

ACADEMIA COLLEGE MEMORANDUM

From ~ Head of Human Resources – Percy Nell Date ~ 7 June 2005

To ~ Special Projects Manager – Pat Hology

Academia Central Theatre – Staffing Matters

Thank you for your call about various staffing issues at the theatre. I will attempt to cover the points raised.

Production Staff

Yes, I was very much aware of the theatre CE's concerns about the contracts of employment of the permanent production staff. A colleague tells me that he caused real problems at his last theatre on staffing issues and it is still recovering.

As you may know, all his permanent production staff are on normal college contracts under COSTS terms and conditions. The CE is adamant that all such staff should be on STAGE contracts, as this is the norm in commercial theatres. In short, STAGE terms and conditions have greater flexibility on working hours and are more suited to theatre working, but basic salaries are marginally better than COSTS pay scales. The CE's main point, however, is that STAGE employees would not be members of the Local Government Pension Scheme with its high employers' rate of contribution. My research suggests that a move from COSTS to STAGE conditions would produce net savings for the theatre on the following basis:

- o An increase in basic salaries of 5%;
- o A reduction in pay oncosts (National Insurance (NI) and pension contributions) from 25% of base salary to 10%;
- o A reduction of 20% in the cost of current overtime paid.

The problem for the CE, of course, is that the current production staff members have permanent contracts of employment under COSTS conditions and are showing no inclination to give them up. My understanding is that, as permanent production staff leave, the CE plans to replace them with fixed term and even seasonal contract staff on STAGE conditions.

Staff Budget Figures 2005/06

You also asked for my views on the staff budget figures. The administration and production staffing provisional budgets of £390,000 and £585,000 respectively were my figures and reflect current staffing establishments, service conditions and the impact of job evaluation.

- o Administration – The revised budget reduction of £20,000 is not unreasonable as the CE is currently reviewing the box office and finance staffing establishments.
- o Production – The figure of £585,000 is made up of £450,000 in salary costs (including pay oncosts of 25%) and overtime of £135,000 (including NI only, as there are no pension oncosts on overtime). The reduction to £550,000 in the 2005/06 revised budget implies either production staff cuts (unlikely?) or the estimated impact of a gradual move to STAGE conditions. Clearly here much depends upon how many permanent staff leave, and how quickly.

Percy Nell

Head of Human Resources



Academia Central Theatre

Internal e-mail

From: Finance Manager
To: Special Projects Manager
Date: 08 June 2005
Subject: Financial Issues

Pat

Some good news to start with! I have received informal notification from the Contributions Agency that the theatre's case for a refund of employers' National Insurance paid in respect of actors and other self-employed staff for the period to 31 July 2004 has been accepted and we should receive a cheque for £270,000 in the next week or so. The CE knows about this and appears to have plans for it.

You should also be aware that the CE has decided to delete the post of my Finance Assistant (annual cost £24,000) when she retires at the end of January 2006. As you will see, I have built the resultant saving into the revised 2005/06 budget.

On the theatre extension project, the CE and I had discussions about the two variations "Options" raised by Kate Herring Ltd. Whilst the CE had reservations, particularly as both impact upon his "artistic space", I persuaded him that both need to be properly evaluated and I contacted Klaus at Sett, Props and Curtin earlier in the month, asking him to provide you with the additional costings and cash flows.

The deficit really is becoming a major concern now. I even had the College's external auditors around making enquiries last week. I understand that the Theatre Manager, Mark, and Angie, the Production Manager, have both provided you with updated figures for their areas of responsibility. One further adjustment is necessary in Angie's company production costings. Two shows will have performances across the coming year-end.

- Show ST5 in 2004/05 will have 3 of its 25 performances in 2005/06;
- Show MT1 in 2005/06 will have 10 of its 60 performances in 2004/05.

In these circumstances, it is normal theatre accounting practice to treat each show as a "project" and to apportion the net costs of each pro-rata to the number of performances.

Finally, the bad news! One of the lighting control boards in the Studio Theatre failed last week and the engineer tells me that it is beyond repair this time. I have had to order a replacement immediately, but this will increase the 2004/05 projected outturn on equipment by £17,500. There really was no choice!

