



Leicester
City Council

**WARDS AFFECTED
CASTLE / CITY WIDE**

CABINET

8 NOVEMBER 2010

**BUSINESS PLAN FOR THE OPERATION OF
PHOENIX SQUARE FILM & DIGITAL MEDIA CENTRE
BY LEICESTER ARTS CENTRE LTD**

Report of the Strategic Director Development, Culture & Regeneration

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to inform Cabinet about Leicester Arts Centre Ltd's (LAC) Business Plan for the operation of Phoenix Square Film & Digital Media Centre and to seek Cabinet endorsement of it.
- 1.2 This report is based on the Business Plan dated November 2010 produced by LAC with contribution from the Independent Cinema Office (ICO). It is intended that it will be reviewed on a regular basis to ensure that it remains contemporary and that all of the financial forecasts and projections are based on the most up-to-date and robust information available.
- 1.3 The Directors of Leicester Arts Centre Ltd approved the Business Plan at its meeting on 1 November 2010.

2. SUMMARY

- 2.1 Cabinet at its meeting on 6 September 2010 approved expenditure of up to £250,000 to enable a negotiated agreement, involving the purchase of the cinema equipment (which has a depreciated value of £250,000) with Leicester Arts Centre Ltd (LAC) to secure their continued operation of Phoenix Square Film & Digital Media Centre.
- 2.2 Payment of the £250,000 is phased and contingent on the achievement of key milestones that demonstrate LAC's move toward sustainability and a sustainable operation of the Phoenix Square Film & Digital Media Centre. A copy of the milestone plan is included at appendix 2. The next key milestone is LAC's presentation of; and Cabinets subsequent endorsement of, their business plan for the continued and sustainable operation of Phoenix Square Film & Digital Media Centre.
- 2.3 The Business Plan describes how LAC will:
 - put in place new governance arrangements by the beginning of the new financial year (April 2011)

- provide effective management and operation of the building, programme & ancillary services
- manage the finances and improve medium to long term financial health of the Company
- develop new audiences and increase attendance / usage through its promotional and publicity campaigns
- manage the delivery and development of the programme
- manage risk
- work with others to increase footfall into and through the Cultural Quarter (CQBA, Curve, LCB Depot among others)

2.4 A copy of the Business Plan Executive Summary and Action Plan is attached to this report at appendix 1.

3. RECOMMENDATIONS

3.1 Cabinet is recommended to:

- I. endorse the Business Plan prepared by Leicester Arts Centre Ltd for the operation of the Phoenix Square Film & Digital Media Centre
- II. delegate any variations to the business plan, that require Cabinet endorsement, to the Director of Cultural Services in consultation with the Cabinet Lead for Culture & Leisure
- III. agree the milestone plan for draw-down of the additional funding, approved by Cabinet at its meeting on 6 September 2010

4. REPORT

Background & Context

4.1 LAC is a company limited by guarantee incorporated under the Companies Act and also a registered charity. LAC operates on a not for profit basis and in 2009 established a wholly owned subsidiary Company – Firebird Trading – to manage their trading activities including, Bar & Catering, Hire of premises and other ancillary functions.

4.2 The Company is governed by the Board of Trustees who act as Directors of the Company. The Board includes two elected members nominated by Leicester City Council and two representatives nominated by De Montfort University (DMU). All other board members are independent.

4.3 On completion of the construction of Phoenix Square last August the Council leased the Phoenix Square Film & Digital Media Centre to LAC for a term of 60 years. In addition, the Council provides a revenue grant of £309,800 per annum for the management and operation of this part of the Phoenix Square complex in accord with the terms set out in the Service Level Agreement (SLA). DMU, in accordance with a separate Collaborative Agreement with LAC, provide a contribution to support the presentation and exhibition of work that is created using digital and or new technologies. Em-Media provides revenue funding to the Phoenix Square, Broadway and Quad consortium for specialist film programmes.

