

**CROMER PIER PAVILION THEATRE – PIER MANAGEMENT CONTRACT****Summary:**

**This report provides members with an update in respect of the Pier Management Contract operated by Openwide Coastal in the context of the ongoing uncertainty around the COVID pandemic.**

**The report details the current arrangements for management of the contract of the Pier Pavilion Theatre in Cromer, in the context of when the current contract was awarded in early 2019; and considers the changed circumstances, issues and risks being faced by the operator during the 2020 and 2021 seasons and looking into the future due to the COVID pandemic**

**The report details a number of options available to the Council in seeking to support the current operator respond to these unprecedented circumstances in future years thereby maintaining the unique End of the Pier Show and other theatre offering provided through the Cromer Pier Pavilion Theatre.**

**Conclusions:**

**The Coronavirus pandemic, including periods of lockdown and subsequent restrictions during the twenty-two months since March 2020, and ongoing uncertainty for the arts sector through 2022 and beyond, has presented significant challenges to the Council's operating partner for Cromer Pier and Pavilion Theatre - Openwide Coastal.**

**Whilst Openwide has successfully managed this challenging situation, this is not without significant risks to the business relative to the contract awarded by the Council in February 2019, and in order to secure its long term future it is appropriate for the Council to consider how it might work with the company to manage future risks in the operation of the Pavilion Theatre, if not the wider Pier offering.**

**Recommendations:**

**Cabinet is therefore recommended to:-**

- a) Agree now to the extension of the pier management contract at the end of its current ten-year term for five years to March 2033 (as allowed for under the contract) so that the additional costs / losses incurred by Openwide in supporting the contract over the past two years due to COVID**

might be recovered – i.e. Option 1 as detailed within Section 5 of the report.

- b) Agree that the Council is prepared, in principle, to explore further with Openwide a risk-sharing approach in underwriting the costs of investment in the 2022 Seaside Special production recognising the challenges presented by the COVID pandemic on audience figures during 2021 and the continued uncertainty for the 2022 summer season given that planning and investment in the 2022 production is already underway - i.e. Option 3 as detailed within Section 5 of the report.
- c) The Council agrees to make budgetary provision in the current financial year of up to £45,000 to upgrade the bar and food service area within the Pavilion Theatre
- d) Agree that the Council works closely with Openwide to explore broadening the offer of the Pier as outlined in Options 4 and 5 of Section 5 of the report so as to attract new audiences, visitors and income to the Pier.

Cabinet member(s):  
Cllr Virginia Gay, Cabinet member for Leisure, Culture and Wellbeing

Ward(s) affected:  
Cromer Town / All given the significant of the Cromer Pier and Pavilion Theatre to the District's tourism offering

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## 1. Introduction:-

- 1.1. The District Council owns Cromer Pier and the Pavilion Theatre and has a contract arrangement with Openwide Coastal, an entertainment company, which operates the Theatre, Tides Restaurant and Footprints Gift Shop at the pier entrance, under a ten-year contract, operational until 31 January 2028. Within the contract there is an option for the Council to extend the contract term by up to five years.
- 1.2. Under the contract, the District Council is responsible for the repair and maintenance of the pier itself and the buildings occupied by Openwide, with the contractor responsible for the programme of events/shows in the Pavilion Theatre and maintenance of (non-structural) internal fixtures and fittings in the theatre, restaurant and gift shop / booking office.

- 1.3. The main “event” that Openwide manages and stages is the Summer “End of the Pier” Show, which has historically attracted a large audience of approximately 33,000 visitors attending the show for its 13 week run each summer. The “End of the Pier” Show has received national recognition and is the last remaining show of its kind, with a full summer season, in the world.
- 1.4. Openwide Coastal also programmes a large number of other performances throughout the year which attract diverse audiences. The company also hires out the facilities for events such as “Folk on the Pier” and the “Cromer and Sheringham Operatic Society” which draw additional audiences and visitors to the Pier and Theatre. All of these events support the local economy through enhancing the local tourism offer and visitor numbers at the Theatre in 2019/20 totalled over 66,000 visitors.
- 1.5 The COVID pandemic over the past 22 months has created significant uncertainty in the performing arts sector nationally and the Council’s partner, Openwide Coastal, has not been protected from this situation. This report therefore outlines the issues Openwide Coastal faces in meeting the terms of the contract for the management of the Theatre and wider operation of the Cromer Pier based upon the experience of the past twenty-two months and the uncertainties faced in planning future productions / programmes and rebuilding audiences.

