>
</tr>
<tr>
<td>Sales</td>
<td>£157,500</td>
<td>£202,500</td>
</tr>
<tr>
<td>Evening</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average daily covers</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td>Average spend (inc VAT)</td>
<td>£15.00</td>
<td>£15.00</td>
</tr>
<tr>
<td>Sales</td>
<td>£173,611</td>
<td>£225,694</td>
</tr>
<tr>
<td>Sales</td>
<td>£331,111</td>
<td>£428,194</td>
</tr>
<tr>
<td>Net operating profit / loss</td>
<td>(£33,449)</td>
<td>£15,444</td>
</tr>
</tbody>
</table>

7.20. Therefore, the calculations for catering included in this report are for an all-day café deli and evening café bar operation, with a projected net profit of £15,444.

7.21. The Tricon report did not consider bar, confectionary or ice cream sales. Therefore, the assumption for those sales in this report is based upon current operations and
financial results at the AHT, less 20% to take account of sales that might go through the café / bar operation.

7.22. It still returns a relatively high net profit, but taking into account the potential for sales to Council offices (probably on a daytime discount basis) and daytime public users, these should be achievable.

<table>
<thead>
<tr>
<th>Café bar, bars, confectionery and ice cream sales</th>
<th>Attendances</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current AHT projections</td>
<td>157,746</td>
<td>For 2021/22</td>
</tr>
<tr>
<td>Net return per attendance</td>
<td>£1.25</td>
<td></td>
</tr>
<tr>
<td>Net return in current budget</td>
<td>£196,979</td>
<td></td>
</tr>
<tr>
<td>New theatre year 7/8</td>
<td>400,000</td>
<td></td>
</tr>
<tr>
<td>Net return per attendance</td>
<td>0.8</td>
<td></td>
</tr>
<tr>
<td>Net return in forward budget</td>
<td>£256,000</td>
<td>Discounted by 20% for sales in café operation</td>
</tr>
<tr>
<td>Net return including Tricon</td>
<td>£271,444</td>
<td></td>
</tr>
</tbody>
</table>

Comparator Norwich TR nets £348,852 on 400,000 attendances plus £11,277 on catering

7.23. In keeping with the projected timescale for achieving attendances of 400,000 and a full economic return, the F&B operation will also reflect a growing business over a longer period.
8. Financial model

Assumptions

8.1. The key assumptions for the new theatre are that:

- Overall, by Year 7 or 8 of opening it will achieve financial results similar to those of the Theatres Royal in Newcastle and Norwich which have made consistent surpluses in recent years (1200 – 1300 theatres with in house catering operations and no studio theatre or other spaces for hire);

- The new Tunbridge Wells theatre will have a soft opening in Year 1, although a longer dedicated transition period may be required and can be planned once the construction timetable is known (after the contract is let in 2018);

- Effectively, some £500k is built into the Year 1 budget for soft opening costs;

- The theatre will build up to its full potential by Years 7 and 8;

- Performances will increase over that period from 300 (projected in 2021/22 - the final year of the Assembly Hall Theatre) to 400 in Year 4/5 of the new theatre;

- Attendances will build over the same period from 157,746 to some 350,000 in Year 5, rising to 400,000 by Year 7 & 8;

- The average ticket price will rise to £24 in Year 4, commensurate with other theatres;

- The balance of the programme will include up to 40/45% musicals, 15% pantomime and 15% high quality drama;

- It is noted that for lyric theatre performances (musicals, opera and dance), the capacity of the theatre will be reduced by 100 seats, but the expectation is that these performances will play to higher capacities, so the overall capacity target of 73% is unchanged (based on the models of other similar theatres);

- Tickets sales will rise from some £2 million in 2021/22 to £9.2 million in Year 7/8;
• Direct marketing costs are based upon £1.50 per ticket sold;

• The key costs of overheads in the new theatre have been assessed using an RICS model, which will require updating regularly as detailed planning of the venue progresses;

• The staffing structure of the new theatre is based upon the model of the Theatre Royal, Newcastle, which is a single venue with an in house catering operation;