4.4 The SLA sets out the purposes that the Councils grant is provided for:

- a) Support the programme of 'specialist cinema', which includes screenings of independently-produced, non-commercial and non British-made films, alongside,

selected 'mainstream' movies. The term 'specialist cinema' is used under the definition provided by the UK Film Council and Europa Cinema.

- b) Programme of education and outreach activities and services as specified in the Business Plan with a view to serving and reaching new & diverse audiences.
- c) Programme of digital media, art and other digitally-created work and installations in the Cube and other public areas of the Phoenix Square Film & Digital media Centre, accessible to and allowing participation by a wide range of audiences.
- d) Access to production facilities and training for children, schools, young people, youth groups, colleges, HEI's, community groups, disabled people and hard-to-reach communities.
- e) On-line services that relate to all of the above elements of service provision by using web technology to engage all potential audiences.

4.5 The Business Plan, dated November 2010, supersedes earlier versions of it produced by LAC. It provides a clear way forward for LAC to stabilise the business moving toward growth in the business over the period November 2010 to March 2014. This medium term strategy is underpinned by a realistic assessment of the potential availability of funding and grants from public sources.

4.6 Governance

4.6.1 Leicester Arts Centre Ltd will, without major changes to the Memorandum and Articles of Association, change its name to Phoenix Square Ltd by 31 March 2011.

4.6.2 New governance arrangements will be formally in place for the new financial year, commencing 1 April 2011. A recruitment panel, chaired and convened by the Regional Director Arts & Business, and comprised of two independent board members, a representative nominated by the City Council and a representative nominated by De Montfort University, has been set up to recruit a new Chair and 5 new independent Trustees.

4.6.3 The new Chair will be appointed in January 2011 and the new Trustees will be appointed by the end of February 2011.

4.6.4 The positions of Chair and trustees will be advertised locally and through arts, media and business forums and websites.

4.6.5 Once the new Board membership is in place further consideration will be given to the formal appointment of the LAC wholly owned subsidiary- Firebird Trading Company as the operating company to oversee the management of the day-to-day operations and trading whilst the Phoenix Square Trust will focus on the Strategic Management of the Company & Charity.

4.7 The business plan confirms that Phoenix Square will continue its mission to provide a combination of specialised film and mainstream entertainment, enhancing its programme to satisfy its loyal customer base whilst developing new audiences.

4.8 It reports the Company's 3 main priorities for next 12 months as:

- To achieve an increased financial contribution from the main income generating areas of the business (cinema attendance, bar & café trading, hires & conferencing

& hire/use of the production facilities) and thereby reducing the reliance on grant funding and improving the medium – long term health of the Company

- Organisational development including new governance arrangements (as described in paragraphs 4.6.1 – 4.6.5 above) improved performance & risk management and improved marketing
- A strengthened creative programme that encompasses film, digital art and education drawing on the capabilities of Phoenix Square and exploitation of the partnership with DMU, for the economic, community and cultural benefit of Leicester

4.9 The financial forecasts for the period 2010/11 – 2013/14, included within the Business Plan, are prudent and assume:

- growth assumptions for box office income and other trading activity (growth in attendance and increase in ticket price)
- a modest allowance for inflation and an allowance for increased costs arising from changes to pensions legislation
- reduction in grant aid from the Council (circa 10% per annum) and cessation of the Em-Media grant in 2011/12 which may arise from the current national review of film funding

4.10 Table 1 below provides a summary of the forecast income and expenditure

Forecast Income	2010/2011	2011/2012	2012/2013	2013/2014
Total Earned Income	753,500	802,600	860,300	949,300
Total Grants	639,400	321,800	296,800	271,800
Total	1,392,900	1,125,400	1,157,100	1,221,100
Forecast Expenditure				
Operating	1,128,800	863,500	872,600	912,700
Trading (firebird)	260,000	262,000	269,800	281,200
Total	1,388,800	1,125,500	1,142,400	1,193,900
Total Surplus / - Deficit	4,100		14,700	27,200

4.11 Risk Management

4.11.1 The Business Implementation provides a high level analysis of the key risks in the business and the achievement of the main priorities. These have been analysed with control and mitigation actions identified.

