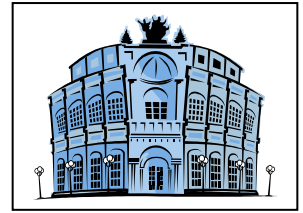


# SETT, PROPS & CURTIN

## ARCHITECTS & THEATRICAL CONSULTANTS

PROSCENIUM HOUSE ARCHWAY ROAD UNIVERSE CITY BL01NG



*The Vice-Chancellor  
Academia College  
The Campus  
Universe City  
AC7 1NB*

*20 May 2005*

*Dear Polly*

*Academia Central Theatre Extension Project*

*It was good to see you at the Board of Governors meeting earlier in the month. The presentation of the plans for the three "Options" appeared to be favourably received.*

*On the basis of advice from your Director of Resources, I spoke to the FAC about its criteria for the approval of capital schemes such as yours. In essence these require that projects are appraised over a 10-year period and must at least break even after taking account of all capital and revenue cash flows attributable to the ACT (as opposed to catering franchisees) including any FAC revenue funding. As you would expect, the FAC's model requires all cash flows in the ten-year period to be discounted back so that comparisons are made on a present value (PV) basis and reflect expected monetary value (EMV). Be aware that the FAC automatically rejects any schemes where this financial appraisal produces an overall deficit for the ten-year period.*

*The team and I have been working on the figures. We have assumed any capital costs would be incurred in 2005/06. We have estimated PVs (in 2005/06 terms) of the total cash flows attributable to the ACT for the ten-year period (2006/07 to 2015/16) for each of the three "Options" as shown on the attached sheet. You will see that, in addition to net earned income, the FAC is indicating that it will support the ongoing revenue costs of the preferred Option at a fixed contribution per additional seat. The EMV of this contribution over the 10-year period on a discounted basis is £1,500 per seat. As you will see, this has been built into the projections attached.*

*I have copied this to your Special Projects Manager who, I understand, has been tasked with carrying out the evaluation of this data.*

*I look forward to working with you further once the preferred Option has been determined.*

*Yours sincerely*

*Klaus D. Curtin*

*Senior Partner*

*Copies – ACT CE, Director of Resources, Special Projects Manager*

*Academia v 1.08*

## **ACADEMIA CENTRAL THEATRE**

### **“Options”**

- A *Concert Room - The building of a concert room (seating 250) for jazz, folk and other such small scale events, incorporating a bar area, a small film theatre and a large storage room for sets and props.*
- B *Medium Concert Hall - The building of a medium-sized concert hall and conference centre (seating 1,000), incorporating a bar, snack bar, small kitchen and food servery, plus a rehearsal room.*
- C *Large Concert Hall - The building of a large-sized concert hall and conference centre, (seating 1,600), incorporating a bar, snack bar, small kitchen and food servery, plus two rehearsal rooms.*

### **Costs**<sup>1</sup>

	<i>Capital</i> £000	<i>Running Costs</i> <sup>1</sup> £000
<i>Option A</i>	420	100
<i>Option B</i>	1,550	450
<i>Option C</i>	2,600	800

### **Income**<sup>1</sup>

*Estimated earned income has been calculated for each option according to three different projections of usage over the 10-year period – high, medium and low, with related probabilities of 0.4, 0.3 and 0.3 respectively.*

	<i>High</i> £000	<i>Medium</i> £000	<i>Low</i> £000
<i>Option A</i>			
<i>FAC revenue funding</i> <sup>2</sup>	375	375	375
<i>Catering/Bar franchise</i>	200	100	50
<i>Lettings</i>	75	25	5
<i>Net production surplus/(deficit)</i> <sup>3</sup>	350	0	(230)
	1,000	500	200
<i>Option B</i>			
<i>FAC revenue funding</i> <sup>2</sup>	1,500	1,500	1,500
<i>Catering/Bar franchise</i>	300	200	80
<i>Lettings</i>	100	80	50
<i>Net production surplus/(deficit)</i> <sup>3</sup>	450	170	(180)
	2,350	1,950	1,450
<i>Option C</i>			
<i>FAC revenue funding</i> <sup>2</sup>	2,400	2,400	2,400
<i>Catering/Bar franchise</i>	400	300	150
<i>Lettings</i>	250	200	100
<i>Net production surplus/(deficit)</i> <sup>3</sup>	750	600	250
	3,800	3,500	2,900

