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fehe
arts council

chief executive
sir arthur stich

Chief Executive
Academia Central Theatre
The Campus
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26 April 2005

Dear Dai

Fehe Funding

It is vital for the sake of the Arts in Fehe that a reasonable working relationship is maintained between the FAC and Academia Central Theatre (ACT). For the sake of ongoing relations between us, I have chosen to ignore your rather confrontational manner on the telephone yesterday when we were discussing FAC funding.

In the circumstances, perhaps it would be useful to review the progress made since Local Government Reorganisation affected ACT so badly. Whilst you were not involved at the time, you do need to appreciate the prompt action taken by the FAC in 2003/04 in terms of finding "survival" funding out of its reserves.

Since that time, the FAC has had much less freedom to act because of the Government-led review of the FAC's use of resources and the pressure to reallocate these away from larger providers such as ACT back to community-based arts. Your touring commitment has been a major factor in protecting your FAC funding level to date. As you know, this review has caused problems for the FAC and I apologise again for the consequential delay in the confirmation of the 2004/05 and 2005/06 FAC block grant provisions to the ACT, although you have been given indicative figures of £510,000 and £525,000 respectively. The 2004/05 figure will not change, but I hope to let you have confirmed figures for both years within a few days.

I now come to what you keep referring to as "our match-funding agreement". Whilst I accept the fact that Lernasshire CC has increased its base by £200,000 (£175,000 in 2004/05 and a further £25,000 in 2005/06), I can find no written commitment from the FAC to match-fund and I am not aware that my Chair, Lady Luvidovey, made promises, as you suggest. I accept that there were many discussions with my Chair and myself just after your appointment about a wide range of funding possibilities, and a number of tentative proposals were considered, but all these were overtaken by the Government review. I am rather surprised, therefore, that you have built "additional" FAC monies into your budgets for 2004/05 and 2005/06.

As promised yesterday, I will speak to Lady Luvidovey to clarify the issue when she returns from holiday and let you have her view on the situation.

Yours sincerely

Artie Stich

Copy – Vice-Chancellor, Academia College



Academia Central Theatre

ACT Board of Governors Meeting ~ 6 May 2005

1. Apologies

Lady Luvidovey (FAC), Ann Glish (Teechingham CC), Phil O'Sophie (Studiland CC)

2.(a) Minutes of the Board meeting on 11 February 2005

2.(b) Minutes of the General Purposes (GP) Committee meeting on 15 April 2005

Agreed : No matters arising other than those on the agenda.

3. Theatre Extension Project

The ACT Chief Executive (CE) introduced Klaus D. Curtin of Sett, Props and Curtin, theatrical architects. Mr Curtin explained that, through discussions with Academia College, the FAC and theatre staff, three "Options" had been developed to utilise the spare land adjacent to the theatre site. Mr Curtin showed Governors drawings of the proposed developments. The next step was to carry out costings and model the potential cash flows for the "Options". The CE thanked Mr Curtin and expressed confidence that the capital funding could be raised. The Director of Resources (DoR) expressed concerns about the revenue implications of the "Options", a point supported by a number of Governors.

Agreed : That a financial appraisal of the "Options" be carried out by the DoR.

4. National Insurance (NI) – Self-employed

The ACT Finance Manager explained that actors, stage managers, etc. were classified as self-employed for tax purposes, but for many years were required to be treated as employees for NI purposes. PARFIT had been fighting this anomalous position and, as a result of a European directive, the Government had been forced to concede the issue from 1 August 2004. Consequently employers were fighting to claim repayment of employers' NI contributions made for the six years to 31 July 2004. This could amount to about £250,000.

Agreed : That the report be received.

5. FAC Funding

The CE reported the recently received letter from the FAC and commented specifically about the doubts now arising about the additional funding of £175,000 in 2004/05 and £200,000 in 2005/06. The Chair of Governors expressed his surprise and concern at the stance taken by the FAC Chief Executive. There was no-one from the FAC present to comment.

Agreed : That the correspondence be noted.

6. Lottery Funding

The CE reported upon the phased bid, through the FAC, for £600,000 lottery funding under the "Arts for All" initiative. He noted that the commissioners had approved the bid in principle and agreed a minimum funding commitment of £550,000, (£350,000 in 2004/05). It was still expected, however, that the full £600,000 would be received.

Agreed : That the report be received.

7. Local Authority Funding

The CE reported that the contribution invoices sent to Studiland CC and Teechingham CC in early 2004/05 had been returned marked "Not Due, Please Cancel". Councillor Archie Tecture of Lerningshire CC agreed to contact his Member colleagues in the other Authorities, but suggested that both Authorities now had other priorities.

Agreed : That the report be received.