4.11.2 The risks will be closely monitored and reported to the Board on a regular basis.

5. FINANCIAL, LEGAL AND OTHER IMPLICATIONS

5.1. Financial Implications

The Head of Resources (Regeneration and Culture) has advised that financial implications associated with this report will be tabled at the Cabinet meeting.

Martin Judson, Head of Resources.

5.2 Legal Implications

There are no legal implications associated with the recommendations contained in this report. Previous legal implications contained in the Strategic Director Development Culture & Regeneration's report to Cabinet on 6 September 2010 remain.

Joanna Bunting, Legal Services

5.3 Climate Change Implications

There are no climate change implications associated with this report.

6. OTHER IMPLICATIONS

OTHER IMPLICATIONS	YES/NO	Paragraph references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

7. RISK ASSESSMENT MATRIX

Risk	Likelihood L/M/H	Severity Impact L/M/H	Control Actions (if necessary/appropriate)
1. Reputational damage. (High profile scheme that has to date attracted media and press interest)	H	M	Stakeholder's communications personnel agree internal and external communications plan. LAC lead all communications and prepares a statement that focuses on how Phoenix Square will operate in the future to ensure continued public access to a wide ranging programme of films and media.
2 Loss of confidence in Phoenix Square – impacting on sales / lets of residences and workspaces	M	H	Proactive approach to communications to maintain confidence in the offer

3 LAC fail to sustain the operation after the additional funding is provided.	M – H	M-H	Milestone Plan, Finance Monitoring arrangements to give early warning and New Agreement giving the Council the right to give notice of termination
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L – Low
M – Medium
H - High

L – Low
M – Medium
H - High

8. BACKGROUND PAPERS – LOCAL GOVERNMENT ACT 1972

Cabinet Reports dated 29 October 2007 & 6 September 2010

9. CONSULTATIONS

Andy Keeling, Chief Operating Officer & Deputy Chief Executive
Richard Watson, Director Cultural Services
Mark Noble, Chief Finance Officer
Martin Judson, Head of Finance
Joanna Bunting, Legal Services

10. REPORT AUTHOR

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Key Decision	Yes
Reason	Is significant in terms of its effect on communities living or working in an area comprising more than one ward
Appeared in Forward Plan	Yes
Executive or Council Decision	Executive (Cabinet)



BUSINESS PLAN

November 2010

Preamble

The new business plan for Phoenix Square: Film and Digital Media Centre (Phoenix Square) was approved by the board of trustees on 1st November 2010. (The plan includes the operations of Leicester Arts Centre Ltd and its trading subsidiary Firebird Trading Ltd., trading under the name Phoenix Square: Film and Digital Media Centre).

This document provides an overview of the business plan comprising the Business Plan Recommendations (Annex 2) produced in association with the Independent Cinema Office for the board of trustees, and the Action and Implementation Plan 2010-2012 (Annex 1) - the action plan to achieve financial sustainability, strengthened governance arrangements and Phoenix Square's public service mission in the face of a declining public sector grant.

Phoenix Square

Phoenix Square has a growing reputation for showcasing the best of world cinema and digital arts in the Leicester area. Through its partnership with De Montfort University (DMU) it aims to present world class and innovative digital arts and education. Phoenix Square plays a major role in the economic and cultural development of Leicester, particularly in the Cultural Quarter, through its strategic partnership with Leicester City Council.

Phoenix Square is a unique local asset in being a modern, multi-screen, 3D independent cinema, incorporating a media production suite for business and community, as well as the "DMU Cube" gallery.

Phoenix Square is constituted as a charity and company limited by guarantee thereby ensuring that its objectives and financial resources are aligned to its public mission. Its trading activities, including the Screen Lounge Cafe/Bar, production studios and meeting rooms for hire, are integral to the business model.

