

FAREHAM

BOROUGH COUNCIL

Report to Leisure and Community Policy Development and Review Panel

Date **3 September 2014**

Report of: **Director of Community**

Subject: **FERNEHAM HALL MEMBERS WORKING GROUP REPORT**

SUMMARY

This report provides a summary of the work and findings of the Ferneham Hall Member and Officer Working Group.

RECOMMENDATION

That the Panel considers the findings set out in the report and recommends to the Executive that the key measures highlighted be implemented as part of a coordinated effort to increase income with the aim of reducing the Ferneham Hall budget deficit. In addition to recommend the priority areas for investment from the list contained in the report.

INTRODUCTION

1. Ferneham Hall is approximately 32 years old, having been opened by HRH Duchess of Kent on 22 April 1982. Throughout this time it has been managed in-house and has generated a budget deficit every year.
2. The Ferneham Hall Member and Officer Working Group was appointed at the November 2013 meeting of the Leisure and Community Policy Development and Review Panel, following the annual report on the performance of Ferneham Hall during 2012/13.
3. The purpose of the working group was to review the current operation of Ferneham Hall with a focus on identifying opportunities to reduce, or preferably alleviate altogether, the current budget deficit.

BACKGROUND

4. The subsidy required to operate Ferneham Hall has reduced over recent years and in 2013/14 the budget was £390k. In the last financial year Ferneham Hall had its best trading figures for many years with an end of year outturn of £285k which was £105k under budget. The outturn in 2012/13 was £384k. The following illustrates the budget outturn position for the last two financial years:

	2012/13	2013/14
Expenditure	£1,224,155	£1,129,217
Income	£840,056	£843,662
Outturn	-£384,099	- £285,555

5. Ferneham Hall is open 362 days a year and has a staffing establishment of approximately 16FTE to cover the opening hours of the venue. A number of employees are on flexible contracts that cover busy periods and there is a group of volunteers who assist with stewarding shows. In 2013/14 the total cost of employees was approximately £374,000.
6. Extensive monitoring of the budget at Ferneham Hall is undertaken and a monthly meeting takes place between the General Manager and Finance Officer to discuss any issues. The monthly report is sent to the Head of Service and relevant Directors. The financial performance of Ferneham Hall is reported to the Leisure and Community Policy Development and Review Panel annually.
7. In March 2014 the Executive approved new arrangements for the transfer of the management of Westbury Manor Museum from Hampshire County Council to a newly established Hampshire Solent Cultural Trust.
8. As part of the new arrangements there is a commitment from for all parties to develop a strategic vision for the integration of the cultural services in Fareham over the next three years. This includes Ferneham Hall, The Ashcroft Arts Centre and Westbury Manor Museum.

FINDINGS FROM THE WORKING GROUP REVIEW

9. The work undertaken by the Members Working Group has involved examining the Ferneham Hall business operation with the aim of identifying opportunities to improve the service and reduce the current budget deficit.
10. A key part of the work was to define the purpose of Ferneham Hall and the market it is seeking to serve to provide a point of reference for the review. The working group have defined the purpose in the form of a mission statement as follows:

Provide a venue for residents and businesses in the Borough and surrounding areas to participate in a broad range of community based activities including arts and entertainment.

11. This represents a change in emphasis from the current focus which is towards Ferneham Hall predominantly as a performing arts and entertainment venue. The working group conclusion was that there is a real opportunity to generate more income by widening the existing customer base and marketing the venue for a broader range of community uses.
12. The following provides a commentary of the work undertaken by the Member Officer Working Group and summarises the key areas that have emerged from analysis of the venues performance.

Consultation

13. The 2013 Residents' Survey included a question about what services people felt were the most and least important for them. Out of the 27 services, Ferneham Hall was ranked 19th in terms of importance.
14. Residents were also asked how often they go to Ferneham Hall and what type of shows they would like to see. Live music by original artists, musicals and comedians were the top three types of show selected. Appendix A contains a full breakdown of the responses.
15. A further survey was conducted with the e-Panel in May 2014. 349 responses were received from residents around the Borough. The points below provide a summary of the headline figures.
 - (a) 41% of the respondents had never visited Ferneham Hall or had only been once.
 - (b) 31% said that they visited once a year.
 - (c) Of those people that have not visited Ferneham Hall 73% said it was because there were no shows they wanted to watch.
 - (d) When asked to summarise the interior décor of Ferneham Hall the word "dated" was the most frequently used word, with 38 uses. This was the same with the exterior, where it was used 29 times.

