

Grants and Sponsorship – Ad Hoc Grant - City Recital Hall Limited - Additional Funding Request

File No: X000633

Summary

The City Recital Hall (the Hall) is a purpose-built recital space for orchestral and chamber music that sits within part of AMP's Angel Place tower in the heart of the city. With a capacity of 1,246 seats and excellent acoustics for live music, the Hall is the second purpose-built music venue in Sydney after the Sydney Opera House. The City holds a 99-year lease on the property and in 1999 appointed Pegasus Venue Management Ltd (Pegasus), a contracted commercial facilities management company, to open and manage the Hall on a fee for service basis.

In September 2013, the City reviewed the management arrangements and tested the market for other approaches to the governance of the Hall, to enable higher levels of venue activity and provide better value and outcomes for the cultural sector and broader community. On 30 March 2015, Council resolved to establish the not-for-profit organisation, City Recital Hall Limited, to manage the venue.

In October 2015, Council and the newly established City Recital Hall Limited entered a five-year sublease. This was supported by a nine-month funding agreement to cover start-up and operational expenses. Ongoing annual operational funding has since been awarded to City Recital Hall Limited, as well as project funding towards one-off creative programs, and in 2016 funding was awarded for a caterer's kitchen and waste facility upgrade.

Currently City Recital Hall Limited is supported by its second five-year sublease and a five-year Cultural Grant funding agreement for the period 2020/21 to 2024/25 for \$700,000 (excluding GST) per financial year. At the start of the current sublease the City committed to a \$7.5 million capital works upgrade program, which has been increased to \$8.9 million due to the increasing cost of capital works delivery over this time. This included \$250,000 matched contributions with Create NSW and City Recital Hall Limited towards the installation of a state-of-the-art amplified sound system in 2023.

The Covid-19 pandemic has caused major disruption to the entertainment industry over the past four years, significantly impacting audience ticket buying confidence and the viability of many creative organisations and venues including City Recital Hall Limited. With major increases in operational and utility costs, staffing, reduced third party bookings and with low audience confidence, City Recital Hall Limited faces numerous challenges in rebuilding its business post-pandemic.

City staff have reviewed the forecasted budget and projected cashflow for both the 2023/24 and 2024/25 financial years and recommend a grant of \$300,000 to ensure City Recital Hall Limited's financial sustainability in 2024/25.

Recommendation

It is resolved that:

- (A) Council approve a cash grant of \$300,000 (excluding GST) in 2024/25 to City Recital Hall Limited to provide additional operational support and financial stability; and
- (B) authority be delegated to the Chief Executive Officer to negotiate and enter into a deed of variation to the current operational funding agreement with City Recital Hall Limited to provide the cash grant approved by this report.

Attachments

Nil.

Background

1. The City Recital Hall (the Hall) is Sydney's first customised recital hall. It is owned by AMP and leased to the City for 99 years.
2. Since its opening 30 October 1999, the Hall has operated on a hall for hire basis and has supported a regular client base comprising many of Australia's major music organisations. Current Key Presenter hirers are the Australian Brandenburg Orchestra, the Australian Chamber Orchestra, Musica Viva Australia, Sydney Symphony Orchestra and Pinchgut Opera.
3. From October 1999 to 30 September 2015, Pegasus Venue Management Ltd (Pegasus) managed the City Recital Hall under various contracts with the City. The fees paid to Pegasus were based on the shortfall between the Hall's operating income and expenditure, plus a management fee. The management fee and operating costs increased over that time.
4. On 30 March 2015, following a review of the operations and given Pegasus's low utilisation and activation levels, Council resolved to establish a new, stand-alone, not-for-profit organisation, City Recital Hall Limited to operate the Hall and optimise its social, cultural and economic use and value.
5. City Recital Hall Limited commenced operations on 1 October 2015 on a five-year sublease. Council provided \$550,000 funding (\$450,000 operational funding and \$100,000 in reserve funding) over the initial nine-month start-up period to support programming strategies that would transform the venue from a 'hall for hire' to a venue with a curated management approach. Since then, the operating model has evolved to focus on additional income generating opportunities, extending programming and hall utilisation to further grow and diversify audiences.
6. In addition to the start-up period funding, in May 2016, Council approved cash sponsorship of \$450,000 for 2016/17, \$425,000 for 2017/18, \$400,000 for 2018/19 and \$375,000 for 2019/20 (excluding GST). In August 2019 Council approved an additional \$325,000 grant for the 2019/20 financial year and \$700,000 for financial years 2020/21 to 2024/25 (excluding GST). The City has also provided a \$150,000 grant in 2016 for a kitchen to improve catering facilities and venue waste management systems.
7. In 2020, City Recital Hall Limited entered into a second, five-year sublease. This was supported by Council with the \$700,000 per year funding agreement detailed above. City Recital Hall Limited's application for this operational funding was supported by a five-year business plan which identified growing Hall utilisation as well as a range of venue renewal works to improve useability of the facility and ensure the Hall remained competitive as a world class concert venue.
8. Also in 2020, the City committed to a \$7.5 million capital works upgrade program to take place between 2020 and 2025. This has been increased to \$8.9 million due to the increasing cost of capital works delivery over this time. The scope of the program includes both front of house and back of house renewal, including state-of-the-art lighting, acoustic and stage management upgrades and improvements to customer facing areas, amenities and accessibility.