<sup>1</sup> Except for capital costs, all cash flows (income and expenditure) are totals for 10 years discounted back to PV

<sup>2</sup> FAC contribution – fixed 10-year EMV of £1,500 per seat

<sup>3</sup> Net surplus/(deficit) for events and productions in the new venues



# Academia Central Theatre

*The Campus ~ Universe City ~ AC7 1NB*

*Dai Wreckshon ~ Chief Executive & Artistic Director*

Pat Hology  
Finance and Audit  
Academia College  
The Campus  
Universe City  
AC7 1NB

27 May 2005

Dear Pat

Further to your call, I have reviewed the income figures for which I am responsible.

- ❑ Sponsorship A major sponsor reduced its commitment last week, so the 2004/05 figure will now be £15,000 down on the projected outturn given to the Board of Governors. For 2005/06, I only have commitments to date for £40,000, but I remain very confident that the £100,000 target can be met through extra effort next year and the Chief Executive (CE) agrees.
- ❑ Bookshop To reflect the current situation, the financial projections given to the BoG need adjusting. The 2004/05 outturn will be £3,500 worse than projected because of a valuation error at the recent stock-take, but an adjustment to opening hours should ensure breakeven in 2005/06 (zero net budget).
- ❑ Front of House The fall in audiences in 2004/05 will reduce the projected outturn by a further £1,500 to £14,500. For 2005/06 I suggest £12,000, a 25% cut on my £16,000 projected 2004/05 outturn, as there is a reduced programme.
- ❑ Facilities Hire A couple of recent major bookings should mean that income in 2004/05 is now in line with the original budget. Lettings in 2005/06, however, will be adversely affected by work on the new theatre extension project, whichever option is selected. No lettings will be possible for a good proportion of the year. For 2005/06, therefore, I would suggest that you need to discount the original 2004/05 budget by 75%.

On the expenditure side of the budget, I have responsibility for publicity and marketing. In 2004/05 this should be in line with the current projected outturn. For 2005/06, however, I have been instructed by my CE to cut the budget to £180,000. Whilst the reduced programme next year probably warrants some reduction, such a major cut seems illogical. Was it not the lack of an audience that caused most of the problems in 2004/05?

On a similar note, I have also been instructed by the CE to adjust box office opening times next year to produce a saving of £8,000 per annum, but this has already been built into the revised 2005/06 budget produced by the Finance Manager for the BoG. Any further adjustment to box office hours would be counter-productive.

Yours sincerely

*Mark Ketting*

Theatre Manager

Copy – ACT Finance Manager



# KATE HERRING LTD

RESTAURANTS, FUNCTIONS & BARS MANAGEMENT

Finance Manager  
Academia Central Theatre  
The Campus  
Universe City  
AC7 ING

31 May 2005

Dear Bud

Franchise Income & New Theatre Extension Project

First the bad news! I had a meeting with my accountant last week, and both turnover and net profit on the theatre account are much further down on the original forecasts for 2004/05 than I thought when we last met in late April. Whilst you will, of course, receive the final accounts to scrutinise after year-end, you should be aware that my accountant's best estimate of franchise income payable for 2004/05 is now £45,000. I hope that there will be some improvement in 2005/06, but I would suggest that we stay with the £50,000 previously discussed. It is probably better to be safe and be surprised on the upside.

On a cheerier note, I was very pleased to hear about the proposed new extension project at the theatre and particularly the new catering and bar outlets, although sadly these come too late to have any impact on 2005/06. Your Chief Executive took me through the plans in some detail, and, having reflected upon the current proposals, I am even more convinced that an opportunity for further income generation is being missed on "Options" A and C.

- ▶ Option A – By reducing the size of the large storage room, it would be feasible to incorporate a snack bar, small kitchen and food server. The additional capital cost is likely to be relatively insignificant, but such a facility would have strong income generating potential.
- ▶ Option C – As a major venue, the theatre currently lacks a proper restaurant. Option B, because of its size, has little scope for this, but with Option C there is a real possibility. It would, however, mean using the space currently earmarked for one of the rehearsal rooms. The capital cost here would be more significant, but so would the income generation potential.