The Opportunity

The UK cinema market has grown over the past decade. The latest figures reported by the UK Film Council show that UK film admissions and box office grew by 6% and 11% respectively (2008/09). The market-share for specialised films is rising, taking 15% of the box office in 2009 with the proportion of specialised films releases rising from 58% to 69% of the total. Documentaries, for example, have risen from negligible takings to box office earnings of £12 million whilst 3D films, in the new friendly format, have grown rapidly to 16% of total box office takings in 2009, up from 0.4% in 2008.

The population of the greater urban area is approximately 500,000. Phoenix Square's offer is differentiated from commercial providers in screening films that would otherwise not be shown in Leicester alongside a more main stream offer.

Current Position

The long term growth in the market is somewhat volatile in the short-term. Industry experts have reported poorer sales due to recessionary effects on both supply and demand, with a more promising outlook for 2011/12 partly driven by the pipeline of deferred film releases. Since opening in November 2009, Phoenix Square's box office takings have mirrored the UK market trend – a buoyant period was followed by a sharp down turn in revenue owing to declining box office.

As a consequence of the short-term dip in the market coupled with the probable future reduction in public sector grant funding, the Board initiated the following:

1. Restructuring, (completed in September 2010) that results in a break-even forecast for 2010/11.
2. A new business plan that capitalises on the market opportunity with the revised structure and operating resources and improves the organisation's performance.

There will be a focus on growing the main revenue streams to compensate the reduction in grant funding. Corporate governance arrangements will be strengthened and Phoenix Square's public mission will be developed further. This has resulted in a breakeven financial forecast for 2011/12 with surpluses being generated thereafter.

Priorities

The business plan confirms that Phoenix Square will continue its mission to provide a combination of specialised film and mainstream entertainment, enhancing its programme to satisfy its loyal customer base whilst developing new audience segments, prioritised by market research that will shortly be available.

The trading activities that are integral to the customer experience will be linked more closely to film and event programming, enhancing the customers' experience and increasing sales.

The business plan contains the following three priorities:

1. Increased financial contribution on the main revenue streams within the existing resources of the organisation, thereby reducing its reliance on grant funding and improving the medium and long term financial sustainability of Phoenix Square.
2. A strengthened creative programme encompassing film, digital art and education, drawing on the capabilities of Phoenix Square and DMU, for the economic, community and cultural benefit of Leicester.
3. Organisational development including strengthened corporate governance arrangements, improved performance and risk management and improved marketing.

Annex 1 contains the action plan to deliver the above priorities, which are summarised below:

- Film attendance will grow by developing the loyal following that Phoenix Square has already established, whilst developing new audiences.
- Programming will be improved through longer lead times and stronger thematic linkages to local, national and international events, thereby capitalising on heightened public and media interest.
- Attendance figures and the balance of programming will be reviewed regularly to ensure that the differentiated offer of Phoenix Square is developed and productive financially.
- The framework of pricing, membership packages and special offers will be redesigned and reviewed regularly to ensure that prices are competitive, new audiences are developed, and loyalty is rewarded.
- Trading surpluses from the Screen Lounge Cafe/Bar will increase through increased box office attendance and its programme of events will be more closely aligned to film programming, for example through themed events and guest speakers that will draw more people to the cafe before and after screenings.

- The Screen Lounge is also establishing itself as a good quality, value for money cafe and bar in the unique atmosphere of Phoenix Square and this will be promoted as a product in its own right.
- The Phoenix Square's hire offer of its media production and meeting rooms will be re-launched.
- Marketing and communications has focused primarily on brochure mailings and website; both will be improved. Cost savings from a more effective brochure delivery will be reinvested in the development of email and social media channels, linked to improvements to the web site.
- The databases will be improved, along with data capture. Incentives will be included in loyalty packages and special offers to expand the database and encourage brochure recipients to choose electronic communications.
- A creative development plan is being developed and led by an independent member of the Board who also has close ties with the main stakeholder, in this respect – De Montfort University. This focuses on the use of Phoenix Square's facilities to expand the programme of digital arts, education and community engagement. Engagement with Leicester's communities also forms an important part film programming.
- The new chair and strengthened Board will be appointed by March 2011.
- An Interim Executive Director has been appointed to move the business plan forward and support the Board through transition. A new Finance Director was appointed in September 2010.