Regards

Bud Jetting

Finance Manager



National Lottery

Camelot House Arthur Square Universe City BE1 1NG

The Chief Executive
Academia Central Theatre
The Campus
Universe City
AC7 1NG

9 June 2005

Dear *Dai*

“Arts For All” Lottery Bid - £600,000

As you are aware, your phased bid received approval in principle some time ago and a minimum commitment of £550,000 was agreed, phased over 2004/05 and 2005/06. It was hoped that, if Lottery revenues improved, the full £600,000 could be met. Sadly revenues have in fact declined.

At last week’s meeting of the National Lottery Commissioners, therefore, the indicative funding level of £550,000 was confirmed as final, but, to better match lottery cash flows, the Commissioners did agree to “front-load” the payments by increasing the 2004/05 contribution to £380,000.

Whilst applications are submitted through the FAC, this funding is, of course, lottery money and should be acknowledged as such.

You also enquired about capital funding for the proposed theatre extension. Clearly much will depend upon the detail of the scheme selected, but I can confirm that the National Lottery does have a fund available for such projects. As with the revenue funding provided under the “Arts for All” initiative, your submission will require the support of the FAC, must be submitted through them and must comply with the criteria set by them for such projects.

If you require any further assistance, please contact me immediately.

Yours sincerely

Gaye Ming-Fever

Director

Copy – Vice-Chancellor, Academia College

ACADEMIA COLLEGE MEMORANDUM

From ~ Head of Finance & Audit – Mattie Matticks Date ~ 10 June 2005

To ~ Special Projects Manager – Pat Hology

Academia Central Theatre – Extension Project

I attach for your attention a letter from Klaus at Sett, Props and Curtin setting out the costs and estimated cash flows for the “Option” variations suggested by Kate Herring and requested by the ACT Finance Manager. The original “Options” A and C are now A1 and C1, and the new variations are A2 and C2 respectively, producing five “Options” in total. The College preference, I understand, is for one of the two smaller schemes, particularly Option A1 with its new large storeroom, as the ACT is also currently using College rooms to store sets and props. The three smaller “Options” A1, A2 and B would also leave sufficient land for the much-needed additional student accommodation.

As you know, the first stage in considering the “Options” is a reasonably informal meeting with the theatre’s CE, the Vice-Chancellor and the Dean of Arts and Media where I will present your evaluation report. This meeting has now been fixed for the end of the month, so I need your report urgently. Further to our earlier discussions, I want you to use decision tree methodology to represent the “Options” diagrammatically, but this will need to be carefully explained. Your report, therefore, should cover the following:

- ❑ A brief introduction and identification of the five theatre extension project “Options”;
- ❑ A note of the main assumptions and the FAC evaluation criteria;
- ❑ Calculation of the net income (expected monetary value) figures for each of the usage scenarios in respect of the five “Options”;
- ❑ For complex “Options” A2 and C2 the evaluation should include the effect of a decision whether to operate the available catering facilities (see below);
- ❑ Explanation of the decision tree methodology and its limitations;
- ❑ Drawing of the decision tree and calculation of all net expected monetary values;
- ❑ An interpretation and critical evaluation of the results achieved;
- ❑ Conclusions and recommendations based upon these results and the wider financial and non-financial factors relevant to the proposals.

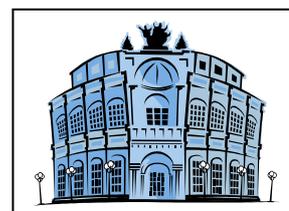
Any scheme with a negative net expected monetary value is unacceptable to the College and the FAC. Also risks need to be kept to a minimum in view of the difficult financial situation. I have confirmed with Klaus that in the case of “Options” A2 and C2 the risk can be mitigated. Their additional capital costs would have to be incurred as the extra catering facilities would be integral to either of the enhanced designs. However, should either A2 or C2 be selected, a decision on whether to open the extra catering facilities could be postponed for a short time until the level of usage of the whole new facility becomes known. Whilst it would be politically embarrassing, it would be better not to operate the extra catering facilities and use the space released for storage if the alternative would be to increase a deficit. The additional income would then be lost but the additional running costs would be saved. A short postponement of opening would have no material impact on the additional income projections. It would also be instructive to identify the worst case result for each of the five “Options”, as the actual outcomes might be worse than the average expectations!

