
DOWNSTAGE THEATRE TRUST

1. Purpose of Report

To seek Council's approval for a grant of \$90,000 for Downstage Theatre Trust (Downstage) to meet an immediate cash shortfall and enable it to examine its operations and its strategy with a view to delivering a sustainable future.

2. Executive Summary

Downstage is currently experiencing financial difficulty, the result of challenges for the company, which began post the Christchurch earthquake and continue to the present.

Downstage's management notes that while the theatre has had a number of artistic successes this year and expects to build on the renewed audience interest and sponsor support that it had developed over 2009 – 2010, it has not met its audience targets in a very tough economic climate and within the context of a reduced funding situation where corporate sponsorship has been extremely difficult to secure.

At the end of 2010, and with a modest surplus, Downstage made a decision to forecast significant increase in audience numbers from 45% capacity in previous years to 65% capacity for 2011. Downstage's 2011 financial forecast was based on an 35% increase in box office revenue compared to 2010 and a tight net surplus which responds negatively to shocks such as drop in audience number (resulting in reduced revenue from box office of 50% at 31 August).

As a result of the impending deficit, Downstage decided to postpone and cancel shows from mid-October through to December this year, in order to eliminate the risk of any further losses and the costs associated with supporting those productions. Currently, Downstage faces a cash flow shortfall of \$90,000 for the remainder of 2011.

Creative New Zealand (CNZ) has recently announced that it would offer Downstage multi-year funding for the Presenting Partners model. The Board and Director/CEO have taken the above steps to ensure the offer of \$650,000 (over two years) by CNZ under the new Arts Development Investment (Toi Uru Kahikatea) funding programme can be secured. If Downstage cannot meet the

cash shortfall for the remainder of the year, it will not be in a position to take up the funding offer and/or operate.

This request for funding will enable Downstage to examine its operations and its strategy with a view to delivering a model of this theatre that:

- a) retains its core values
- b) is built with increased robustness in mind, given the on-going economic uncertainty and the low likelihood of change.

Downstage has identified that it is seeking additional donor support and sponsorship for 2012, and that it will examine its need for increased operational funding in order to develop long-term stability and be able to enhance its product and service delivery.

It is noted that the theatre's three-year funding contract with Council is due for renewal by 1 July 2012 and that Officers intend to review funding contracts levels within the context of the Arts and Culture Strategy if approved and make appropriate recommendations to Council within its LTP deliberations.

Downstage fills a critical role in the theatre fabric of Wellington, with its focus on providing a platform for independent theatre companies/collectives or mid-career artist allowing new works to be staged and in doing so supports the development of new audiences. The closure of Downstage would have a considerable impact on the theatre and arts sector in the city and on the provision of career paths for art practitioners and supporting services. Its closure would also undermine Wellington's status as the Cultural Capital.

3. Recommendations

Officers recommend that the Council:

1. *Receive the information.*
2. *Agree to provide an immediate grant of \$90,000 to Downstage and instruct that:*
 - (a) *Downstage provides to Officers a 2012 Business Plan by 30 December 2011 that includes a full financial plan, audience development strategy, marketing and fundraising Strategy*
 - (b) *Downstage provides to Officers a budget that demonstrates it can continue to operate on a viable basis in 2012 and beyond.*
3. *Note that this additional funding will be managed within the existing 2011/12 budgets.*

4. Background

Downstage theatre began in 1964 with the incorporation of the Downstage Theatre Society and an establishment of a fully professional theatre in Wellington. Downstage has been a portal through which New Zealand met many of its greatest performing artists, from names such as Bruce Mason, Ian Mune, Sam Neill, Rawiri Paratene, Miranda Harcourt and Cliff Curtis, to acts like Lyn of Tawa and Flight of the Conchords.

