

Key Decision Required:	Yes	In the Forward Plan:	Yes
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CABINET

22 MARCH 2013

JOINT REPORT OF THE TOURISM PORTFOLIO HOLDER AND HOUSING, SPORTS FACILITIES AND REVENUES & BENEFITS PORTFOLIO HOLDER

A.8 PROPOSED CINEMA FACILITY AT THE PRINCES THEATRE (Report prepared by Mike Carran)

PART 1 – KEY INFORMATION

PURPOSE OF THE REPORT

To obtain approval to develop a cinema facility at the Princes Theatre.

EXECUTIVE SUMMARY

Due to the closure of the 'Flicks' facility in Clacton on Sea, there is no longer a cinema serving the town and a catchment of over 60,000 people. As such there is potential to make adaptations to the Princes Theatre and purchase appropriate projection equipment, to offer such a facility and maximise use of the Council's asset.

Together with providing a community cinema for Clacton on Sea and the surrounding area, this facility would enhance the local tourism offer and re-establish provision of a facility expected of a seaside tourist destination.

In order to address the views of local people it is proposed to arrange a flexible programme to include matinee performances, as public transport in the evenings may restrict some residents living outside of central Clacton from accessing the facility late in the evening. The inclusion of a Cinema audience visiting the Town Centre, may also impact on local businesses both prior to and after movie showings.

The capital outlay of approximately £50,000 would be funded from the asset refurbishment/replacement reserve. The Business Plan illustrates that an average audience of 150 customers attending 6 showings per month, would result in a return on the capital investment in less than four and a half years. Achievement of this target would provide an opportunity to repay net surpluses from the cinema back to the asset refurbishment/replacement reserve. A breakdown of these figures can be found in the Business Plan attached as Appendix A.

RECOMMENDATION(S)

- a) That Cabinet authorise the Corporate Director of Life Opportunities in consultation with the Housing, Sport Facilities and Revenues and Benefits Portfolio Holder and Tourism Portfolio Holder to extend use of the Princes Theatre to incorporate a Cinema.
- b) That the capital outlay of £50,000 be funded from the Asset Refurbishment/Replacement Reserve with the opportunity to repay net surpluses from the project to this reserve on a repayment basis.

- c) That any further investment and development in the facility as set out in the report and business plan, be delegated to the Corporate Director of Life Opportunities in consultation with the Housing, Sport Facilities and Revenues and Benefits Portfolio Holder and the Finance and Assets Portfolio Holder.
- d) That Cabinet approves the Business Case for the Princes Theatre Cinema Proposal.

PART 2 – IMPLICATIONS OF THE DECISION

DELIVERING PRIORITIES

This initiative contributes to the following Council priorities:

- To build a thriving local tourism industry
- Provide affordable excellence

FINANCE, OTHER RESOURCES AND RISK

Finance and other resources

Capital Cost

The capital outlay for this project will be approximately £50,000. This would cover the range of equipment and alterations required to incorporate a cinema facility at the Princes Theatre. The expectation is that this equipment would have a shelf life of 10-15 years.

Projected Profit and Loss Account

Based on an average of 150 attendances, with 6 showings per calendar month, the following table illustrates the projected profit and loss for this project over a full 12 month period.

	£
Projected Income	(63,675)
Projected Expenditure	52,120
Profit/Loss	(11,555)

If these attendances were achieved, it is projected that the capital cost would be paid back in less than four and a half years. A more detailed analysis can be found in the business plan attached as Appendix A.

It is proposed that the two biggest movies of the month are shown, with prime time performances, arranged around the Princes Theatre programme. This will be a flexible arrangement and depend on which films are in circulation and how successful they are anticipated to be.

Films are hired for public showing from an approved distributor, based on an agreed percentage split of the gross income of approximately 54:46; with the former figure being retained by the Council. Many of the overheads for the Princes Theatre are fixed costs (management time, business rates etc), and as such this proposal maximises use of the asset.

The capital outlay would be funded initially from the asset refurbishment/replacement reserve and paid back annually from the surplus generated from the cinema.

Proposed Fees and Charges

In order to compete with multiplex cinemas, it is proposed that the pricing structure is kept low as depicted in the following table:

Customer	Proposed Price
Adult	£6.25
Children	£5.50
Senior Citizen	£5.50

The average prices at the two nearest local multiplex Cinemas in Colchester and Ipswich is £10.50 per adult and £7.30 per concession. The option for a family ticket and other concessions will be also be explored.

