

**MINUTE EXTRACT FROM THE NON-PUBLIC MINUTES OF THE COUNCIL MEETING HELD ON TUESDAY
28 NOVEMBER 2017**

C2 FUNDING REQUEST

Cr Garey declared an interest and withdrew from this item.

A report from Community and Planning requested that the Council consider supporting the Fortune Theatre up to \$70,000 to help ease the current financial pressures while it worked to implement its recovery plan.

The General Manager Strategy and Governance and Community Advisor – Arts spoke to the report and responded to questions on the financial position of the Fortune and the requirements required to meet Creative New Zealand (CNZ) deadlines to secure future funding.

Moved (Cr Lee Vandervis/Cr Aaron Hawkins):

That the Council:

- a) **Approves** unbudgeted expenditure of \$70,000 from the City Service, City Projects 2017/18 grants fund to support the Fortune Theatre.

Motion carried (CNL/2017/221)

FUNDING REQUEST

Department: Community and Planning

REASONS FOR CONFIDENTIALITY

Grounds:	S48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
Reason:	S7(2)(b)(ii) - The withholding of the information is necessary to protect information where the making available of the information would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information. S7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.

EXECUTIVE SUMMARY

- 1 This report asks that the Council considers supporting the Fortune Theatre (the Fortune) up to \$70,000 in light of current financial pressures. The Fortune is working to deliver on a recovery plan to ensure a sustainable future for the theatre but is not yet realising the results of this and is still in a vulnerable position.

RECOMMENDATIONS

That the Council:

- a) **Considers** whether to fund the Fortune Theatre to the requested amount of \$70,000.
- b) **Notes** that if approved this would be unbudgeted expenditure from the City Service, City Projects 2017/18 grants fund.

BACKGROUND

- 2 The Fortune has, like many theatres around the world, suffered financially as audience patterns have shifted. While the theatre is now actively working to adapt to different audiences and new markets, its current financial situation is challenging.
- 3 The Fortune has been in an Active Engagement process with Creative New Zealand (CNZ) since 2015. This Active Engagement this is where CNZ commits to work closely with an organisation to address performance challenges, including increased staff support from CNZ and capability funding. This has meant more support and scrutiny of the Fortune's business approach and programming.
- 4 The Fortune is currently supported by the DCC in three ways:

- Through an annual City Service Grant and annual Property Arrangement Grant, that funds some of the operating costs of the theatre and sees the theatre located on Moray Place (\$131,000);
- Rates Relief through the annual Rates Relief Grants (\$1,458); and,
- Staff support – both through the ongoing Community Arts Advisor role and, more recently with specific recovery support from the Corporate Policy Manager.

DISCUSSION

- 5 The Fortune has a plan in place to recover its financial position by June 2018. As part of this, Creative New Zealand (CNZ) – the theatre’s major funder – has set the Fortune a series of targets, with a first tranche to be delivered in May 2018.
- 6 Support from the DCC would enable the Fortune to focus on delivering on its recovery plan commitments and securing the long-term future of the Fortune. In October, the Fortune requested an additional \$10,000 and this was provided from operational budgets.
- 7 If the Fortune does not meet CNZ’s deadlines, such as the one in May 2018, there is a possibility it will not be able to make up the shortfall caused by a withdrawal of CNZ funding and will be forced to close.
- 8 The Fortune has two major fundraising campaigns planned for late November with a target of raising \$30,000. These constitute a step toward meeting the CNZ target of \$55,000 in funds raised by May 2018 and will clearly demonstrate community support for the Fortune’s continued existence. The remainder will be raised through additional campaigns including a crowdfunding campaign.
- 9 The request from the Fortune for \$70,000 of support is caveated with the intention to draw on a smaller amount if: cash flow improves due to increased box office and bar takings; fundraising campaigns meet or exceed expectations; and / or overdue debts are recovered.
- 10 All three funders of the Fortune (CNZ, the DCC and the Otago Community Trust) are working together to support the theatre at this time.
- 11 The Fortune plays a critical part in Dunedin’s arts ‘infrastructure’ as the city’s only professional theatre. It supports delivery on Ara Toi by: providing access for the community to professional theatre in the city and the Lower South Island; offers employment and training opportunities for arts practitioners in the city; delivers educational programmes for young people relating to theatre; and also provides a venue for a range of other art forms – from community-led projects to professional touring companies.