Financial Overview: Consolidated Income and Expenditure 2011-2014

Income	2010-2011	2011-2012	2012-13	2013-14
	£	£	£	£
Box Office (LAC Ltd)	337,000	392,200	415,800	463,700
	£	£	£	£
Grant Income (LAC Ltd)	639,400	321,800	296,800	271,800
	£	£	£	£
Other Income (LAC Ltd)	109,800	69,600	75,000	80,000
	£	£	£	£
Trading Income (Firebird)	306,700	341,800	369,500	405,600
	£	£	£	£
Total	1,392,900	1,125,400	1,157,100	1,221,100
Expenditure				
	£	£	£	£
Operating Expenditure (LAC Ltd)	1,128,800	863,500	872,600	912,700
	£	£	£	£
Trading Expenditure (Firebird)	260,000	261,900	269,800	281,200
	£	£	£	£
Total	1,388,800	1,125,400	1,142,400	1,193,900
	£	£	£	£
Total Surplus/-Deficit	4,100	-	14,700	27,200

Key features:

- The recent restructuring and has resulted in a break-even forecast for 2010/11. However, the financial position for the current year is exceptional, including restructuring costs, a one-off asset purchase/lease back arrangement with Leicester City Council.
- The business plan forecast is break-even in 2011/12 with increasing but modest surpluses in the following years. The growth in box office takings and trading activities compensate for the expected reduction in grant income.
- EM Media invested in the PBQ consortium of independent cinemas to deliver film audience development services and Phoenix Square received £21.5K. Financial support to film in England is under review and EM Media is unable to commit this funding at this time. It is therefore omitted from the forecast.
- The forecast assumes that the recurrent grant from Leicester City Council will decrease by approximately 10% per year from 2012/13 onwards.
- The new interim Executive Director is prioritising sales and marketing activities in the next 6 months to accelerate growth in box office and trading revenue. The recently appointed Finance Director is continuing to review budget forecasts.
- A new performance and risk management framework is being introduced as part of the strengthened governance arrangements. It will provide a more frequent, focussed and transparent view of the performance of Phoenix Square for the Board, stakeholders and staff, which is essential in the tighter economic environment.
- Key risks have been identified in Annex 1 and will be reviewed regularly.

Conclusion

The income forecast is considered to be achievable. The potential for further efficiencies is being reviewed. Further savings are possible but are likely to be modest following the recent significant cost reduction exercise.

This income and expenditure forecast provides confidence that Phoenix Square will be financially viable through a period of reducing grant.

Phoenix Square is well placed to capitalise on market opportunities through its distinctive market positioning, programming, modern facilities and the quality of its customer experience. In doing so, it will fulfil its public mission in the economic and cultural development of Leicester.



ACTION AND IMPLEMENTATIO N PLAN 2010- 2012

1. **Increase financial contribution of core revenue streams within the existing resources of the business thereby reducing reliance on grant funding and improving the medium and long term financial sustainability of the company**

Objectives	Sub-objectives and implementation	Targets	Who	KPI's	
Increase box office income as follows: 2010/11 £337k 2011/12 £392k 2012/13 £416k 2013/14 £464k	To develop existing core audience by:			Box office income	
	Retaining existing programming characteristics whilst developing new and different markets.	On-going	General Manager	Attendance: 2010/11 72,000 2011/12 75,000 2012/13 77,000 2013/14 80,000	
	Review membership packages and introduce a revised scheme to increase repeat attendance	Review in Nov 2010, introducing targets through the marketing cycle	Operations Manager / Assistant Operations Manager / Marketing Officer		
	To develop new audiences through:			Occupancy rates: 2010/11 16.6% 2011/12 17.3% 2012/13 17.8% 2013/14 18.5%	
	Collaboration between Phoenix Square/Broadway/ Quad, and audience segment research at a local and regional level	By Jan 2011	Marketing Officer		
	Developing new audience led programmes	On-going	Marketing Officer / General Manager	Targets set-out by Service Level Agreements with Phoenix Square/Broadway/Quad collaboration and Leicester City Council	
	Through the exploitation of the opportunities and strategies identified through the Knowledge Transfer Project (KTP) – refer to the KTP Research & Project plans document.	Commenced and ongoing	KTP Associate Marketing Officer	Increase in new audiences attending the digital arts programme	

