

## ATG CINEMAS

### Executive Summary

The Ambassador Theatre Group (ATG) Cinemas in Woking were opened in 1992 and redeveloped in 1996 to meet the needs of Woking and the surrounding area. The Cinema comprises six screens with an aggregate capacity of 1,485 seats; the style is “old fashioned” and does not meet modern standards.

Over recent years there have been extensive discussions with ATG to seek to secure an improved Cinema offer for the town, one more in line with modern standards and able to provide a wider range of films.

ATG has explored a range of options and officers have agreed that the most appropriate solution is to increase the number of screens to 7 higher quality auditoriums, with an aggregate capacity of some 915 seats, plus a Media and Learning Space with an approximate capacity for 30 people. ATG’s proposal is estimated to cost £6.6m and it seeks a contribution from the Council of £5m. It is considered that a contribution of £5m is in the Council’s interest albeit that it will be at an annual cost of £190,000 (@2.9% 50 Year Annuity Loan). This net cost to the Council assumes no growth in revenue from the Cinemas, but importantly no long term reduction, however it is reasonable to assume that over time there will be an increase in rents which will start to reduce the net cost to the Council.

ATG also requested that the Council contribute, in the same proportion as the basis estimate, to any increase in cost; this is not recommended as it is important that ATG is incentivised to keep costs under control; the Council’s contribution, if approved, should be limited to £5m.

If the Council approves a contribution of £5m it is anticipated that construction could start by November 2019 and be completed by September 2020; this will coincide with the opening of Marks & Spencer, the Hilton Hotel and the commencement of occupation of the Victoria Square residential accommodation. As the project will complete in 2020 the net additional cost for the Council will arise in 2020/21 and future years; this will need to be taken into account in the update of the Medium Term Financial Strategy.

The Executive is requested to recommend to Council that the Council makes a capital contribution of £5m, financed from Loan, towards the redevelopment of the ATG Cinemas.

### Recommendations

The Executive is requested to:

#### **RECOMMEND TO COUNCIL That**

- (i) the contribution of £5m to ATG for the upgrade of the ATG Cinemas in Woking be approved;**
- (ii) the project be included in the Investment Programme to be financed by Loan; and**
- (iii) the net additional annual cost of £190,000 be taken into account in the Medium Term Financial Strategy for 2020/21 onwards.**

**Reasons for Decision**

Reason: To enhance the Cinema offer in Woking in line with modern standards.

The item(s) above will need to be dealt with by way of a recommendation to Council.

**Background Papers:** None.

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## **1.0 Introduction**

- 1.1 The Ambassador Theatre Group (ATG) Cinemas in Woking were opened in 1992 and redeveloped in 1996 to meet the needs of Woking and the surrounding area. The Cinema comprises six screens with an aggregate capacity of 1,485 seats; the style is “old fashioned” and does not meet modern standards. Over recent years there have been extensive discussions with ATG to seek to secure an improved Cinema offer for the town, one more in line with modern standards and able to provide a wider range of films.
- 1.2 The Council owns the Freehold of the Peacocks and the Lease of the Arts and Entertainment areas with ATG as its tenant. It is considered to be in the Council’s interest, as owners, that the Cinemas are “up to date”. It is also important for the Council that the Arts and Entertainment area as a whole continues to be “high quality” and contributes positively to the economic vitality of the town centre in future years.

## **2.0 ATG Cinema Proposal**

- 2.1 ATG has explored a range of options and officers have agreed that the most appropriate solution is to increase the number of screens to 7 higher quality auditoriums, with an aggregate capacity of some 915 seats, plus a Media and Learning Space with an approximate capacity for 30 people.
- 2.2 ATG commissioned Wren Architects to design its new Cinema offer; a copy of the Wren design is attached at Appendix 1.
- 2.3 ATG’s proposal is estimated to cost £6.6m and it seeks a contribution from the Council of £5m. The detail supporting the ATG proposal is set out in a Part 2 report which should be taken into account when determining this report. Should Members wish to discuss detail of the Part 2 report it will be necessary to do so in Part 2.
- 2.4 It is considered that a contribution of £5m is in the Council’s interest albeit that it will be at an annual cost of £190,000 (@2.9% 50 Year Annuity Loan). This net cost to the Council assumes no growth in revenue from the Cinemas, but importantly no long term reduction, however it is reasonable to assume that over time there will be an increase in rents which will start to reduce the net cost to the Council.
- 2.5 ATG also request that the Council contribute, in the same proportion as the basis estimate, to any increase in cost; this is not recommended as it is important that ATG is incentivised to keep costs under control. The Council’s contribution, if approved, should be limited to £5m.
- 2.6 If the Council approves a contribution of £5m it is anticipated that construction could start by November 2019 and be completed by September 2020. This will coincide with the opening of the new Red Car Park, Marks & Spencer, the Hilton Hotel and the commencement of occupation of the Victoria Square residential accommodation.
- 2.7 The Executive is requested to recommend to Council that the Council makes a capital contribution of £5m, financed from Loan, towards the redevelopment of the ATG Cinemas.

## **3.0 Implications**

### Financial

- 3.1 The Council as property owner receives an annual rent of £175,000 from the current Cinema operation. The contribution sought by ATG is £5m plus a proportion of any additional costs that may arise during implementation. It is however proposed to limit the Council’s contribution to £5m to incentivise ATG to ensure effective cost control.

- 3.2 The investment can be justified as long term investment as it is investment in the property rather than shorter life equipment which ATG will continue to replace on a periodic basis as operator.
- 3.3 It is proposed to finance the contribution from Loan with an annual financing, based on a 50 year Annuity Loan @ 2.9%, of £190,000. As the project will complete in 2020 the net additional cost for the Council will arise in 2020/21 and future years; this will need to be taken into account in the update of the Medium Term Financial Strategy. A copy of the 50 Year Annuity Loan (@2.9%) is attached at Appendix 2.
- 3.4 This net cost may reduce as rental income is increased through increased activity. Currently the Council receives annual rent of £175,000 and the increased activity could see this rent increase to £206,000 in 2020/21 and potentially £280,000 by 2025/26. Improved income could see the net cost to the Council to reduce to between £159,000 and £85,000 however it is considered prudent to allow for the full cost of the borrowing when making the investment decision.

Human Resource/Training and Development

- 3.5 There are no human resources or training needs arising from this report.

Community Safety

- 3.6 There are no community safety issues raised by this report.

Risk Management

- 3.7 The project will be managed by ATG which will be responsible for all on site risk management.

Sustainability

- 3.8 The updated Cinemas will meet all building sustainability requirements.
- 3.9 Providing an updated cinema will better serve local needs locally and reduce the need for local people to travel to other cinemas.

Equalities

- 3.10 The updated cinemas will meet the needs of the wider community.

Safeguarding

- 3.11 There are no safeguarding issues raised by this report.

**4.0 Consultations**

- 4.1 The Portfolio Holder has been consulted in the preparation of this report.

REPORT ENDS