

RELEVANT INFORMATION FOR COUNCIL

FILE: X000633 **DATE:** 13 May 2016
TO: Lord Mayor and Councillors
FROM: Ann Hoban, Director City Life
THROUGH: Monica Barone, Chief Executive Officer
SUBJECT: Information Relevant To Item 8.6 – Grants and Sponsorship - City Recital Hall Limited - Operational Funding 2016 to 2020 – At Council - 16 May 2016

Recommendation

That the Lord Mayor and Councillors note the information contained in this memo.

Purpose

To provide additional information in support of the report for City Recital Hall Limited – Operational Funding 2016 to 2020.

Background

At the meeting of the Cultural and Community Committee on 9 May 2016, further information was sought regarding any risks associated with the recommended grant allocation.

Risks

1. Establishing a new entity to manage this valuable community asset can have its risks. As is the case of most new organisations, the entity is vulnerable to the financial and strategic decisions in the first four to five years of its operations as it tests new markets and growth areas.
2. The City Recital Hall is an established venue of some 15 years and has a certain level of predictable revenue and expenditure streams. It is expected that the organisation's core activities relating to hiring the hall to regular hirers are not at risk under a new governance and management structure.
3. The City established the new entity to expand programming and audiences, and to activate the building and its surrounds. There are inherent risks associated with this new work. Some risks include foreign exchange risk where international artists are paid in foreign currency; revenue risk where the Recital Hall shares box office income with a third party presenter; and box office income risk where the City Recital Hall programs work to develop new audiences.

4. City Recital Hall Ltd has provided the City with a comprehensive business plan, including market analysis, SWOT analysis, clearly articulated objectives and plans to implement them, a detailed 4 year budget, and performance indicators over the four years to 2020, covering programming, venue utilisation, engagement, growth, service delivery and sponsorship.
5. Part of the City Recital Hall Ltd's obligations include new capital works to enable expansion of their operations to reach their targets. The company needs to build reserves to both fund these capital works, and to insure it against potential market failure and other risks in the future.
6. The purpose of the recommended grant is to provide support to the new entity to grow the business of managing the venue with minimal risk, whilst they develop a strong curated program to expand audiences and the venue's international reputation.
7. The funding allocation will be subject to a funding agreement that will have strong KPIs and regular reporting requirements to allow the City to closely monitor City Recital Hall Ltd's progress on their key performance areas as outlined in their business plan.
8. The City will continue to have an observer on the City Recital Hall Ltd's financial committee to monitor their financial security.
9. The risk in awarding this level of funding and reducing the value over the four year period to this new entity is smaller relative to the risk associated with the former management model as:
 - (a) the non-monetary returns on the City's investment by way of new programming and diversity in programming have already significantly increased in the first nine months of operation;
 - (b) all profits generated by City Recital Hall Ltd will stay within the organisation to build reserves and to invest in new ventures to increase the cultural capital invested in this venue by the City; and
 - (c) the organisation is governed by a strong board and CEO who have been specifically hand-picked by the City to ensure the success of the organisation in its infancy.
10. Failure to support this application for the recommended funding could jeopardise the organisation's trajectory for growth and hamper its path to reducing the organisation's financial dependence on the City.

Ann Hoban, Director City Life

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approved


Monica Barone, Chief Executive Officer