Continued: Increase box office income as follows: 2010/11 £337k 2011/12 £392k 2012/13 £416k 2013/14 £464k	Introduce a revised ticket price structure to maximise yield.	By Jan 2011	General Manager	
	Improve the marketing of the current programme through:			
	Better local advertising and promotion	Sept 2010 onwards	Marketing Officer	
	To implement additional partnership offers with major employers in Leicester and Leicestershire.	On-going	Executive Director / Marketing Officer	
Increase profit on trading activity: Net profit budget 2010/11 £47K 2011/12 £80K 2012/13 £100K 2013/14 £124K	Increase cafe/bar profits by:			Turnover, Gross Margin, Net Profit
	Undertaking a competitive price analysis and adjusting prices where appropriate.	May 2010 onwards	Catering Manager	
	Reviewing products stocked and the gross margin achieved.	By Jan 2011	Catering Manager	
	Develop additional income by expanding the Screen Lounge events programme	By March 2011	Operations Manager / General Manager	
	Continuing to review the prices, product and special offers	By Jan 2011	Catering Manager	
	Increasing secondary spend by developing packages that compliment the cinema programme	By Jan 2011	Catering Manager / Operations Manager	
	Increasing usage by the wider, targeting the creative sector	On-going	Operations Manager / General Manager	Cafe use and vibrancy

Continued: Increase profit on trading activity: Net profit budget 2010/11 £47K 2011/12 £80K 2012/13 £100K 2013/14 £124K	Implementing cost reductions through resource re-allocation and efficiency savings	Jan 2011	Operations Manager	Recurrent cost saving of £10k
	Reviewing the staffing levels against turnover per hour	Jan 2011	Operations Manager / Catering Manager	
	Increase venue hire profit by:			Turnover, Occupancy, Net Profit
	Re-prioritising the senior management team towards business development	By Jan 2011	Operations Manager	
	Developing a new marketing tool kit	By Jan 2011	Marketing Officer	
	Increase the use of the production facilities by:			
	Re-allocated a member of staff to increase use of production facilities following the skills audit.	Sept 2010 onwards	Assistant Operations Manager	Revenue and utilisation targets, and profitability on chargeable events
Implement a pay freeze in line with local government settlement	To be ratified at the Board meeting on 23rd Nov and communicated to staff	Dec 2010 for implementation April 2011	General Manager / Operations Manager	
Significant reduction in company overheads	Restructuring and redundancies, resulting in a significant reduction in costs	Completed by Sept 2010	Board of Trustees	

- 2. To enhance and deliver the creative programme for the economic, community and cultural benefit of Leicester within the existing resources of the business thereby meeting stakeholder and public obligations and expectations**

Objectives	Sub-objectives and implementation	Targets	Who	KPI's
Further develop film programme to present the best in world cinema also developing community and educational opportunities	Current arrangement: coordinated by the General Manager with Phoenix/Broadway/Quad collaboration and Independent Cinema Office support	Sept 2010 onwards	General Manager	
	Options on the future function of film programming to be considered by the Board	By June 2011	Executive Director	
	Further develop an integral education / educational element to the programme	Sept 2010 onwards	General Manager	
Further utilise the spaces in Phoenix Square to their full potential and show the versatility of the building.	Produce an annual rolling programme in agreement with DMU that reflects the very latest thinking in media art and digital research	Nov 2010 for March 2011	Executive Director and Chair of the Board and the Director of the IOCT (DMU)	Recognition and audience attendance
To turn Phoenix Square into a hub for the East Midland's filmmaking community providing support, advice and training.	Further engagement with the established group (The 7/5 Producers Group) of filmmakers in the East Midlands	April 2010 onwards	Assistant Operations Manager	Increased usage of our facilities.
	Include key industry experts within the Screen Lounge events, working with key partners to secure speakers	April 2011 onwards	Assistant Operations Manager	
To strengthen Phoenix Square's reputation through association with established local, national and international festivals and events	Produce an annual rolling programme that is linked to creative activities	Nov 2010 onwards	General Manager	Reputation and admissions. Report on community groups engaged.
To produce a creative development plan incorporating education and digital work	A Board member has taken a lead in the light of the recovery plan, using the education strategy	Sept 2010 onwards	Chair of Creative Sub-group of Board	