I need the draft report by close of play on 16 June 2005.

Mattie Matticks

Head of Finance & Audit

SETT, PROPS & CURTIN ARCHITECTS & THEATRICAL CONSULTANTS



PROSCENIUM HOUSE ARCHWAY ROAD UNIVERSE CITY BLO 1NG

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

7 June 2005

Dear Polly

Academia Central Theatre Extension Project

Further to the call from the theatre Finance Manager, the team and I have completed the additional work requested in respect of the two possible modifications to the theatre extension project “Options” A and C as follows:

- *A2 - Concert Room Reduction in size of the storage room to create a snack bar, small kitchen and food servery;*
- *C2 - Large Concert Hall Loss of one rehearsal room to create a restaurant and kitchen.*

The additional capital costs would be £71,000 (A2) and £120,000 (C2). Estimated increased ten-year running costs attributable to the ACT (2006/07 to 2015/16) would be £30,000 (A2) and £140,000 (C2) on a 2005/06 PV basis.

The additional income generated will again depend upon usage and this should be calculated on the basis of two scenarios over the ten-year period – high and moderate, with related probabilities of 0.4 and 0.6. We suggest that the additional income figures are calculated as a percentage of the catering/bar franchise income shown for the main “Options” A1 and C1 as follows (the resulting figures are extra revenue before extra running costs, over and above the income generated by the bar/catering facilities already incorporated into A1 and C1):

<i>Scenario</i>	<i>Probability</i>	<i>Income Basis</i>
<i>High</i>	<i>0.4 probability</i>	<i>130% of catering/bar franchise income</i>
<i>Moderate</i>	<i>0.6 probability</i>	<i>60% of catering/bar franchise income</i>

Neither “Option” modification will affect lettings or net production surpluses/(deficits).

I look forward to hearing from you in due course.

Yours sincerely

Klaus D. Curtin

Senior Partner

Copies *Theatre CE, Theatre Manager, Director of Resources*



Academia Central Theatre

The Campus ~ Universe City ~ AC7 1NB

Dai Wreckshon ~ Chief Executive & Artistic Director

Ed Ministration
Academia College
The Campus
Universe City
AC7 1NB

13 June 2005

My Dear Ed

Mixed Emotions!

Despair! Bud tells me the situation is getting worse and it seems to me, as the newest crew member on SS Theatre, that our funding partners are acting like rats jumping from a sinking freighter. Perhaps it is no surprise that Studiland and Teechingham have abandoned ship, but my particular disappointment is with Academia College.

Academia College was the driving force behind the building of the theatre and the major funder of the theatre's costs over the years. However, since I took over as CE, the College's impact has been negative rather than positive and the theatre now appears to be treated like the College's poor relation. Pension rates have been increased arbitrarily and now add a gargantuan 25% to salary costs – it is less than 5% in most commercial theatres! This increase cost the theatre around £25,000 in the current year, seriously reducing the College's real funding contribution. On top of that, all permanent staff are now subject to a College-imposed job evaluation scheme, costing the theatre a further £20,000 next year.

Perhaps the theatre should be treated as a Faculty of the College, rather than as independent. The Faculties have had their pension and job evaluation increases met from central College funds, and have also received inflation increases in line with the recent rates. How does the theatre compare? Badly, I suspect! Bud tells me that the College funding contribution in 2002/03, before Local Government Reorganisation, stood at £350,000. It would be extremely interesting to see what this contribution level would have been now if the theatre had been treated in the same way as a College Faculty. I strongly suspect that we would be much, much better off!

As for the other funding partners, Lerningshire has done its best, but it is hardly a replacement for Academia County Council, and has never even met its pro-rata LGR funding share! On top of that, even the FAC cannot be trusted to keep its word. Despite its broken promises, however, we cannot complain too much as it is the theatre's main funder, providing £775,000 in 2004/05, well ahead of its 2002/03 level of £500,000, even allowing for inflation increases. Sadly, Academia College is now very much the junior partner.