[continued]

8. College Funding

The Dean of Arts and Media presented this paper, noting that the ACT funding provision came out of his faculty budget. He reported that, as a result of college funding issues, all faculties had been faced with cutting their prior year base budgets by 1% in 2004/05 and 2% in 2005/06. He noted, however, that inflation had been fully funded at 3% each year in 2003/04, 2004/05 and 2005/06 (on the prior year base budget), but that this still meant a cut in real terms in 2004/05 and 2005/06 and a difficult financial environment. He confirmed, however, that the current ACT funding level of £430,000 would be at least maintained in 2005/06, noting that the detailed allocation of the faculty budget was still under discussion.

Agreed : *That the report be received.*

9. Projected Outturn 2004/05

The ACT Finance Manager presented a paper detailing the ACT 2004/05 projected outturn. He explained that expenditure in 2004/05 was currently showing an adverse variance of £351,000, largely as a result of a deficit on the net cost of company productions. The CE expressed his disappointment at audience levels during his first months as Artistic Director and blamed the local public for not supporting a programme that had been acclaimed by the critics as “intellectually stimulating and artistically adventurous”. The DoR expressed his extreme concern at the financial situation and reminded Governors of the need to address any deficit balances within a three-year period. Governors endorsed the DoR’s comments and requested that an independent review be carried out into the deficit position and the reasons for it, in time for the next theatre GP Committee.

Agreed : *That the DoR carry out a review of the financial position.*

10. Proposed Budget 2005/06

The ACT Finance Manager reported that, in view of the projected outturn for 2004/05 and some of the ongoing funding issues, he had revisited the provisional 2005/06 budget presented to the last GP Committee. In consultation with the ACT CE, he had produced a revised budget on a “worst case scenario” basis, with budgeted income reduced by £440,000 (including a nil provision against the £200,000 additional FAC funding and a reduced contribution from Teechingham and Studiland). In order to balance the revised 2005/06 budget, expenditure on both artistic and operational activities had been reduced by the same amount. One consequence was a reduction in the net company production budget of £150,000 and the ACT CE tabled a paper setting out a proposed artistic programme for 2005/06 on the basis of the £600,000 revised budget for net company productions. In view of the 2004/05 overspend, Governors sought reassurance that this revised 2005/06 budget was achievable and that the artistic programme could be delivered within the £600,000 net company budget. Governors agreed that the DoR should also address these issues as part of the independent review already agreed. The ACT CE expressed his disappointment that Governors appeared not to have confidence in himself and his staff.

Agreed : *That the DoR carry out a review of the financial position.*

11. Staffing Issues

The ACT CE reminded Governors that all his permanent staff were members of COSTS and on college-based terms and conditions. This included membership of the Local Government Pension Scheme. He noted that this was an extremely costly scheme in terms of employers’ contributions. The last statutory valuation review, effective from 1 August 2004, had cost the theatre an additional £22,300 in 2004/05. He noted that a job evaluation review was the latest imposition and that this would cost an additional £16,100 in 2005/06, mostly for management staff. Whilst these amounts had been built into the budgets already discussed, they were a further financial diversion of monies from artistic product into administration.

Agreed : *That the CE’s verbal report be noted.*



Academia Central Theatre

The Campus ~ Universe City ~ AC7 1NB

Dai Wreckshon ~ Chief Executive & Artistic Director

Vice-Chancellor
Academia College
The Campus
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12 May 2005

My Dear Dolly

I restrained myself from putting quill to parchment immediately and took a few days to ponder upon last week's BoG meeting. Whilst I could not say this to the Governors, the deficit is largely as a result of poor financial control over expenditure, a situation inherited from my predecessor. The increasing number of students is also having an impact on production staff and the large amount of amateur product in the theatre hardly helps to create a professional environment. There are, therefore, many contributing factors to the deficit situation.

Let there be no doubt, however, that I am very disappointed at the attitude of the Governors. Clearly international artistic acclaim alone is not sufficient for them. On reflection, however, I have concluded that their attitude is based more upon ignorance than malice, and particularly ignorance of how a producing theatre such as ours must operate.

A producing theatre is like a rambling rose, a living and breathing plant that needs to be nurtured and allowed to flourish in a welcoming environment, not cut back and constrained by finance and regulation. Under these latter conditions it will surely wither and die. College staff terms and conditions of service and College regulations on deficits are too restrictive for such a delicate bloom and will ultimately blight the whole artistic operation. As regards terms and conditions, I have never been afraid to tackle staffing problems head on, even if it means upsetting people and is painful in the short term. As you know, I spent the three years previous to my current appointment at the Theatre Royal, Politeknia, and was forced to take unpopular action there. I have no doubts that the benefits will ultimately be felt. On deficits, my own attitude is that, if you leave them long enough, the FAC will write them off.

For the moment, however, it is more bad news. I received a call today from Artie Stich at the FAC, confirming that –

- Lady Luvidovey's selective memory "has no recollection" of a match-funding agreement and there will therefore be no "additional" FAC monies in 2004/05 or 2005/06;
- The 2005/06 FAC block grant has been cash limited at £510,000, the same as in 2004/05.