Additional feedback from the survey can be found in Appendix B.

16. The results of the e-panel survey give a clear indication that many residents do not visit Ferneham Hall and of those that do, the biggest proportion only visit once a year. This indicates that the facility is visited regularly only by a relatively small proportion of the community. This is an area that needs to improve significantly in order generate additional income to reduce the budget deficit.

Income & Expenditure

17. In 2013/14 total expenditure at Ferneham Hall was £1,129,217. The expenditure is generally well controlled and managed.
18. The promoter costs for procuring shows is an issue as the current margins are resulting in some shows not breaking even. Particular focus needs to be given to this area to ensure that these margins are improved and that every effort is made to procure shows that will provide a reasonable financial return.
19. Analysis of the bar and catering trading position indicates that it makes a small operational surplus, if some of the indirect overheads for the venue are not apportioned to the account. Although the provision of refreshments is seen as a key component of the visitor experience, it should not be at the detriment of the trading position. Further consideration needs to be given to the operation of the bar and catering facilities to ensure they are operated to maximise the financial return for the venue.
20. The budgets, for Ferneham Hall, were originally organised into two separate accounts, known as a trading and client account. This arrangement has no value in the financial management of Ferneham Hall. Following consideration by the working group, these two budgets have been combined into a single account, to provide greater transparency and ease of budget management.
21. In 2013/14 Ferneham Hall generated £843,662 in income this is a small increase on the previous year but well below pre-recession levels when the venue took just short of £1m in income. The group considered this to be an area of weakness and felt strongly that the focus for the future needs to be on income generation. This is believed to be the only real opportunity to significantly reduce the deficit of the venue under the current operational arrangements.
22. The existing pricing model is very complex and does not offer enough flexibility for the General Manager to vary prices. Flexibility in this respect would provide greater opportunity to win new and maintain existing business.

Marketing

23. What's On, Ferneham Hall's brochure is produced twice a year at a cost of approximately £15,000. The cost is offset by approximately £6,000 of income from direct advertising in the brochure. The last issue had 50,000 copies printed. 25,000 copies were sent to specific postcode areas and a further 13,000 were sent to people who requested the brochure. The remaining copies are distributed to local groups and public buildings.

24. Other marketing and promotional activities include the following:

- Ferneham Hall website
- Press Releases to all media contacts including radio, newspapers, TV advertising & general articles in The News, Fareham Today
- Fareham Leisure Card scheme
- Direct mailshots of the What's On brochure and letters promoting individual shows; Twitter & Facebook
- Banners both hanging and pop-up around Ferneham Hall
- Radio in particular The Breeze
- Leaflet racks in the Fareham Shopping Centre, Fareham Library, Crofton Community Centre and Ferneham Hall
- Ticket wallets; posters & leaflets; Council Connect giving out new What's On brochures and Pantomime leaflets; advertise in the Fareham Town Christmas leaflets
- Competitions to win tickets including Fareham Shopping Centre, Radio Breeze, The News etc.
- Complimentary Pantomime tickets for local Charities/Schools/Good causes
- Text offers to Everyone Activity gym members through Fareham Leisure, Centre
- Exit leafleting at end of shows
- Christmas Town Centre Light Switch On including mainly Fareham, Gosport and also Petersfield; Magazines – minimal in recent years;

25. The mission statement reflects a need to increase the footfall through the venue by encouraging more community use of the building and thereby creating a greater awareness of what's going on. Effective marketing of the venue will be a key component in generating new business and in turn increasing levels of income.

26. The current approach to marketing does not appear to be effective at generating new business and therefore further consideration needs to be given to developing a strategy aimed at generating new business and increasing income.

27. A new website will be launched in August with new branding and will be a key marketing tool for the venue. The new branding has been developed to give Ferneham Hall a fresh new look in an effort to change the current tired and dated feel of the venue. Evidence from the user survey indicates that the venue currently has a fairly narrow user base and a fresh new brand and appropriate programming of shows has the potential to widen the existing customer base.