Hope! As noted above, it now seems certain that Studiland and Teechingham have reneged upon their responsibilities completely as regards the theatre and, in fact, never had any intention to contribute. Whilst I accept that there was never any firm commitment given, theatre staff raised the invoices for the 2004/05 contributions from these authorities in good faith and, indeed, the income has appeared on our budget screens all year. Bud now tells me that it has disappeared! Surely this is an error? Bud and I feel that that the amounts due from the two Authorities should be written off against the College's bad debt provision and I am sure that I can rely upon your support as a keen theatre-goer to back our stance.

Academia v 1.08

Finally joy! Bud has now received a cheque for £270,000 from the Contributions Agency in respect of the NI refund. In accordance with FAC requirements, I have contacted Artie Stich about disposal of this surplus and I have also spoken to the Dean of Arts and Media. We all agree that the NI windfall should be used as follows:

- ✓ £150,000 reserved as the theatre's contribution to the deficit repayment in 2005/06;
- ✓ £20,000 reserved to meet job evaluation costs in 2005/06;
- ✓ £100,000 used to supplement the meagre net company production budget in 2005/06 and to provide for the adding of an additional show to the current programme.

Bud had some doubts about whether this is possible, but I would hope that in the present circumstances there could be some flexibility. I know that you have the best interests of the theatre at heart.

On the wider deficit issue, clearly there needs to be an action plan to address this and I am meeting shortly with the College Management Team to discuss this.

Forgive my lengthy rambling, but emotions are running high at present. Please also excuse any errors in understanding or terminology, but, in responding, bear in mind that I am more used to discussing Shakespeare than statistics, and more accustomed to interpreting Faust than finance!

With warmest good wishes

Dai

Pat

Please draft a response. I applaud the "emotions", but I have doubts about some of Dai's statements. Please have a look at his "faculty" funding argument and refute it, if possible. You may also have to explain to Dai the workings of the debtors ledger, but I'm sure that you need no guidance in responding on the final couple of issues.

Ed Ministration



Vice-Chancellor
Academia College
The Campus
Universe City
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14 June 2005

Dear Polly

ACT Funding 2005/06

I am pleased to be able to report that the Council has been able to increase its support to the theatre in 2005/06 by £42,000, from £560,000 to £602,000. This is made up of the additional £25,000 towards the £200,000 base increase, plus an inflation allowance of about 3%.

For information, we have also granted an above-inflation increase to the many amateur theatre companies enthusiastically supported by the Council, most of whom use the ACT facilities.

However, in notifying you of the support agreed, I must also express concern about the current operation of the theatre. My leader, Councillor Archie Tecture, attended the recent Board of Governors meeting as Lerningshire's representative and he tells me that the meeting did raise a number of serious issues. I have to agree with him.

Whilst the potential new extension developments at the theatre are exciting, the revenue budget position is extremely worrying. The prime concern now clearly has to be the budget deficit and our joint view is that, in evaluating the development "Options", the ability of the respective schemes to produce a net revenue contribution should be the key criterion. The deficit must be addressed.

Finally, I have had discussions with my Chief Executive colleagues in Teechingham and Studiland, as promised. They confirm that the 2003/04 payments made to the theatre were a one-off and both Authorities insist that no ongoing agreement was in place, hence the return of the invoices raised in respect of 2004/05. Neither Authority, therefore, has any intention of providing any further financial support to the theatre, even at a reduced level. I trust that this helps to clarify the issue.

Yours sincerely

Ed Yew-Kaysan

Chief Executive

Copy – ACT Chief Executive



Academia Central Theatre

The Campus ~ Universe City ~ ACTING

Dai Wreckshon ~ Chief Executive & Artistic Director

Friends and colleagues

Crisis is upon us! At the meeting of the College's Management Team (CMT) last Friday, the Vice-Chancellor and her colleagues demanded "drastic action" to redress the worsening deficit position on the theatre. The Dean of Arts and Media endorsed this view in my subsequent meeting with him. Cuts are needed and pain is inevitable, so with my trusty sword in hand, I enter battle as the defender of the theatre's future.

The artistic programme is sacrosanct, so staffing is my first target. On administration, box office opening times have been reviewed, saving £8,000, and a Finance Assistant post will be deleted, reducing next year's revised budget by over £30,000 in total. On production staffing, more drastic action is required. From 1 August 2005, all permanent production staff will be moved onto STAGE service conditions. I do not take this stance lightly, but, in my view, the current COSTS terms are as a mortal wound draining the theatre's life-blood. That bleeding must be staunched, and quickly. This action alone must save about £150,000 and contribute significantly to the deficit payback. The alternative is further staff cuts.