9. In 2021, City Recital Hall Limited identified that increasing the capacity and quality of the Hall's amplified sound system would open new hire and programming opportunities. In October of that year, City Recital Hall Limited was awarded a \$250,000 Create NSW Creative Capital Grant with City Recital Hall Limited matching these funds. This money covered the purchase of a state-of-the-art amplified sound system for the venue. The City supported delivery of some of the project elements for base building connected equipment (e.g. fixed surround sound speakers, cabling, chain motors, carpentry etc) within the larger capital works renewal project.
10. The Covid-19 pandemic caused significant disruption to the entertainment industry. During 2020 and 2021, many cultural organisations, including City Recital Hall Limited, were supported by the respective State and Federal Government cultural sector Covid-19 support initiatives as well as the support provided by the City during the pandemic. By the end of 2022/23 the State and Federal Government support funding ended as the industry kickstarted post-pandemic programming and operations. City Recital Hall Limited, like many other cultural institutions, has faced a downturn as ticket sales are not fully returned to their pre-pandemic levels yet they face substantial increases in operational costs.
11. City Recital Hall Limited continues to explore ways to increase revenue by broadening its programming to attract new audiences and generate new hirers whilst supporting existing Key Presenting companies, many of whom are also experiencing significant financial challenges. Total audience numbers at the Hall for 2022/23 were approximately 56 per cent of 2018/19, however expenditure to deliver the year was on par.
12. The shift from a 'hall for hire' to a more curated and programmed venue has seen the development of the 'CRH Presents' program to deliver on this and drive earned income. The program sees City Recital Hall Limited self-present or co-present contemporary music events. This presenting model can deliver strong financial returns when programming sells. However, if events are not well attended, sunk costs pre-event means programming may run at a loss. With audience confidence low and ticket buying unpredictable post-pandemic, it is difficult to accurately determine how the program will sell.
13. In the past 12 months City Recital Hall Limited has seen some positive outcomes from 'CRH Presents', which achieved; six sellout performances, average audience numbers at an all-time high of 790 per show, and first-time ticket buyers averaging over 60 per cent. Brand engagement has also continued to build each quarter with various content and e-newsletter subscriptions significantly up.
14. Despite this, City Recital Hall Limited has struggled to keep ahead of rising operational costs. For example, budget items like power, workers compensation, and insurance have increased disproportionately equating to major unbudgeted, essential expenses over the preceding twelve months. This is placing significant demands on City Recital Hall Limited's current financial position which cannot be addressed through either increasing earned income or operational efficiencies in the short term.
15. Key Presenting company hall hires have also reduced, with many of these partners suffering similar significant financial obstacles. While this was partially allowed for in the 2023/24 budget, City Recital Hall Limited had anticipated an upward trend that is happening slower than expected. Hall hires from this user group will be uneven in 2024/25 and given these organisations face similar uncertain audience booking trends and increasing costs, income from for City Recital Hall Limited Key Presenting company hires is limited.