Strengthen and expand community engagement to create audience led programme development	Informed by the Market research see above. Identification of resources and project funding.	On-going	General Manager	
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3. **Organisational development including strengthened corporate governance arrangements, improved performance and risk management and improved marketing**

Corporate governance				
Objectives	Sub-objectives and implementation	Targets	Who	KPI's
Re-invigoration of the Board	Search Committee formed	Oct 2010		
	Applications invited	Nov 2010	Search committee comprising of 2 independent members, 2 nominees and chaired by Regional Director of Arts and Business	
	New chair to be appointed	Jan 2011		
	New trustees	Feb 2011		
Change group name	Leicester Arts Centre Ltd to rename as Phoenix Square Trust without major changes to the Memorandum and Articles of Association	Formal approval by Board, 23rd Nov 2010	General Manager	
Ensure that the new Business Plan and performance management framework are embedded	Initial dialogue with staff leading to a new staff communications framework.	Nov 2010 onwards	Executive Director	Staff feedback mechanisms. Personal and team appraisal and development plans
Improve performance and risk management reporting	Appointment of new Finance Director	Sept 2010	Executive Director	
	Reviewing and improving group statutory and management accounts	1st Nov 2010	Finance Director	

	Developing a financial reporting framework	By March 2011	Finance Director	
	Implement a performance management framework	31st March 2011	Executive Director	
	Routine review of financial controls	Jan 2011	Finance Director	
	Establish a framework for evaluating Board performance	By March 2012	New Chair	
Arrangements in place to appoint of a permanent Executive Director	Recruitment process underway	By March 2011	Board	

Marketing Development				
Formalise marketing strategy and sharpen market positioning for Phoenix Square	New positioning statement	Draft for Board approval by 23rd Nov 2010	Executive Director	
	Embed in marketing and communications	By April 2011	Marketing Officer	
	Dialogue with audiences, staff and stakeholders	Nov 2010 on-going	Executive Director	
Strengthen and re-balance the mix of marketing communications to cover all revenue generation areas	Re-design brochure and its delivery	Cost saving of 36% on brochure production, to re-invest in under-developed marketing communications by Feb 2011	Marketing Officer	Cost
	Strengthen the current direct e-marketing and social media by:			
	Improve website to address known issues	March 2011	Marketing Officer	Website traffic, awareness of offer

	Re-design direct e-newsletters	Feb 2011	Marketing Officer	
	Improve and grow the existing social media communications	Sept 2010 onwards	Marketing Officer	
Improve database for direct marketing purposes	Improve data capture process and value by:			
	Integrating existing systems	Nov 2010 on-going	Knowledge Transfer Project in association with DMU	
	Embed inducements through introduction of incentives to encourage customers to join the communications list	Nov 2010 on-going		

4. Risk Management

Priorities	Risk	Likelihood (L/M/H)	Severity Impact (L/M/H)	Control Actions
Increase financial contribution of core revenue streams within the existing resources of the business thereby reducing reliance on grant funding and improving the medium and long term financial health of the company	Phoenix Square does not generate the surpluses to achieve financial sustainability	M	H	See revised Action and Implementation Plan, pg 2, which includes refocusing on revenue and surplus generation from a new corporate governance arrangement and the development of monitoring systems.
	Turbulent economic conditions affect the market for specialised cinema	M	H	Refined market positioning in marketing activities. Contingency actions to be developed.