Hiring's

28. Ferneham Hall hosted a total of 8 weeks of productions by local societies (Amateur Dramatics) in 2013. This included. Fareham Musical Society, South Downs Musical Society, along with the annual Gosport Gang Show in April.
29. Aside from the annual Christmas Pantomime and Fareham Dance Festival arranged directly by Ferneham Hall, all the weekly bookings during the year are outside hirers booking the venue. Local schools and Colleges hired the auditorium on 16 days during 2013 including Fareham College, for award ceremonies, and in the case of Harrison Primary School a play.
30. Dance Schools hire Ferneham Hall particularly at weekends often for both days and in 2013 accounted for 16 days in the auditorium.
31. Other regular hirers include the Salvation Army once a year; Antiques Craft Fayre twice a year; Open Microphone auditions accounted for 3 days in 2013 as did Havant Orchestras. Hampshire Music Services are also hire the Auditorium with 2 events booked in 2014.
32. A new hiring in 2014 is the British National Bodybuilding Federation who hosted their Southern heats at Ferneham Hall and they have booked again for 2015.
33. Hiring of the Octagon and Meon have reduced in recent years but both are regularly used for meetings and training days by Hampshire County Council, Fareham Borough Council and Fareham & Gosport CCG. The rooms are also hired out as extra changing rooms for larger productions by the local Dance Schools. The Octagon also hosts private parties, wakes, and as with the Meon and Auditorium is licenced to host Wedding Ceremonies.
34. Analysis of room bookings was undertaken to try and identify the level of occupancy of each of the rooms. The table below provides a summary of the room occupancy during 2013/14:

Room	Days Vacant
Octagon	50%
Meon	56%
Solent	40%
Overall	49%

35. From the analysis it is clear that there is a lot of capacity available bookings in each of the rooms. In analysing what each booking was for in the auditorium 16%, of the days booked, were found to be from Fareham Borough Council or Hampshire County Council. In the case of the Octagon, 40% of the days it was used, were from either Council.
36. The Octagon is hired for meetings, parties and the like but the analysis of the occupancy levels indicates that it's only booked for 50% of the days in a year.
37. This is seen as a real opportunity to increase income by promoting this facility as a community space that can cater for a wide variety of needs including, weddings,

parties, exercise classes, parent and toddler and similar activities that might traditionally be provided in a dedicated community hall.

38. Given that the building is already open and therefore the associated overheads are already being incurred any additional new hiring's should largely be generating revenue that will reduce the current budget deficit.

Capital Costs

39. Over the last 3 years there has been significant capital expenditure on major plant and building fabric at Ferneham Hall. This was largely essential investment required to ensure that the building remains fully functional and fit for purpose. A summary of the essential works is contained in the table below:

Year	Amount	Description
2010/11	£ 278,438	New boilers and replacement of auditorium carpet.
2011/12	£ 233,964	Replacement of air handling units, new lower roof covering and carpet in the foyer.
2012/13	£ 49,424	Replacement of chairs and refurbishment to the seats on the tiered seating.
Total	£ 570,951	

40. There remains a capital budget of £563k for Ferneham Hall which is available to fund any improvements to the building fabric, subject to approval by the Executive.
41. The Member Working Group undertook an extensive tour of the building and considered the current condition of the facility and the general decor with the aim of identifying essential improvements. In particular considering opportunities for improvements that had the potential to generate additional income.
42. It was clear that certain aspects of the building reflected the feedback from the user's consultation which indicated a tired and dated feel. The décor in the Octagon is particularly poor and the general design and layout of the room does not lend itself to be marketed as flexible space for community events and activities.
43. Although there is a capital budget of £563k there remains a question, given the potential ongoing maintenance liabilities on a building that is 30 years old, whether it would be prudent to spend the full amount.
44. The main areas that the working group identified are listed in the table below and include a budget cost for completing the works. Officers have listed these in priority order based on the need to focus investment on areas that have the greatest potential to achieve a financial return. The list is not in any priority order but the potential to generate additional income is considered to be the key factor in prioritising any investment.

Priority	Item	Description	Cost
1	Octagon Lounge	Refurbishment to include new floor covering, suspended ceiling and lighting, entrance, toilets(including accessible facilities) and refurbishment of kitchen area.	£200,000
2	External Signage & Fascia	Replace existing signs with new logo, including lighting and colour change of the fascia	£12,500
3	Meon Room Internal Covering	Material lining to cover the roof and internal walls.	£5,000
4	Poster Display Cabinets and Internal Signage	New cabinets to display posters and publicity material and upgrade existing internal signage.	£8,000
5	Suspended Ceiling and Lighting	Replacement in bar, reception, kitchen and public walkways.	£40,000
6	Reception Kiosk	Remove part of the existing wall to open up reception desk and provide accessible low level counter.	£10,000
7	Tiered Seating	Replace existing seating system.	£150,000
8	Floor Level Seating	New chairs and staggered seating layout.	£3,000
9	Main Auditorium	Upgrading of lighting, sound system and effects.	£60,000
10	Main Kitchen	Refurbishment of the area and new appliances.	£50,000
11	Windows	Replacement of double glazed windows that have blown.	£10,000
12	Main Toilets	Redecorate main toilets.	£10,000
	Total		£560,500