The one bright point was Artie's support, on behalf of the FAC, for the largest of the three theatre extension "Options", but with the proviso that this must be on the best financial terms in view of the deficit situation. Perhaps we can discuss all these issues at the College Management Team meeting on 10 June 2005.

With warmest regards

Dai

ACADEMIA COLLEGE MEMORANDUM

From ~ Director of Resources – Ed Ministration Date ~ 13 May 2005

To ~ Head of Finance & Audit – Mattie Matticks

Academia Central Theatre

You may have already heard about events at last week's ACT Board of Governors (BoG) meeting. The agenda was largely financial and, apart from a presentation on the theatre's proposed extension project, there was very little to cheer the Governors and they kept turning to me for salvation. As a result, we are committed to two major projects in the next month or so.

Capital Project

The consultants involved have produced three "Options", as follows, for extension of the theatre's current premises and facilities on the site adjacent to the present buildings.

- A. Concert room, seating 250, with bar area, film theatre and a large props storage room;
- B. A medium-sized concert hall/conference centre, seating 1,000, incorporating a bar, snack bar, small kitchen, food servery and a rehearsal room;
- C. A large concert hall/conference centre, seating 1,600, incorporating a bar, snack bar, small kitchen, food servery and two rehearsal rooms.

Only Option C will require the whole site. Whichever option is selected ultimately, the plan is to carry out the capital works during 2005/06, with the new facilities operational from 1 August 2006. Dai Wreckshon, the theatre CE, seems confident that the necessary capital funding can be brought together, with the FAC Development Fund likely to be the major source, supplemented by a bid for lottery capital funding. My own concern relates to the ongoing revenue costs of the new facilities and I am aware that the FAC has very strict criteria in this regard when considering Development Fund applications.

We have been mandated by the BoG to carry out a financial appraisal of the three "Options" and I should be grateful if you would arrange for the drafting of a paper for initial discussion by yourself with the Vice-Chancellor, the Dean of Arts and Media and the theatre CE.

Revenue Position

There are a number of funding issues facing the ACT at present and I am not sure that the 2004/05 projected outturn presented by Bud Jetting, the ACT Finance Manager, represents the whole story, as bad as it already is. The same applies to 2005/06 where the preliminary budget has already been cut by £440,000 since it was presented to the ACT's General Purposes (GP) Committee just over a month ago. The BoG wants an independent report on both for the next GP Committee in early July 2005. I will give this some thought and let you have a detailed brief for the report in due course. In the meantime, I attach a copy of the figures presented by Bud Jetting at the Board meeting (all at projected outturn prices).

As there could clearly be some overlaps, I would suggest that both pieces of work are allocated to your Special Projects Manager, Pat.

Ed Ministration

Director of Resources

Academia Central Theatre

Financial Plans 2004/05 & 2005/06

	2004/05		2005/06	
	Original Budget £	Projected Outturn £	Provisional Budget £	Revised Budget £
<u>Income</u>				
<u>Grants & Subsidies</u>				
Academia College	430,000	430,000	430,000	430,000
Local Authorities				
Lerningshire	560,000	560,000	585,000	585,000
Other	140,000	140,000	145,000	30,000
	700,000	700,000	730,000	615,000
Fehe Arts Council				
Block Grant	510,000	510,000	525,000	525,000
Arts for All (Lottery)	350,000	350,000	250,000	250,000
Additional	175,000	175,000	200,000	0
	2,165,000	2,165,000	2,135,000	1,820,000
<u>Sponsorship</u>	150,000	100,000	200,000	100,000
<u>Earned Income</u>				
Catering Franchise	78,000	65,000	75,000	50,000
Bookshop (net)	2,000	-3,000	2,000	2,000
Front of House (net)	19,000	16,000	16,000	16,000
Facilities hire, etc.	16,000	12,000	19,000	19,000
	115,000	90,000	112,000	87,000
	2,430,000	2,355,000	2,447,000	2,007,000
<u>Expenditure</u>				
<u>Operational Activities</u>				
Administration Staffing	380,000	365,500	390,000	370,000
Production Staffing	580,000	592,500	585,000	550,000
Equipment	25,000	45,000	25,000	0
Publicity & Marketing	300,000	280,500	300,000	180,000
General & Other	292,000	289,500	310,000	310,000
	1,577,000	1,573,000	1,610,000	1,410,000
<u>Artistic Activities</u>				
Company Productions (net)	800,000	1,122,000	750,000	600,000
Visiting Companies (net)	0	14,500	10,000	0
Film (net)	-11,500	-13,500	-13,000	-13,000
Art Gallery (net)	14,500	10,000	15,000	10,000
Contingency	50,000	0	75,000	0
	853,000	1,133,000	837,000	597,000
	2,430,000	2,706,000	2,447,000	2,007,000
Net Surplus/(Deficit)	0	(351,000)	0	0