## 2. Background

### Contractor Performance

- 2.1 In 2001, the District Council advertised a ten-year contract for the operation of the Cromer Pavilion Theatre and ancillary facilities on Cromer Pier. The contract was awarded to Openwide International (later changed to Openwide Coastal).
- 2.2 In 2011 the contract was extended by five years (as allowed in the contract), due to the operator performing to a sufficiently high standard during the first 10 years of the contract.
- 2.3 In 2018 the Council advertised procurement of a new 10-year contract. The Council received three initial bids and, through a negotiated procurement process, the Council awarded the contract to Openwide Coastal, commencing from 1 February 2019.
- 2.4 Openwide’s contract bid included continuing with the Summer and Christmas “End of the Pier” Shows, and taking a more commercial approach to the operation of the Pier’s facilities in order to reduce the Council’s previous subsidy of c£82k per annum to a zero subsidy. The Council agreed to Openwide’s bid, which proposed reducing the subsidy as shown in the table below, particularly taking a more commercial approach to food and drink service and concessions on the Pier as a means of providing finance or subsidy of the theatre productions:

Year	Subsidy
1. 2018/19	£40,000

2. 2019/20	£20,000
3. 2020/21	£0
4. 2021/22	£0
5. 2022/23	£0
6. 2023/24	£0
7. 2024/25	£0
8. 2025/26	£0
9. 2026/27	£0
10.2027/28	£0

2.7 In addition to the above table, a profit share arrangement was proposed, whereby the Council would receive a 15% share of the net profit.

2.8 In the first two years of the new contract, the operator performed very well, seeing an increase in visitor / audience numbers, and sufficiently hitting their financial target to reduce the Council's subsidy: in 2019 the Council received £31k in profit share due to the good performance of the contract.

### 3.0 Impact of COVID

3.1 Due to the COVID pandemic, the Council closed all public access to the Pier in the period 23<sup>rd</sup> March – late May 2020 and the Theatre remained closed until mid-August 2020 when a COVID-safe indoor show commenced in the theatre entitled 'Strictly Variety'. This was undertaken by an independent promoter, and was very successful. All except four shows were completely sold out.

3.2 A Christmas Show was then planned and staged in November / December 2020, but with rising COVID case numbers nationally and locally all theatres had to close from 26<sup>th</sup> December 2020 meaning the planned run of the show was cut short.

3.3 Theatres were then unable to re-open for any performances until 19<sup>th</sup> July 2021 and Openwide Coastal launched its End of the Pier Show for the summer 2021 season on this date for a shortened run (missing the period mid-June – mid-July as was traditional). This meant that production costs had to be recovered or set against a shorter programme period, at a time when many members of the public remained cautious about attending indoor performances and attractions. Notwithstanding this uncertainty, the 2021 Summer End of the Pier Show production recorded audiences of 64% of 2019 numbers, which compares well with theatre productions elsewhere in the country over the same timeframe.

3.4 The COVID pandemic has therefore had a significant effect on the operation of the Pier and its facilities, with a massive reduction in income generation and

subsequent financial sustainability compared to when Openwide Coastal bid for the contract in 2018.

- 3.5 During the pandemic, Openwide has attempted to minimise its local cost base through furloughing the majority of its staff and accessing Government Arts Support grants. Post the first lockdown in June 2020, Openwide started trading from The Tides Restaurant to offer a take-away service. This proved successful and allowed the operator to cover staff costs and maintain awareness of the brand with a view to re-opening the theatre once restrictions allowed. However, this income has not provided any “cushion” to support the planning of future large productions at the theatre and therefore represents some risk to the contract moving forward.

#### **4.0 Current position**

- 4.1 Over the past 22 months the Council has maintained regular dialogue and contact with Openwide’s management so as to understand the issues the company faces in the short, medium and longer terms, with the Cabinet member for Leisure, Culture and Wellbeing, the Chief Executive and Leisure and Localities Manager meeting Openwide’s Director at the end of November 2021 to review the 2021 season and discuss the future opportunities and risks associated with the contract.
- 4.2 Whilst it was considered that audience figures for the 2021 Summer End of the Pier Show held up reasonably well, this was achieved through discounting ticket prices, lower rates of VAT and attracting some new audiences associated with the very large number of staycation tourist visitors to the District. Concern was expressed however that some historic core markets – such as some groups for the Summer Show and school parties for the Christmas Show were very reluctant to make bookings and that this might be a long-term trend which might be difficult to recover or rebuild from and this was a concern to the company.
- 4.3 Drink sales on the pier from the Pavilion Theatre bar had performed well during 2021, again due to the large numbers of tourist visitors and people’s willingness to drink outdoors, but comment was made that it had been difficult to offer a consistent food offer in Tides Restaurant due to the difficulties of recruiting skilled chefs / cooks meaning that a more simple takeaway / hot food offer had been provided rather than a dining experience and that this had reduced margins. Challenges in the recruitment and retention of kitchen staff is an issue across the District which it is envisaged might extend into future years such that a different food offering from Tides is being considered moving forward.
- 4.4 In terms of the theatre productions, Openwide Coastal recognise the “unique” End of the Pier Show offering and are committed to retaining the quality of that programme. The company recognises however that to retain and rebuild audiences the show has to be of a high quality in terms of acts, costumes, staging etc such that investment in the show totals some £300,000 per annum and that this money is essentially at risk given the ongoing uncertainties around COVID, certainly during 2022. A request was made therefore by Openwide as to whether the Council might be prepared to share this risk during 2022.
- 4.5 Discussion also took place as to the opportunities which might exist to accommodate further “commercial” food operations / concessions on the Pier Forecourt area during the peak summer weeks – again recognising the

importance of staycation visitor numbers and the trend, certainly over the past couple of years, to street-food and outdoor eating; with the “open-book” profits from such initiatives being reinvested back into the contract, thereby giving Openwide more confidence in the financing of the remainder of the contract.