RISK ASSESSMENT

45. There is a risk that the Fernehall Hall building is over 30 years old and will therefore require ongoing maintenance and repairs to ensure it remains fit for purpose. Therefore it considers that a prudent approach would be to prioritise the investment and not allocate the full amount. The priority being investment that has the greatest potential to achieve a reasonable financial return.

CONCLUSION

46. The Members Working Group has examined the Ferneham Hall business operation with the aim of identifying opportunities to reduce the current budget.
47. Although there is evidence of good management of the expenditure, income remains below pre-recession levels, with most of the rooms available for hire being occupied for only 49% of capacity for the year overall.
48. Increasing income is considered the key to reducing the budget deficit with the current management arrangements. However the review identified a number of areas that need to be addressed in order to increase and broaden the existing customer base which in turn has the potential to increase income.
49. There is evidence that the facility is valued by local residents, but 41% have either never been to the venue or only visited once, with a further 31% only visiting once a year. The mission statement promotes an emphasis on catering for a wider range of community events and activities as opposed to the current arts and entertainment focus.
50. The approach to programming of promoted shows has resulted in a mixed response in terms of popularity of the entertainment on offer. While there is low risk and a reasonable financial return from private hiring's the popularity of the programme of promoted shows has been mixed and as a result ticket sales have been poor which undermines the financial viability of the venue.
51. The existing pricing model is complex and does not offer enough flexibility to vary prices, which would provide greater opportunity to win new and maintain existing business.
52. Feedback from the consultation highlighted the view that the building is tired and dated. A number of areas have been identified where capital investment is required to improve the useable space and give the venue a fresh and vibrant feel.
53. Looking forward there is an opportunity to consider proposals to enhance facilities and achieve greater economies of scale with the integration of cultural services in Fareham. However over the next two years Ferneham Hall will need to maintain a strong focus on maximising the use of available room capacity and pro-active marketing to increase income.

Background Papers: None

Reference Papers: None

Enquiries: For further information on this report please contact Mark Bowler, Head of Leisure and Community (Ext 4420)

2013 Residents' Survey

How often do you go to Ferneham Hall?

Response	Number	Percentage (Rounded to nearest %)
I've never been	227	18%
I've been once	283	23%
I go once a year	380	31%
I go a few times a year	341	28%
I go once a month or more	17	1%
TOTAL	1,231	100%

What type of shows or events would you like to see at Ferneham Hall? (Please tick your favourite 3)

Rank	Show or event	Number	Percentage (Rounded to nearest %)
1	Live music by original artists	674	56%
2	Musicals	502	42%
3	Comedians	461	38%
4	Shows for children	294	25%
5	Musical tribute acts	291	24%
6	Dance shows e.g. ballet	229	19%
7	Amateur dramatics	201	17%
8	Celebrity talks	196	16%
9	I'm not interested in going to Ferneham Hall	189	16%
10	Other	101	8%
11	Mediums / psychics	74	6%
12	Public meetings	73	6%
13	Sporting events e.g. wrestling	61	5%
14	Open mic. nights	53	4%
15	I'd like to hire out rooms for meetings	17	1%
	TOTAL	1,198	

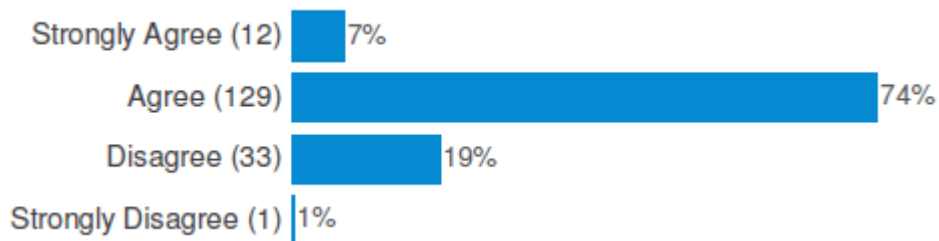
Ferneham Hall e-Panel Survey

There were a total of 349 respondents to the survey, during the two weeks it was available. The tables below summarise some feedback from the responses, in addition to the information that was included in the main body of the report.