There would also be the flexibility to offer special prices for certain performances, such as mid week showings and Saturday Morning Picture Shows. Having regard to the demographics and local transport issues the opportunity to offer matinee performances will also be explored.

The setting of fees and charges for Leisure Facilities is delegated to the Corporate Director(Life Opportunities).

Risk

There is a risk that average attendances do not achieve high enough levels to provide a pay back of the capital costs. Under these circumstances, the option would be available to increase fees and charges to improve profitability. In the scenario that increasing charges has no impact, it would also be possible to 'sell on' the projection equipment as an exit strategy to mitigate any loss.

However, it should be noted that the projected figures used in this report are deliberately conservative so as to mitigate risk and despite poor weather a recent Cinema event at the Princes Theatre attracted in excess of 300 customers.

There is also a risk that a national brand will develop a multiplex facility in Clacton on Sea. If fees and charges are set at a competitive rate, it is considered that there will be room in the marketplace for a budget facility and as such the Theatre will retain a proportion of the market share.

LEGAL

The proposals are within the Council's powers.

OTHER IMPLICATIONS

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

Wards

The Princes Theatre is situated in Pier Ward, but a Cinema facility would serve a much wider catchment area.

Public Engagement

At a recent Cabinet 'on the road' meeting, members of the public suggested that public transport links would make it difficult to travel from Clacton Town Centre in the evenings. It

is therefore planned to ensure matinee performances are held on a regular basis.

A campaign Group – *Clacton Community Cinema* – has been launched since the closure of Flix Cinema and has accumulated over 800 Facebook members.

Crime and Disorder

A Cinema could be considered to be a diversionary activity and as such, may have a positive impact on anti social behaviour.

BACKGROUND PAPERS FOR THE DECISION

None

APPENDICES

Appendix A – Princes Theatre: Cinema Proposal Business Plan

PART 3 – SUPPORTING INFORMATION

BACKGROUND

The Princes Theatre has been a key tourism and leisure destination since 1931. It serves as:

- A theatre, producing high quality shows
- A civic venue for Council meetings
- A venue for private hire

The direct cost of the Princes Theatre in 2012/13 will be £8,200. Any net surplus accrued through a cinema facility would drive down the direct cost and potentially result in an operating profit. As many of the costs associated with the Theatre are 'fixed', such as management time and business rates, this would maximise use of this key asset.

A cinema facility would be the expectation of a visitor to a seaside tourist destination; particularly during wet weather periods.

Without a cinema serving the local population, residents currently need to travel to Colchester, Ipswich or Harwich to watch the latest movies. A cinema facility is also likely to be an added value for local restaurants and other food establishments, both prior to or after each performance.

Evidence

The Cinema industry has continued to grow throughout the economic downturn. Nationally, total cinema admissions in 2012 ended on 172.5m, which was an increase of 0.5% on the previous year

CURRENT POSITION

Further Opportunities for the Cinema Project

There are additional opportunities for this project, which have not as yet been factored into the business plan:

Themed Nights

There is potential to develop the programme to include Arts Films, Saturday morning cinema and themed nights with food and drink. The Arts and Lits organisation use the Theatre as their home and currently have approximately 850 members, providing a ready made market.

Secondary Spend

There will be increased opportunities to sell additional confectionary such as popcorn and hot snacks, e.g. hot dogs to a cinema audience. There is also the possibility of selling film related merchandise. This is considered over and above the snacks and licensed bar products already factored into the business plan.

Sporting events and Televised Events

There would be an opportunity to screen live sporting events, such as major tournaments on the big screen

Reaching New Customers

The cinema facility provides an opportunity to open the Theatre to 'untapped markets'.

Maximising Assets

The Theatre currently lies dormant on a significant number of days, due to the way in which Theatres are programmed. This will provide an opportunity to increase the use of the Theatre throughout the year; as such maximising the Council's asset.

Maximising private hire

Hire Opportunities

The additional facilities at the Theatre will be more attractive to hirers, particularly the conference market.

Advertising Revenue

There is also potential to display advertisements prior to performances to generate additional income streams.

Future Investment

If this project was successful, there would be potential to invest in 3D equipment to improve the product. This would cost in the region of £10k and could be paid for by any surplus from the Cinema.

All these opportunities will be considered and worked up as the project progresses.