When I raised these ideas tentatively with your Chief Executive, he was less than enthusiastic, but agreed to investigate them as possibilities.

If I can assist your consultants with these investigations, please do not hesitate to contact me.

Yours sincerely

**Kate Herring**

Managing Director

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HERRING HOUSE

FISH STREET

UNIVERSE CITY

CU6 ING

# ACADEMIA COLLEGE MEMORANDUM

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From ~ Director of Resources – Ed Ministration      Date ~ 3 June 2005  
 To ~ Special Projects Manager – Pat Hology

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## **Academia Central Theatre – Outturn 2004/05 and Budget 2005/06**

The Head of Finance and Audit tells me that you are making steady progress on the above.

As you know, the broad purpose of the report is to appraise critically the 2004/05 projected outturn and the 2005/06 revised budget figures presented at the last BoG meeting, and, where necessary, to update these. It is critical that the funding figures in your report are based upon firm commitments and not just aspirations. Please also ignore the possible NI refund at this stage, even if it is confirmed. This is a non-recurring item and I want to discuss its treatment separately at the meeting.

The next GP Committee is scheduled for Friday, 1 July 2005 and I will need your draft report two weeks before that. In conjunction with Mattie, I have been giving some thought to the areas that need to be covered in the resultant report and I would suggest the following:

- ❑ Brief background to the report and its purpose;
- ❑ An explanation of the funding problems being faced and the determination of realistic bases for grants, subsidies and sponsorship in 2004/05 and 2005/06, together with an assessment of the impact of these;
- ❑ Updating of the 2004/05 projected outturn and 2005/06 revised budget (pro-forma attached) to reflect –
  - Known adjustments to grants, subsidies and sponsorship (accept £100,000 for now);
  - Notified adjustments to earned income;
  - Required adjustments to the net costs of artistic activities;
  - Notified adjustments to the various operational expenditure cost centres;
- ❑ A statement of the cumulative deficit positions at 31 July 2005 and 31 July 2006, and comments upon these;
- ❑ Analysis of the reasons for the 2004/05 deficit, with particular emphasis on the net company productions overspend and the reasons given by the Chief Executive for this;
- ❑ A critical appraisal of the resultant 2005/06 budget and the identification of any areas of risk, both on the wider budget and, particularly, on the net company production costings;
- ❑ Conclusions and thoughts as regards the way forward.

In updating the 2004/05 projected outturn and the 2005/06 revised budget, you should only change the figures presented to the Governors if there is firm evidence, preferably from theatre staff or funding partners, that change is required. Clearly there are tensions at present and I do not want to be seen to be openly challenging the Chief Executive's theatrical expertise. However, where estimates still appear optimistic and you have doubts, you should not change figures, but you should pose tactful questions. Please take a particularly close look at the 2005/06 net company production budget. Concentrate especially on the mix of shows, the average capacity budgeted and the average yield per ticket budgeted compared with 2004/05 (both at a total level for each theatre and overall in 2005/06).

I look forward to receiving your draft report.

*Ed Ministration*

**Director of Resources**

### **Academia Central Theatre – Outturn 2004/05 and Budget 2005/06**

	2004/05			2005/06		
	Original Budget	ACT Projected	Finance Projected	Provisional Budget	Revised Budget	Finance Projected
	£	£	£	£	£	£
<b><u>Income</u></b>						
<b><u>Grants &amp; Subsidies</u></b>						
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	
	1,035,000	1,035,000		975,000	775,000	
<b><u>Sponsorship</u></b>	150,000	100,000		200,000	100,000	
<b><u>Earned Income</u></b>						
Catering	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	
<b>Total Income</b>	<b>2,430,000</b>	<b>2,355,000</b>		<b>2,447,000</b>	<b>2,007,000</b>	
<b><u>Expenditure</u></b>						
<b><u>Operational Activities</u></b>						
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	
<b><u>Artistic Activities</u></b>						
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	
<b>Total Expenditure</b>	<b>2,430,000</b>	<b>2,706,000</b>		<b>2,447,000</b>	<b>2,007,000</b>	
<b>Net Surplus/(Deficit)</b>	<b>0</b>	<b>(351,000)</b>		<b>0</b>	<b>0</b>	



# Academia Central Theatre

## Internal e-mail

**From:** Production Manager  
**To:** Special Projects Manager  
**Date:** 06 June 2005  
**Subject:** Budgets – Artistic Activities

Pat

As promised, I attach details of the net company production budgets for 2004/05 and 2005/06. As you can see, the details balance back to the 2004/05 projected outturn figure of £1,122,000 and the 2005/06 revised budget of £600,000. The current year has been difficult, with a new CE coming in. Show programming was late and this caused particular production expenditure problems in the busy Christmas period.