The Hannah Playhouse opened in 1973, and has since been a home for Downstage. Downstage Theatre was established as the theatre company that would occupy the Hannah Playhouse. The Hannah Playhouse Trust owns the theatre building itself, including the downstairs premises. It was established to ensure the building was never jeopardised by any financial issues the theatre company had. Over time, Council's shareholding in the Trust has increased to 44%. The Trust receives rent from Downstage Theatre. However, it also pays Downstage a grant, which exceeds the rent the company pays. It has also made one-off grants recently and in the past to assist Downstage financially.

Downstage fills a critical role in the theatre fabric of Wellington, with its focus on identifying emerging talent and allowing new works to be staged and in doing so supports the development of new audiences. The theatre sector is interrelated with BATS, Downstage and Circa Theatres (and others) all playing a specific role in the sector. A loss of this professional theatre would have a significant negative impact on the remaining theatres and the sector as a whole.

Downstage is the only theatre that offers professional fees and wages at all levels of their operation to theatre professionals in Wellington. BATS and Circa Theatres operate on a profit-share model that does not guarantee professional wages for all those involved in their productions. Downstage also makes its resources available for events and productions throughout the city, such as providing Box Office services for the Fringe Festival and Chapman Tripp Theatre awards, and loaning out equipment. In 2011 the theatre partnered with 20 groups, and showcased and supported over 200 artists, to provide 318 professional theatre performances in the city.

Downstage's Presenting Partnership model provides a mainstage platform for independent theatre companies or collectives or mid-career artists to present a range of diverse New Zealand work. Downstage highlights that this model is unique in New Zealand, that it has been proven overseas and it provides the service and on-going support to enable theatre professionals to hone their works and develop audiences.

A key part of the Presenting Partnership model is the Resident Company Programme – a three year residency for significant emerging operations such as SEED Company, Taki Rua and Strike Percussion (2009-2011). Downstage has selected the next three emerging companies to work over the period 2012-2014 to build their audience base, develop sound business and strategic planning, and showcase their work with the best support possible. Downstage sees this as a

way to retain our most talented artists in Wellington, and provide them with a platform from which to succeed.

In 2008 Creative New Zealand (CNZ), the theatre's major funder, reduced funding to Downstage from \$500,000 a year to \$300,000.

The Council has traditionally funded arts organisations such as the Downstage Theatre Trust in partnership with CNZ. Currently, Council provides grant funding to Downstage of \$33,000 a year, on a three year contract basis.

Officers expect to review the level of this funding and make recommendations to Council within LTP deliberations.

In 2008 Council provided \$15,000 discretionary grant for assistance to ensure ongoing viability of the theatre. This was part of a three way package of support, which also involved CNZ and the Hannah Playhouse Trust. The support was provided on the basis of a number of conditions including a review of Downstage's business model and a revised forward programme. Consequently, it moved away from staging works that it produces itself and began the development of the Presenting Partners programme.

In 2009 Council provided an additional \$25,000 discretionary grant to assist with costs of promoting *Back Downstage* donor and fundraising programme.

Over the last three years, Downstage's programming was recognised for innovation and quality with multiple Chapman Tripp Theatre Awards (received 16 awards in the period 2008-2010) Downstage was also nominated for the Wellington Gold Awards 2011, Creative Gold.

In 2008 & 2010 (NZ International Arts Festival years), Downstage registered a small financial surplus. In 2010 Downstage had a net cash balance of \$202k (an improvement from \$125k in 2009) and a revenue that remained at the same level in 2009 and 2010; and reduced expenditure. Sponsorship and donations have been growing from \$326k in 2008, to \$565k in 2010. Box office sales have reduced from \$736k in 2009 to \$621k in 2010.

However 2011 has been more difficult, with significantly lower than forecast audience numbers and budget shortfalls impacting on Downstage's ability to continue operating in its full capacity. The results to 31 August show a \$250k shortfall against the box office budget target.

Downstage has identified that it is seeking additional donor support and sponsorship for 2012, and that it will examine its need for an increased operational funding in order to develop long-term stability and be able to enhance its product and service delivery. Downstage has indicated that it will be seeking increased annual funding from Council in time for the Long Term Plan.