• On costs are calculated at 32% in line with current operations;

• The new theatre FOH operation will include multi-functional staff who may deliver box office, performance support or bar services;

• In line with other theatre models, there is greater income shown in recoverable charges and recharges to visiting companies;

• The F&B income is based upon Tricon’s report and results which continue in line with the current Assembly Hall Theatre FOH operation, partially discounted for increased volume of attendances (i.e. the proportion of sales is likely to drop);

• It is assumed that there will be fewer theatre lettings due to increased performance activity promoted by the theatre itself;

• The same level of Creative Learning is assumed;

• An annual contingency of £100K is recommended;

• For the purposes of this report, all figures are net of VAT and at today’s prices.

8.2. On this basis, the new theatre will make an initial loss in Year 1 rising to a net gain by Year 6 if attendance and income targets are achieved. The average subsidy over the 8 year period would be some £206k.

8.3. The current AHT budget leading to the new theatre is projected as follows:
8.4. The new theatre’s budget projected here is:

<table>
<thead>
<tr>
<th>New theatre</th>
<th>Soft opening</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Overall return</td>
</tr>
<tr>
<td>Overall return</td>
<td>1,127,077</td>
</tr>
<tr>
<td>Creative Learning</td>
<td>55,000</td>
</tr>
<tr>
<td>Revised total return</td>
<td>1,182,077</td>
</tr>
</tbody>
</table>

**Economic impact**

8.5. The economic impact of theatres in the UK is much discussed and advertised, albeit that there are no nationally agreed methods for calculating the outcomes.

8.6. The Arts Council commissioned a format that was developed by Professor Dominic Shellard of the University of Sheffield in 2004. The Shellard formula is the most widely used methodology in the industry to calculate potential economic benefit of theatres and includes:

- Turnover generated by the theatre including ticket sales, sponsorship, grants, donations, programme and refreshment sales, merchandise and catering sales;
- Additional spending by theatre audiences (estimating transport costs, food bought outside the theatre, necessary childcare costs);
- Expenditure on staff (including actors and creative teams, permanent and freelance staff) and goods and services;
- Subsistence allowances for visiting staff and company members generating income for local landlords and hoteliers;
- A multiplier of 1.5.
New Theatre for Tunbridge Wells – Business Plan

8.7. Using the Shellard methodology, the new theatre’s future economic impact would be calculated as:

<table>
<thead>
<tr>
<th>Economic impact</th>
<th>New Theatre Year 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from ticket sales</td>
<td>£9,200,000; Net of VAT</td>
</tr>
<tr>
<td>Booking fees</td>
<td>£400,000; Booking fees @ £1 per ticket</td>
</tr>
<tr>
<td>Overseas earnings</td>
<td>£0; None assumed</td>
</tr>
<tr>
<td>Additional visitor spend</td>
<td>£751,000; Based on all F&amp;B sales</td>
</tr>
<tr>
<td>Salaries</td>
<td>£1,681,361</td>
</tr>
<tr>
<td>Subsistence allowances &amp; local spend by visiting companies</td>
<td>£1,725,000; For visiting artists, assumed at 25% of performance fees</td>
</tr>
<tr>
<td>Goods &amp; services expenditure, including recharges</td>
<td>£1,000,000</td>
</tr>
<tr>
<td><strong>Total before multiplier</strong></td>
<td>£14,757,361; Multiplier @ 1.5, which takes into account knock on effect to local economy</td>
</tr>
<tr>
<td><strong>Total economic impact</strong></td>
<td>£22,136,042</td>
</tr>
</tbody>
</table>

8.8. Other theatres which use the Shellard formula report as follows:

- The Hippodrome in Birmingham (1800 seats) is estimated to have an economic impact of over £45 million;
- The Lowry Centre in Salford (1730 and 430 seats) an economic impact of £29 million per annum;
- The Theatre Royal Norwich (1200 seats) an economic impact of £28 million;
- The new Marlowe Theatre in Canterbury (1200 seats) an economic impact of £34 million;
- The Grand Theatre Blackpool (1000 seats) an economic impact of £12 million.
New Theatre for Tunbridge Wells – Business Plan