I now turn to face more subtle enemies. With the growth in student registrations for performing arts courses, the burden on the theatre is becoming overwhelming and a real distraction from the theatre's true raison d'être, as evidenced by this year's projected outturn. On the basis of the above discussions with the CMT and the Faculty Dean, I propose to change the theatre's lecture, master-class and workshop programme from the start of the new term. Henceforth there will be a greater emphasis on lectures and self-study, and less on the master-class and workshop sessions – these are very heavy on staff resources and facilities. However, a help centre manned by theatre staff for a limited number of hours each week will be established as an additional student resource. This general move from dependent learning to self-study is, I understand, in line with current academic thinking and should reduce the student contact time of permanent ACT staff by 100 hours per week (annual cost savings of £100,000). These staff hours will be redirected to the theatre's own artistic product.

On the flanks are two further foes. Amateur product has its place, but, in my view, this is not in a professional production theatre. Such shows cost production time and money, and also detract from both the overall programme and the theatre's artistic reputation. The number of weeks allocated to amateur companies will be drastically reduced next year. Finally, there is the FAC and its demands for extensive touring of the theatre's product. This too has the effect of depleting our artistic reserves and will be cut back to a more manageable level.

There will be a meeting for all theatre staff this afternoon at 5.00 p.m. in the Studio Theatre when I will answer any questions on my battle strategy. However, the changes proposed are an inevitable consequence of the current crisis. Employees must show more commitment and embrace a more commercial approach if the theatre is to live to fight on.

Good wishes to all

Dai

To All ACT Staff (e-mail – 15 June 2005, 2.00 p.m.)
All ACT Governors (letter – 15 June 2005, first class)

Pat
Just been given this!!
Ignore for the purpose of
your GP Committee report.
Mattie



ACADEMIA COLLEGE

internal e-mail

From: Technical Assistant – Ray Diograffie
To: Special Projects Manager – Pat Hology
Date: 16 June 2005 09:37
Subject: Production Analysis & Calls

Pat

I trust that your two-day training course went well. Let me update you on progress.

Firstly, I set out below the analysis requested in respect of income on the 2004/05 and 2005/06 net company production budgets. As you will see, the figures are derived from the net show statistics on file for company productions in 2004/05 and 2005/06 and reflect the audience capacity numbers for each show (number of performances x seating capacity x capacity %), aggregated to produce composite figures for all Main Theatre and Studio Theatre shows.

	2004/05 Audience Capacity			2005/06 Audience Capacity		
	Maximum No.	Budget No.	Actual No.	Maximum No.	Budget No.	Actual No.
Main Theatre	101,280	72,564	44,237	104,660	71,670	-
Studio Theatre	37,250	26,761	29,229	17,160	13,728	-
	138,530	99,325	73,466	121,820	85,398	-

There were also a couple of telephone calls whilst you were away.

- The Dean of Arts and Media telephoned early on Monday.
 - He noted that Friday's College Management Team meeting had been highly critical of the theatre's worsening financial position and had demanded that the theatre CE produce an action plan to address this as a matter of urgency. The Dean indicated that in a subsequent one-to-one discussion with the CE, the need for action was again emphasised and a number of broad areas for investigation were identified, although no specific actions were agreed.
 - He also indicated that Monday's Faculty of Arts and Media Management Team meeting finalised its 2005/06 budget and determined the ACT subsidy level (the College funding contribution). The figure agreed was £460,000, an increase of £30,000 over the indicative figure.
- Fi Nance, the Accountancy Manager, called in response to your queries on the theatre's General and Other Overheads budgets. She confirmed her support for the theatre Finance Manager's 2004/05 projected outturn and 2005/06 revised budget figures - £289,500 and £310,000 respectively. On central overheads, she noted that these have historically been charged at Faculty level. Similarly, theatre cash flow is not disaggregated from that of the College. Fi confirms that there is no intention to change this practice at present and that they should not, therefore, be included in the ACT budget, but she estimates that these hidden subsidies are worth approximately £98,000 and £87,000 respectively.

Ray