Creative New Zealand announced in September this year Downstage's re-acceptance onto a multi-year funding programme with an increase in funding to facilitate audience development.

Over the last 6 years Downstage visitation is at average of 33,000. 2010 showed an increase over the 2008-2009 period with a shift in demographic from mainly 45+female to an even spread over people from the 25-65+ age grouping. The fastest growing demographic was single ticket buyers by men in the 35-45 age group.

Jan-Dec	2011 Ytd	2010	2009	2008	2007	2006
Audience numbers	22,182	36,244	34,802	33,472	37,771	39,324
Average ticket price	\$28.39	\$29	\$29.21	\$28.25	\$27.13	\$23.80

At the same time Downstage has partnered with more companies, increased its local content, employed more artists and showcased more premieres:

<u>WORKS AND PEOPLE SHOWCASED 2008 to 2011</u>				
<i>preliminary figures</i>				
	2011	2010	2009	2008
Partner companies	21	23	23	17
% of NZ works in the year	95%	87%	83%	82%
People	225	251	209	132
world premieres	4	4	4	1

Downstage has been accepted onto the *Move On Up Audience Focus Coaching* programme facilitated by Morris Hargreaves McIntyre and CNZ. Downstage has been identified as a company going through Strategic Change. Other companies who have undertaken this programme are Taki Rua, Centrepoint and Circa Theatres, NZ Chamber Music. The programme runs from 2011-2014 so the implementation and evaluation stages are a part of the overall objectives of the programme.

Council's draft Arts and Cultural strategy has identified that there are a number of challenges that the city needs to respond to in order to retain and grow its position as the arts and cultural capital such as that many cultural organisations struggle to attract funding and maintain levels of service, continuing relocation of creative industry infrastructure, diminishing employment opportunities and household economic pressures.

Its programmes/ initiatives also support Council's new Arts and Cultural Strategy and its model provides employment and development opportunities to many practitioners.

Enabling the Best & Boldest:

a) The Presenting partner programme provides an environment for independent artists and companies to present a mainstage season at Downstage and to build audiences for the work of contemporary New Zealand theatre-makers. This programme showcases significant emerging and mid-career artists who have graduated from the Fringe to mainstage but who need a strong business partner to succeed. The partnership allows artists to develop high quality work and present it at Downstage without having to take the full financial risk.

b) The theatre also contributes to the vibrancy and choice of experiences in the Courtenay Place precinct. This is an important aspect of our central city experience. The loss of this venue and its programme of activity will reduce perceptions of Wellington as the Cultural Capital.

Diverse Experiences by Diverse Communities:

c) Community Access programme is designed to showcase one off or short seasons of niche or community led works. Downstage allows access to its venue and staffing support at a significantly subsidised rate. This is an area that can potentially grow for the benefit a range of community groups and organisations seeking access to venue.

Thriving Creative Enterprises

d) The Resident company programme assists three of Wellington's most dynamic independent theatre artists or companies to develop their arts practice create new work of an international standard and to compete more successfully in touring, festival, and venue networks in New Zealand and abroad.

5. Issues

This has been extraordinary challenging year for Downstage, with lower than anticipated attendances and box office and sponsorship revenue. This impact has arisen from the economic environment and Christchurch disasters, which are being felt through a range of sectors.

Downstage has identified that the current funding levels are under significant pressure and are not sustainable and coupled with declining external revenue (including sponsorship and box office), present a significant issue for the organisation.

The current operating model is financially vulnerable and prevents Downstage from achieving the long term stability. For example, Downstage's 2011 financial

forecast was based on an 35% increase in box office revenue compared to 2010 and a tight net surplus which responds negatively to shocks such as drop in audience number (resulting in reduced revenue from box office of 50% at 31 August).