- 4.6 Further, a periodic inspection of the Pier Pavilion Theatre and Tides food and beverage facilities by the Council's Commercial Team has identified the need for improvements to be made to the bar and food service area within the Pavilion Theatre. The facilities – bar and food service area surfaces, splash-backs, sinks, wash-hand basins and storage areas – are now some 15 years old and show signs of significant use and wear such that it is recommended that all are now replaced. Responsibility for fixed assets and fixtures (as against individual pieces of equipment) rest with the Council and therefore the authority will need to meet the costs of this investment before the commencement of the new season in April of this year. Budgetary provision of up to £45,000 is required for these works (materials and labour).

## 5.0 Options

- 5.1 Based on the conversations had with the management of Openwide International regarding building back from the COVID pandemic it would appear that there are a number of potential actions open to the Council with regards the future operation of the Cromer Pier and Pavilion Theatre.
- 5.2 Some of these, such as considering terminating the contract and re-procuring and/or “mothballing” the Pavilion Theatre, shop and restaurant until further notice; would result in reputational damage to both the Council and Openwide and are deemed to be unpalatable given the importance of the Pier and Pavilion Theatre to the Cromer and wider North Norfolk Coast tourism product and offering.
- 5.3 It is not therefore proposed to pursue either of these courses of action, and instead consideration has been given to the following options, which the Council can pursue individually, collectively or through a mix and match approach in partnership with Openwide Coastal, as the pier management contract looks to recover from the impacts of the COVID pandemic.
- 5.4 **Option 1:** Agree now to the extension of the current contract with Openwide Coastal for a period of five years, as allowed for in the contract. Formally taking this decision now, at this early point in the contract (ie Year 3) would allow Openwide to secure additional investment and provide sufficient time to recoup the losses that they have already suffered. This option would be at no direct cost to the Council at least in the short-term.
- 5.5 **Option 2:** Do not extend the contract and enter into negotiations with Openwide as to how the Pier can be operated in the future. This brings the likely potential of varying the current contract and re-introduction of an ongoing, but as yet unspecified subsidy, paid by the Council to Openwide, as the authority is unlikely given the current uncertainty facing the performing arts sector to easily identify another contract partner and doesn't have the experience or skills to manage this area of activity directly by bringing the service “in-house”.
- 5.6 **Option 3:** That the Council advises Openwide Coastal that it is prepared, in principle, to consider underwriting some costs of the End of the Pier Show

production for the summer 2022 season based on open book accounting principles. Details of any such arrangement to be agreed under delegation through the Chief Executive or Director of Resources in consultation with the Cabinet portfolio holder for Leisure, Culture and Wellbeing

5.7 **Option 4:** Allow Openwide to operate some food concessions (in agreed formats – eg traditional vehicles) during the peak summer holiday weeks (June to September) from the Pier Forecourt as a means of generating additional income to the wider Pier Management contract.

5.8 **Option 5:-** Explore with Openwide Coastal and other potential partners the staging of a small number of themed weekend events on the Pier to attract new visitors / audiences – details to be discussed and agreed.

#### **6.0. Risks and Implications for Council:-**

6.1 Reputational Risks - Members have previously expressed very strongly that Cromer Pier and its facilities are of very real and genuine significance to the local tourism offer. It is therefore important that the contract remains financially viable to maintain reputation of both the Council and Openwide Coastal.

#### **7. Financial Implications:**

7.1 Should the Council not feel able to extend the current contract or other options detailed above and the contract then fails there would be significant costs to bring the contract back in house, and re-procure in what would be a very different market.

#### **8. Legal issues**

8.1 There are no specific legal issues raised by this report at this time. A five-year contract extension is allowed as part of the existing contract terms.

#### **9. Conclusions**

9.1 The current Coronavirus pandemic, lockdown period and subsequent Government restrictions has presented severe challenges to the Pier operator Openwide Coastal. Whilst the operator has competently managed the situation since March 2020, and successfully secured external Arts Council funding, in order to secure its long term future it requires an extension to the contract of five years.

#### **10. Recommendations**

**Cabinet is therefore recommended to:-**

a) **Agree now to the extension of the pier management contract at the end of its current ten-year term for five years to March 2033 (as allowed for under the contract) so that the additional costs / losses incurred by Openwide in supporting the contract over the past two years due to COVID might be recovered – i.e. Option 1 as detailed within Section 5 of the report.**

- b) Agree that the Council is prepared, in principle, to explore further with Openwide a risk-sharing approach in underwriting the costs of investment in the 2022 Seaside Special production recognising the challenges presented by the COVID pandemic on audience figures during 2021 and the continued uncertainty for the 2022 summer season given that planning and investment in the 2022 production is already underway - i.e. Option 3 as detailed within Section 5 of the report.**
- c) The Council agrees to make budgetary provision in the current financial year of up to £45,000 to upgrade the bar and food service area within the Pavilion Theatre**
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