A: Financial tables
B: Summary of market statistics from 2014

### TGI - Leisure

#### Arts attendance

<table>
<thead>
<tr>
<th>Activity</th>
<th>TNI1R5 - 60 minute drive</th>
<th>England</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attended in past 12 months (adults 15+)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Art galleries</strong></td>
<td>1,381,688</td>
<td>12,151,852</td>
<td>114</td>
</tr>
<tr>
<td><strong>Art gallery once a month or more</strong></td>
<td>62,064</td>
<td>563,469</td>
<td>111</td>
</tr>
<tr>
<td><strong>Ballet</strong></td>
<td>548,532</td>
<td>4,404,667</td>
<td>125</td>
</tr>
<tr>
<td><strong>Classical concerts</strong></td>
<td>736,544</td>
<td>6,149,406</td>
<td>119</td>
</tr>
<tr>
<td><strong>Contemporary dance</strong></td>
<td>136,911</td>
<td>3,113,704</td>
<td>116</td>
</tr>
<tr>
<td><strong>Jazz concerts</strong></td>
<td>427,070</td>
<td>3,748,445</td>
<td>114</td>
</tr>
<tr>
<td><strong>Opera</strong></td>
<td>485,184</td>
<td>3,879,395</td>
<td>125</td>
</tr>
<tr>
<td><strong>Plays</strong></td>
<td>1,669,746</td>
<td>14,555,951</td>
<td>113</td>
</tr>
<tr>
<td><strong>Popular/rock concert</strong></td>
<td>1,817,532</td>
<td>17,861,735</td>
<td>102</td>
</tr>
<tr>
<td><strong>Theatre</strong></td>
<td>2,417,134</td>
<td>21,642,533</td>
<td>112</td>
</tr>
<tr>
<td><strong>Theatre once a month or more</strong></td>
<td>127,524</td>
<td>1,092,781</td>
<td>117</td>
</tr>
<tr>
<td>Adults 15+ estimate 2014</td>
<td>4,452,695</td>
<td>44,679,588</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Museums and heritage attendance

<table>
<thead>
<tr>
<th>Activity</th>
<th>TNI1R5 - 60 minute drive</th>
<th>England</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visited in past 12 months (adults 15+)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Museums</strong></td>
<td>1,472,688</td>
<td>13,212,159</td>
<td>112</td>
</tr>
<tr>
<td><strong>Archaeological sites</strong></td>
<td>353,038</td>
<td>3,199,792</td>
<td>111</td>
</tr>
<tr>
<td><strong>Stately homes/castles</strong></td>
<td>1,096,471</td>
<td>9,638,623</td>
<td>114</td>
</tr>
<tr>
<td>Adults 15+ estimate 2014</td>
<td>4,452,695</td>
<td>44,679,588</td>
<td>100</td>
</tr>
</tbody>
</table>

#### Cinema visits

<table>
<thead>
<tr>
<th>Activity</th>
<th>TNI1R5 - 60 minute drive</th>
<th>England</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cinema attendance (adults 15+)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Every go to the cinema</strong></td>
<td>3,553,473</td>
<td>33,722,219</td>
<td>106</td>
</tr>
<tr>
<td><strong>Go every two or three months</strong></td>
<td>719,897</td>
<td>6,323,964</td>
<td>114</td>
</tr>
<tr>
<td><strong>Go once or more a month</strong></td>
<td>665,179</td>
<td>6,233,883</td>
<td>108</td>
</tr>
<tr>
<td><strong>Never go</strong></td>
<td>399,221</td>
<td>10,957,569</td>
<td>82</td>
</tr>
<tr>
<td>Adults 15+ estimate 2014</td>
<td>4,452,695</td>
<td>44,679,588</td>
<td>100</td>
</tr>
</tbody>
</table>

*Note: TGI data is modelled from survey data to postcode sector level so it should be used as a broad indication of behaviour in these areas only.*

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