

6. THEATRE ROYAL GRANT APPLICATION

Officer responsible Director of Finance	Author Bob Lineham, DDI 371 1411
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The purpose of this report is to seek approval from the Council to the early payment of a grant to the Theatre Royal to assist them in meeting a cash flow need.

BACKGROUND

The Metropolitan Funding Subcommittee has recommended to the Annual Plan Subcommittee that a grant of \$55,000 be included in the Financial Plan and Programme for 2002/03 and this has been included in the Draft Plan being recommended to the Council.

The Theatre Royal Foundation is currently operating under an extended overdraft which will not be extended past the end of March 2002. The Foundation needs to find an alternative way of getting itself through a low period in its cash flows created by some difficult operating conditions in late 2001 and early 2002, as well as an unexpected major maintenance expenditure on fire safety of \$30,000.

The Theatre Royal provides an important role as a cultural venue in the city because it has a 1,300 seat capacity which is needed for many shows and is not available elsewhere. It is also an important heritage building which has been supported by the Council in the past.

FINANCIAL FORECASTS

The management of the Theatre have submitted detailed cash flows (tabled) which are conservatively based on only known bookings. These indicate that if there is no cash injection this month that the overdraft will grow from a current \$64,000 to a peak of \$83,773 by May and to \$88,222 in July before it starts to benefit from significant forecast revenues. This is clearly not sustainable. However, if the Council paid next year's grant in advance this month, then the overdraft would be \$33,773 in May and \$38,222 in July. This would fit within the approved overdraft limits which the Foundation currently has.

The Metropolitan Grants Subcommittee were aware of this situation when they considered the grants recommendation for the year and were supportive of this as a priority for a grant on 2002/03. The Subcommittee were aware that to be truly effective these funds may need to be paid in advance but could not decide that as it is not within its terms of reference. The Annual Plan Subcommittee in considering the recommendations from Metropolitan Grants Subcommittee have supported this request for inclusion in the Annual Plan.

An option to meet the cash flow needs of the Foundation would be to make the substantial amount of the grant (\$50,000) in advance, in March, and reimburse the Council's working capital when the budget is approved in July 2002. This is an unusual situation and could not be entertained on a wide scale without a major upset of the Council's cash flows, but on this occasion it would be feasible. Unless the Foundation receives the funds before the extension on its overdraft expires at the end of March it is likely to be in severe difficulties.

In the letter from the Foundation there is reference to the possibility that "it may be necessary and wise for the theatre to apply on an annual basis for an operations grant ...". This issue is not being addressed in this report and it should be made clear to the theatre that if the Council agrees to make this advance on next years grant that there will be no further funds available before 30 June 2003 and that any application for 2003/04 will have to stand on its own merits and is not guaranteed. The theatre needs to be encouraged to take action to ensure that it can stand on its own feet operationally.

- Recommendation:**
1. That an advance of \$50,000 be made in March 2002 to the Theatre Royal Foundation against its 2002/03 grant.
 2. That the Theatre Royal Foundation be informed that the source of funding means that only the balance of the grant can be paid during the 2002/03 year and that there is no guarantee that there will be similar grants in subsequent years.