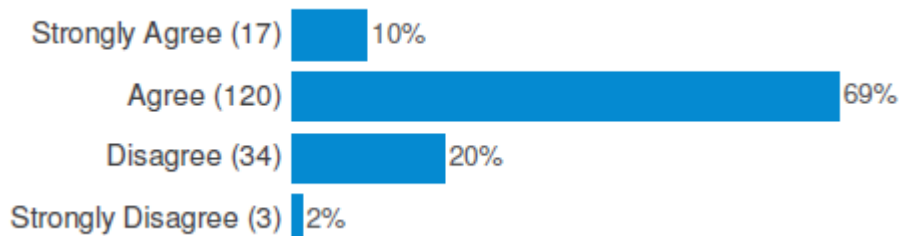
The following graphs only include responses from those residents that indicated that they had been to Ferneham Hall within the past year.

Each person was asked to indicate how much they agreed or disagreed with each of the following statements:

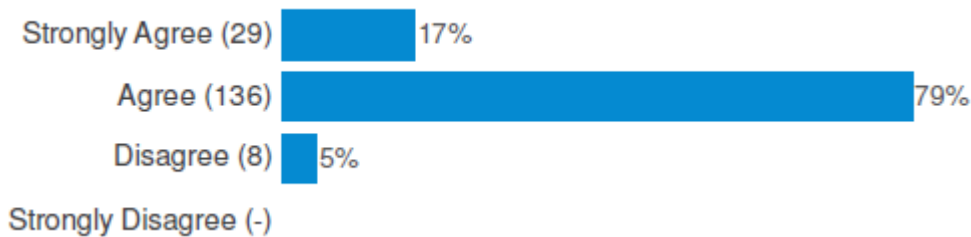
- There is a good selection of shows



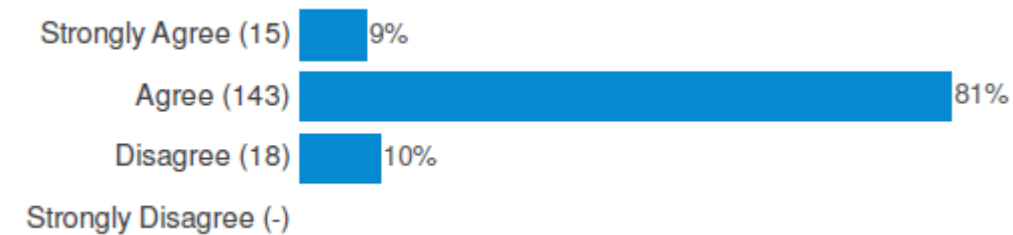
- The parking is convenient and affordable



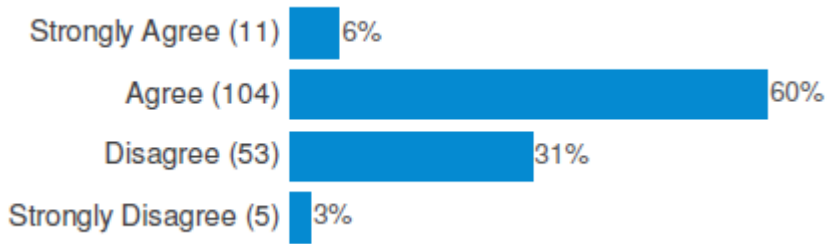
- It is easy to book tickets



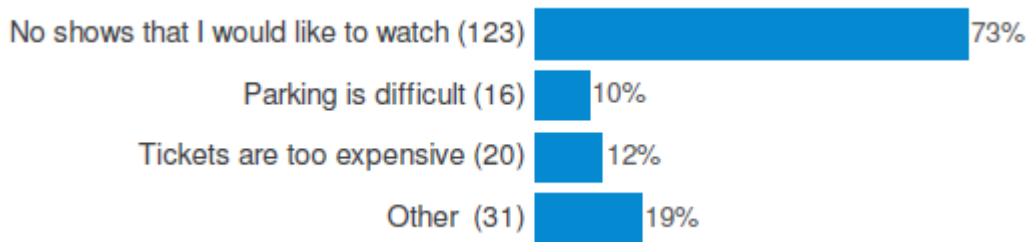
- The price of tickets for shows and events is good value for money



- The seating is good and comfortable



The graph below provides a full breakdown of the reasons respondents provided for not visiting Ferneham Hall. Each person was able to select more than one response, which is why the total of the percentages is over 100%.



The "Other" reasons given did not have any particular response that reoccurred.