16. In 2023/24, the City's \$700,000 sponsorship represents 12 per cent of City Recital Hall Limited's forecast \$5.7 million turnover and will be the only significant grant funding that CRHL will receive this year. This is contextually low for a significant performing arts venue, for example Melbourne Recital Centre receives on average 26 per cent of its usual \$14 million turnover from the Victorian Government and pre-pandemic Carriageworks received approximately 22 per cent of its \$11 million turnover from Create NSW (its 2022/23 Annual Report is yet to be published).
17. Venue competition in Sydney for cultural, corporate and commercial hires has also increased over the past few years with the completion of the International Convention Centre, major refurbishments being completed at the Sydney Opera House, Carriageworks launching a new music program, numerous hotel ballroom upgrades across Sydney and the Hall being comparatively less competitive for corporate bookings without breakout spaces and a professional caterers' kitchen.
18. In late 2023, the City Recital Hall Limited Board Members and Chief Executive Officer met with the City to discuss City Recital Hall Limited's financial position, concerns about maintaining agreed financial reserves and the organisations cash flow. City Recital Hall Limited subsequently requested additional short-term financial assistance to support increased operating costs and programming initiatives, allowing City Recital Hall Limited to continue to attract hall hires and program diverse content which meets the City's goals to sustain and grow usage of the hall.
19. City Recital Hall Limited has recently undertaken a thorough review of all operational expenditure to reduce financial risk and to improve its current year's financial performance. However, City Recital Hall Limited is operating in a volatile environment and are vulnerable to financial fluctuations outside of their control.
20. In February 2024, City Recital Hall Limited wrote to the City asking the City to consider City Recital Hall Limited's current financial challenges and requesting the City consider granting an additional \$500,000 for both 2023/24 and 2024/25 financial years to cover City Recital Hall Limited's increased operating costs and support programming initiatives, allowing City Recital Hall Limited to continue to program diverse content to meet the City's goals to sustain and grow usage of the hall.
21. City Recital Hall Limited provided a short-term, interim Business Plan for 2024/25 which indicates 2024/25 is likely to end with a significant loss even with very tightly controlled expenses.
22. Discussions between the City and City Recital Hall Limited indicate a need for a longer-term business plan and budget that show how City Recital Hall Limited will move forward from its current position.
23. An additional \$300,000 cash grant in 2024/25 will allow City Recital Hall Limited to program and deliver its work with increased confidence of a positive end of year position and develop a comprehensive five-to-10 year business plan and budget.
24. Funding conditions for the grant to City Recital Hall Limited include:
 - (a) City Recital Hall Limited to supply a comprehensive five-to-10 year Business Plan and Budget by December 2024; and
 - (b) develop and supply the City with a Business Development and Fundraising plan by December 2024.

25. The City will work with City Recital Hall Limited to facilitate meetings with other potential supporters such as the State Government and corporate sponsors where possible.
26. City Recital Hall Limited's current sponsorship and lease end on 30 June 2025. City Recital Hall Limited will submit a new application for funding and lease renewal for 2025/26 onwards within the next 12 months.

Key Implications

Strategic Alignment - Sustainable Sydney 2030-2050 Continuing the Vision

27. Sustainable Sydney 2030-2050 Continuing the Vision renews the communities' vision for the sustainable development of the city to 2050. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This grant is aligned with the following strategic directions and objectives:
 - (a) Direction 7 - Resilient and diverse communities – the City Recital Hall drives visitation to the Central Business District and contributes to the vibrancy of the Angel Place local area. It also contributes to Sydney's reputation as an inclusive city with a vibrant and diverse cultural life and to innovation and talent attraction.
 - (b) Direction 8 - A thriving cultural and creative life - the City Recital Hall makes a significant contribution to the cultural life of Sydney. The Hall supports cultural activity, participation and interaction by providing specialised cultural infrastructure appropriate to a global city. This ensures audiences can access the work of leading international and Australian performing artists in a purpose-built venue with the appropriate facilities and acoustic standards.

Organisational Impact

28. The City will enter into a sponsorship agreement with City Recital Hall Ltd. Staff will ensure that appropriate sponsorship conditions are developed and met and provide additional support to help maximise success of the sponsorship. These responsibilities can be managed in current staff resources and work plans.

Social / Cultural / Community

29. The Hall is the only custom-built venue serving chamber orchestra, musical recitals and similar cultural performances in Sydney. An effective management structure is vital to the delivery of performances by chamber, classical and contemporary music ensembles and choral groups and ensuring this cultural offer is optimised for the local community and visitors to Sydney.

Economic

30. The City Recital Hall plays an important role in supporting the nighttime economy of the Central Business District, particularly for surrounding food and drink operators. It provides a unique drawcard attracting an alternate demographic to the northern end of George Street, with a particular focus on the early evening economy.
31. Maximising City Recital Hall as a performance venue with increased utilisation and high levels of patronage optimises its economic value through the employment of additional technical, administrative and artistic labour and increasing footfall and spend in the precinct.

Financial Implications

32. The required funding of \$300,000 has been included in the draft City Life Operating Budget for 2024/25 which is included in the Integrated Planning and Reporting Program and Budget 2024/25, the subject of a separate report to Council in May 2024.

Relevant Legislation

33. Section 356 of the Local Government Act 1993 provides that a council may, in accordance with a resolution of the council, contribute money or otherwise grant financial assistance to persons for the purpose of exercising its functions. Public exhibition of this sponsorship is not required because the funds are being paid to a not-for-profit organisation that is not operating for private gain.

Critical Dates / Time Frames

34. This funding is proposed to be paid on or after 1 July 2024.

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