As you can see, show budgeting is a complex business with a number of variables. Budgeted income is derived by multiplying together columns B, C, D and F; for 2005/06 I have rounded off the income figures to £10 for each show. The number of seats varies according to the staging arrangements for a particular show. The average yield per ticket changes in line with the audience mix (number of children and other concessionary prices) and according to the mix of seats sold (there are three price bands in the Main Theatre and two in the Studio Theatre). Column E is the actual attendance percentage or the projected percentage based upon advance ticket sales. It is not planned to increase ticket prices for 2005/06, as this was a condition of the "Arts for All" National Lottery bid. Columns G-L are self-explanatory.

You will notice that I have persuaded the Chief Executive to take a more cautious approach in budgeting for 2005/06, particularly on the Main Theatre, where the overall budgeted capacity is 3% lower than in 2004/05. The budgeted yield per ticket has been reduced in both theatres.

As regards the other artistic activities, I propose no changes to the 2005/06 revised figures presented to the Governors, but my latest views on 2004/05 are as follows:

- o Visiting companies      Audiences have been poor recently and my projection is now for a deficit of £16,500 in 2004/05.
- o Film      A surplus of £12,500 in 2004/05 now seems more likely.
- o Art Gallery/Exhibitions      £10,000 in 2004/05 as currently projected.

On production staffing, the Chief Executive is becoming increasingly frustrated by the COSTS terms and conditions of permanent production staff and ideally would like all such staff on STAGE contracts. As permanent staff leave, he is now converting vacancies to fixed term contracts based upon STAGE conditions, and the £35,000 reduction on the original 2005/06 budget reflects his intention of continuing this process, as opportunities arise.

**Angie Neering**

Production Manager

Copy – ACT Finance Manager

## NET COMPANY PRODUCTION BUDGET 2004/05

Show	A	B	C	D	E	F
	Performances		Capacity			Yield
	Theatre	No.	Seats	Budget	Actual	Budget
	MT/ST		No.	%	%	£
<u>Autumn Season 2004</u>						
English 20 <sup>th</sup> C drama	MT1	40	540	65	23	8.60
Academian 19 <sup>th</sup> C drama	MT2	35	540	65	31	8.60
Christmas Pantomime	MT3	44	510	95	83	6.80
Russian 19 <sup>th</sup> C drama	MT4	25	540	65	14	8.40
<u>Spring Season 2005</u>						
English 20 <sup>th</sup> C mystery	MT5	24	540	65	39	8.50
Popular Shakespeare	MT6	22	540	65	66	8.30
		190				
<u>Autumn Season 2004</u>						
English 20 <sup>th</sup> C drama/comedy	ST1	38	215	70	87	8.00
English 20 <sup>th</sup> C black comedy	ST2	36	215	60	63	7.90
Christmas show with music	ST3	57	200	85	89	6.60
French 19 <sup>th</sup> C comedy	ST4	26	190	70	86	7.80
<u>Spring Season 2005</u>						
Irish 20 <sup>th</sup> C drama with music	ST5	25	200	65	57	7.90
		182				