OPTIONS

- 12 When developing the following options, staff also looked at the possibility of offering the Fortune the requested amount of \$70,000 as an interest free loan. However, the concern is that unless it is over a five year period, the Fortune may be unable to keep up with repayments with its focus on the recovery plan. Therefore, this has not been included as an option.

Option One – Approval of unbudgeted expenditure of \$70,000 from the City Service, City Projects 2017/18 grants fund to support the Fortune Theatre

- 13 The Council provides the Fortune with unbudgeted expenditure from the City Service, City Project grants pool for 2017/18 at the requested amount of \$70,000, noting that the full amount may not be utilised by the Fortune Theatre.

Advantages

- The Fortune is able to focus on long-term recovery and meeting CNZ requirements.
- CNZ targets are more likely to be met, opening up the likelihood of an extension of CNZ funding for 2019.
- The Fortune's contribution to the city and community in terms of its arts infrastructure role is maintained.

Disadvantages

- Significant DCC unbudgeted expenditure from City Service, City Project Grants is required.

Option Two – Approval of a reduced amount of unbudgeted expenditure from the City Service, City Projects 2017/18 grants fund to support the Fortune Theatre

- 14 The Council provides the Fortune with unbudgeted expenditure from the City Service, City Project grants pool for 2017/18 at a reduced amount.

Advantages

- The DCC unbudgeted expenditure from City Service, City Project Grants is less significant.

Disadvantages

- The Fortune is less able to focus on long-term recovery and meeting CNZ requirements.
- CNZ targets are less likely to be met, opening up the likelihood of an extension of CNZ funding for 2019.
- The Fortune's contribution to the city and community in terms of its arts infrastructure role is more vulnerable.

Option Three – Do not approve unbudgeted expenditure from the City Service, City Projects 2017/18 grants fund to support the Fortune Theatre

- 15 The Council decides not to provide the additional for the Fortune Theatre.

Advantages

- The DCC does not overspend the City Service, City Project grant fund in 2017/18.
- The Fortune is not put in a position of having to make loan repayments.

Disadvantages

- The Theatre may not be able to focus enough on long-term recovery and meeting CNZ requirements.
- CNZ targets are unlikely to be met, reducing the likelihood of an extension of CNZ funding for 2019.
- The Fortune's contribution to the city and community in terms of its arts infrastructure role is vulnerable.

NEXT STEPS

- 16 If the Council decides to provide additional funding to the Fortune, staff will arrange for the funding to be put in place and continue to work alongside the Fortune to provide support.

Signatories

Author:	Cara Paterson - Community Advisor - Arts
Authoriser:	Joy Gunn - Manager Events and Community Development Nicola Pinfold - Group Manager Community and Planning

Attachments

	Title	Page
A	Fortune Theatre budget 2017 (reforecast 6 November)	
B	Fortune Theatre cash flow projection 6 November	
C	Fortune Theatre profit and loss 6 November	

SUMMARY OF CONSIDERATIONS

Fit with purpose of Local Government

This proposal relates to providing local arts infrastructure and it is considered good-quality and cost-effective.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	☒	☐	☐
Economic Development Strategy	☒	☐	☐
Environment Strategy	☐	☐	☒
Arts and Culture Strategy	☒	☐	☐
3 Waters Strategy	☐	☐	☒
Spatial Plan	☐	☐	☒
Integrated Transport Strategy	☐	☐	☒
Parks and Recreation Strategy	☐	☐	☒
Other strategic projects/policies/plans	☐	☐	☐

The Fortune is a key part of the city's arts infrastructure and supports delivery on Ara Toi as the only professional theatre company in the city and the Lower South Island.

Māori Impact Statement

No known impacts for tangata whenua.

Sustainability

The Fortune's position has potential sustainability implications for the city's arts infrastructure and access of Dunedin's communities to professional theatre.

LTP / Annual Plan / Financial Strategy / Infrastructure Strategy

The recommended support, as unbudgeted expenditure, or an interest free loan are not provided for in the Long Term Plan.

Financial considerations

The recommended option requires \$70k of unbudgeted expenditure. An interest free loan is a second option. Both rely on unbudgeted funds.

Significance

This report is assessed as being of low significance in terms of the Council's Significance and Engagement Policy.

Engagement – external

Engagement has been with the Fortune Theatre.

Engagement – internal

Community Development and Events, and Policy Team have both contributed to this report.

Risks: Legal / Health and Safety etc.

There is a critical risk associated with the interest free loan option, that the Fortune is unable to make its repayments.

Conflict of Interest

There is no known conflict of interest.

Community Boards

No known implications for Community Boards.