To enhance and deliver the creative programme for the economic and cultural benefit of Leicester within the existing resources of the business thereby reducing reliance on grant funding and improving the medium and long term financial health of the company	Internal capacity to deliver the creative objectives in the face of over-riding financial restraints	L	H	Clarification and close monitoring of Phoenix Squares public service obligations to ensure that stakeholder expectations are met. Seek project funding.
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Organisational Development	Limited staff capacity following cost cutting exercise affecting growth	M	H	Management team is reviewing roles and work patterns to ensure that they are aligned to the critical success factors in the business plan
	Timeline for implementing the new corporate governance is delayed	L	H	See Organisational Governance
General risks	Negative public and press perceptions of Phoenix Square and Cultural Quarter	M	M	Limited impact on our loyal audience to date. Improve external communication of Phoenix Square's public service mission.

WITHOUT PREJUDICE SUBJECT TO CONTRACT

Phoenix Square

Milestone Plan

The Milestone plan is based on the assumption that pre-payments totalling £140,000; comprised of £77,100 paid within three Business Days of receipt of LAC's signed copy of the letter sent on 17 September 2010, £40,000 by 30 September 2010 and £22,900 in August 2010, have been made to Leicester Arts Centre Limited

Milestone	Date	Milestone / Outcome	Amount
1.	Week commencing 8 November 2010	<p>Implementation of the revised organisational & management Structure.</p> <p>Implementation of reduced Cinema screening hours.</p> <p>Cabinet endorsed / support for the LAC Operational Business Plan for the Phoenix Square Film & Digital Media Centre. Scheduled to go to Cabinet on 4 October 2010</p>	£60,000
2.	3 January 2011	<p>Submission of evidence to demonstrate that the targets (income, attendance, occupancy etc) set out in the Business Plan, referred to above, are being met.</p> <p>Submission of monthly financial reports containing the information set out in appendix 1 below.</p>	£25,000
3.	1 March 2011	<p>Submission of evidence to demonstrate that income, attendance and occupancy rates as set out in the business plan referred to above, are being sustained.</p> <p>New Governance arrangements in place.</p> <p>Submission of monthly financial reports containing the information set out in appendix 1 below.</p>	£25,000

Business plan:

For 2010/11, cash flow, profit and loss account, current and year end balance sheet, all at individual company level and consolidated. Include actuals year to date for cash flow and profit and loss account (say to end of July) plus forecast to end of March 2011. Forecast in same format for 2011/12.

Monthly information

1. Monthly individual (LAC and Firebird) cash flow statements plus consolidated cash flow in format as previously provided.
For current financial year provide monthly actual figures to date plus forecast to the year end and budget for the year.
2. Monthly bank reconciliation.
3. Individual monthly profit and loss account for LAC, Firebird and a consolidated profit and loss account by account code in format as previously provided,
For the current financial year include monthly actuals, year to date, year to date budget, annual budget and year end forecast.
4. Month end balance sheet for Firebird, LAC and a consolidated balance sheet.
5. Current month's aged debt listing, current month's purchase ledger listing (plus reconciliation to month end sales and purchase ledger control accounts as per balance sheet if required).
6. Operational data:
Daily actual gross ticket sales (compared to target as per budget/forecast)
Rolling average gross ticket sales since commencement of trade and for the current financial year
Provide in table and chart format.
Analysis of film performance year to date

Financial Ratios

To be assessed annually based on consolidated audited accounts

To be calculated on a monthly basis based on annual forecast out-turn

Positive operating cash flow each year of at least 5% of total income

25 cash days (Cash at hand /Annual Income/365)

Current ratio > 1.5

An operating surplus year on year of at least 4% of total income

Cumulative daily gross average ticket sales at least 95% of annual budget requirement

2010/11 - ratios required will need to be calculated from final agreed forecast out-turn for the year end.

2011/12 onwards - ratios may need modifying, again depends on final agreed business plan.