	G	H	I	J	K	L
	Income		Expenditure		Net	
	Budget	Actual <sup>1</sup>	Budget	Actual <sup>1</sup>	Budget	Actual
	£	£	£	£	£	£
<u>Autumn Season 2004</u>						
English 20 <sup>th</sup> C drama	120,744	37,132	117,000	122,277	-3,744	85,145
Academian 19 <sup>th</sup> C drama	105,651	43,940	113,000	150,032	7,349	106,092
Christmas Pantomime	144,962	125,929	175,000	228,998	30,038	103,069
Russian 19 <sup>th</sup> C drama	73,710	13,942	115,000	113,456	41,290	99,514
<u>Spring Season 2005</u>						
English 20 <sup>th</sup> C mystery	71,604	39,200	135,000	143,087	63,396	103,887
Popular Shakespeare	64,093	63,000	146,000	145,768	81,907	82,768
	<b>580,764</b>	<b>323,143</b>	<b>801,000</b>	<b>903,618</b>	<b>220,236</b>	<b>580,475</b>
<u>Autumn Season 2004</u>						
English 20 <sup>th</sup> C drama/comedy	45,752	51,590	48,000	49,371	2,248	-2,219
English 20 <sup>th</sup> C black comedy	36,688	33,606	108,000	107,435	71,312	73,829
Christmas show with music	63,954	64,817	179,000	177,589	115,046	112,772
French 19 <sup>th</sup> C comedy	26,972	29,658	95,000	98,987	68,028	69,329
<u>Spring Season 2005</u>						
Irish 20 <sup>th</sup> C drama with music	25,675	19,000	72,000	69,000	46,325	50,000
	<b>199,041</b>	<b>198,671</b>	<b>502,000</b>	<b>502,382</b>	<b>302,959</b>	<b>303,711</b>
	<b>779,805</b>	<b>521,814</b>	<b>1,303,000</b>	<b>1,406,000</b>	<b>523,195</b>	<b>884,186</b>
Touring (various shows)	212,000	241,184	489,000	479,000	277,000	237,816
	<b>991,805</b>	<b>762,998</b>	<b>1,792,000</b>	<b>1,885,000</b>	<b>800,195</b>	<b>1,122,002</b>

### NOTES

- Column A - MT = Main Theatre; ST = Studio Theatre  
 Column B - Total number of performances of each show  
 Column C - Maximum seats available per performance  
 Column F - Budgeted average yield per ticket

<sup>1</sup> Actual or projected outturn for current production



## NET COMPANY PRODUCTION BUDGET 2005/06

Show	A	B	C	D	E	F
	Performances		Capacity			Yield
	Theatre	No.	Seats	Budget	Actual	Budget
	MT/ST		No.	%	%	£
<u>Autumn Season 2005</u>						
English 20 <sup>th</sup> C comedy - trilogy	MT1	60	550	60		8.00
Christmas Pantomime	MT2	58	510	90		6.80
Academian 19 <sup>th</sup> C drama	MT3	30	510	60		8.00
<u>Spring Season 2006</u>						
English 20 <sup>th</sup> C drama	MT4	22	530	60		8.00
Popular Shakespeare	MT5	28	540	60		8.00
		198				
<u>Autumn Season 2005</u>						
US 20 <sup>th</sup> C drama	ST1	25	200	80		7.00
Christmas show with music	ST2	15	180	80		7.00
<u>Spring Season 2006</u>						
English 18 <sup>th</sup> C comedy	ST3	23	200	80		7.00
Academian drama premiere	ST4	27	180	80		7.00
		90				

	H	I	J	K	L	M
	Income		Expenditure		Net	
	Budget	Actual	Budget	Actual	Budget	Actual
	£	£	£	£	£	£
<u>Autumn Season 2005</u>						
English 20 <sup>th</sup> C comedy - trilogy	158,400		266,400		108,000	
Christmas Pantomime	181,030		180,200		-830	
Academian 19 <sup>th</sup> C drama	73,440		102,100		28,660	
<u>Spring Season 2006</u>						
English 20 <sup>th</sup> C drama	55,970		81,100		25,130	
Popular Shakespeare	72,570		114,500		41,930	
	<b>541,410</b>		<b>744,300</b>		<b>202,890</b>	
<u>Autumn Season 2005</u>						
US 20 <sup>th</sup> C drama	28,000		51,500		23,500	
Christmas show with music	15,120		103,200		88,080	
<u>Spring Season 2006</u>						
English 18 <sup>th</sup> C comedy	25,760		66,200		40,440	
Academian drama premiere	27,210		72,300		45,090	
	<b>96,090</b>		<b>293,200</b>		<b>197,110</b>	
	<b>637,500</b>		<b>1,037,500</b>		<b>400,000</b>	
Touring (various shows)	250,000		450,000		200,000	
	<b>887,500</b>		<b>1,487,500</b>		<b>600,000</b>	

### NOTES

- Column A - MT = Main Theatre; ST = Studio Theatre  
 Column B - Total number of performances of each show  
 Column C - Maximum seats available per performance  
 Column F - Budgeted average yield per ticket