At the end of 2010, and with a modest surplus, Downstage made a decision to forecast significant increase in audience numbers from 45% capacity in previous years to 65% capacity for 2011.

As a consequence, Downstage has decided to postpone and cancel shows from mid-October through to December this year, in order to eliminate the risk of further losses and the costs associated with supporting those productions. Currently, Downstage faces a cash flow shortfall of \$90,000 for the remainder of the year. If Downstage cannot meet the cash shortfall for the remainder of the year, it will not be in a position to take up the funding offer from Creative New Zealand, and/or to operate.

Downstage's audiences have declined over the last 15 years from about 50,000 in the mid 1990' to average 33,000 over the last 6 years. Year to date 2011 is 22,182. Officers note that over the last three years (excluding 2011) and under the current leadership, audiences have been increasing at a rate of 2,000 per year.

6. Options

6.1 Fully Fund Downstage's proposal

Council's funding of \$90,000 will prevent the closure of Downstage and enable Downstage to examine its operations and its strategies in conjunction with Council Officers to ensure sustainable operations in future years.

Downstage has identified that it will be seeking additional donor support and sponsorship for 2012, and will examine its need for an increased operational funding (including from Council) in order to develop long-term stability and be able to enhance its product and service delivery.

As a condition of the granting of this funding, Council is seeking that Downstage reviews and reports on issues of declining audiences and provides Council with a strategy to address this issue.

6.2 Decline Downstage's proposal

Downstage has identified that currently has no other options of funding the cash flow shortfall and if its funding request is not approved, it will have to close.

Downstage has already taken actions to address its current situation by postponing or cancelling shows from mid-October through to December this year, in order to eliminate the risk of further losses and the costs associated with supporting those productions. However, Downstage still faces a cash flow shortfall for the remainder of the year which if unfunded will force closure of Downstage.

The closure of Downstage could have a considerable impact on the theatre and arts sector in the city and on the provision of career paths for art practitioners and supporting services.

The sector is vulnerable and a loss of a professional theatre would have a negative impact on the Wellington's position as an arts and cultural capital.

In addition, the lack of funding will prevent Downstage from examining other options for such as increasing community participation and use of venues.

If Downstage could no longer lease the building, the Hanna Playhouse Trust's deed allows it to lease it to another performing arts company.

7. Financial consideration

The funding will be managed within the existing 2011/12 budgets. Any additional funding request from Downstage for future years will be brought back for Council's consideration for the Long Term Plan.

8. Conclusion

This has been a challenging year for Downstage, with lower than anticipated attendances and box office and sponsorship revenue. Currently, Downstage faces a cash flow shortfall of \$90,000 for the remainder of the year. If Downstage cannot meet the cash shortfall for the remainder of the year, it will not be in a position to take up the funding offer from Creative New Zealand, and/or to operate and it will face closure.

Officers recommend that Council provides an immediate funding of \$90,000 to prevent the closure of Downstage and to enable it to examine its operations, and its strategies to address issues of lower audience attendance and declining revenues and to ensure sustainable operations in 2012 and beyond.

Officers also recommend that Downstage provides its *2012 Business Plan* by 30 December 2011 including: full financial plan, audience development strategy, marketing strategy and fundraising strategy. The budget must demonstrate how Downstage will continue to operate on a viable basis in 2012 and beyond.

Any additional funding request from Downstage for future years will be brought back for Council's consideration for the Long Term Plan.

Contact Officer: *Natasha Petkovic-Jeremic, Manager City Arts*

Supporting Information

1) Strategic Fit / Strategic Outcome

It supports Council's overall vision of Smart Capital City

2) LTCCP/Annual Plan reference and long term financial impact

Funding within existing resources (savings)

3) Treaty of Waitangi considerations

No implications.

4) Decision-Making

This is not a significant decision.

5) Consultation

a) General Consultation

All affected parties have been identified.

b) Consultation with Maori

Not applicable

6) Legal Implications

Not applicable

7) Consistency with existing policy