

Eastgate Theatre

Chairman's overview 2019-20

2019 and 2020 have both been momentous years for the Eastgate, but for very different reasons. The project to replace the auditorium seating, upgrade the heating and ventilation systems, and create a new entrance to the foyer was successfully completed during 2019 and the improvements have been widely welcomed. Following reopening, attendance levels rose by 9% compared to the same period the previous year.

However the impact of Covid-19 since March on the Eastgate's business and the wider leisure industry has been substantial and there is no certainty about what impact the pandemic may have on the company in the future. All activities and earned income were halted in mid-March and, although we were able to reopen the café in mid July, and more recently restarted some participation activities, no live performances or cinema screenings have yet been possible.

Programme and activities

Over the first three months of the financial year 2019-20 the theatre continued to present a diverse range of live performances, cinema screenings, and participation activities. Just one example in May was an excellent performance of new work by the Eastgate's youth dance group, Stride, working in collaboration with musicians from Nomad Beat. Additionally, very well received events were staged at venues in Skirling, Broughton, Walkerburn and Innerleithen as part of the Eastgate on the Road programme.

During the redevelopment work in July and August 2019 several activities were relocated to venues and spaces around the town such as a lunch-time open air performance in the Chambers Institution Quadrangle as part of the Feis Rois Ceilidh Trail, and dance classes in Peebles Scout Hall.

Participation is a key element of the company's work, and outreach work with frail and elderly residents in Peebles has been developed thanks to a generous donation of £4,000 from the Peeblesshire Charitable Trust. Dance for Parkinson's – part of a Scotland-wide programme sponsored by Scottish Ballet and Dance Base – has attracted a lot of interest and a regular group of 20 people attend sessions.

Following completion of the auditorium refurbishment, performances restarted in September. Comparing the September to February period for 2018-19 and 2019-20, the average live performance audience size has increased from 108 to 118; average film attendance risen from 68 to 75 per screening.

The theatre is a founder member of the newly formed Tweed Valley Tourism Consortium Business Improvement District – involving around 90 tourism related businesses – which aims to develop the local tourism offer and make the Tweed Valley a recognised brand.

Development project

Following more than two years of fundraising and development work by the Eastgate, the contractors began in June 2019 to carry out the auditorium and foyer refurbishment. The Eastgate staff relocated to the town's former visitor centre in the High Street and continued to deal with box office bookings, visits from regular customers, and enquiries from tourists and day trippers. The development work was largely completed by September but operational problems with the new entrance doors and the heating and ventilation system were only resolved in November.

Funding for the £410,000 project came from several grants including £80,000 from WREN and £127,000 from LEADER. A remarkable £91,000 was raised from the local community in a very short period.

During the year, funding from Scottish Borders Council's Localities Fund allowed a Dolby Fidelio system to be installed in the auditorium, providing assistance to sight impaired and hard of hearing audiences.

More recently a grant of £25,000 from Screen Scotland's Cinema Equipment Fund, together with a generous donation of £5,000 from the Benson family, and a further £4,500 from the Friends of the Eastgate, has allowed the cinema projection and sound equipment to be renewed.

Governance, management and volunteers

Throughout the disruption of the redevelopment project and now the Covid-19 turmoil the directors, staff and volunteers have striven to ensure the survival, creativity and prosperity of the company. Special thanks are due to Caroline Adam, our General Manager, who led the refurbishment project and sought emergency funding during the present crisis, while also providing a programme of performances and activities that make the Eastgate Theatre so well-loved by residents and visitors alike.

Immediately following the enforced closure of the theatre in March, the Board began weekly virtual meetings to co-ordinate efforts to keep the company solvent and in a position to reopen when circumstances allowed. Since the reopening of the café and the start of some participation activities in August, the board meetings have reverted to a monthly schedule.

The company has been able to make use of the government furlough scheme during the closure period and as a result has managed to retain all members of the staff. However, in common with many cultural organisations, the Eastgate Theatre could not operate without the tremendous support of the local community and the many volunteers.

Finance

Core funding for the theatre continues to be provided by Live Borders under a service agreement which runs until April 2022.

Two loans have been taken out to assist with cash flow pending receipt of the final grant payments from LEADER. A £20,000 loan was provided by the Peebles Common Good Fund (repayable in December 2020) and an £80,000 long term loan was agreed with the Royal Bank of Scotland.

All earned income stopped following the government instruction to close the venue in mid-March. Since July the café has reopened safely and successfully and its cinema screenings are restarting on 7 November.

The company was not eligible for several Covid-19 emergency grants announced early in the lockdown and was only granted one-third of the requested amount from funds where the company was eligible. Fortunately in late September £70,000 was secured from the Scottish Government Performing Arts Venue Relief Fund to assist during the period up until 31 March 2021.

- Income
 - Full year earned income forecast to decline by 71% (budget £422,050 / forecast £123,125)
 - Income from live performances and cinema screenings forecast to decline 83%
 - Income from café has been more resilient, forecast to be down 53%
- Expenditure
 - Direct costs declined by 68%
 - Overheads reduced by 39% (mostly building related costs but also marketing, budget £120,700 / forecast £73,300)
- Covid-19 grant aid
 - Special grants total £85,100
 - Staff furlough payments (circa £75,000 to date) have enabled all staff to be retained although many are on reduced hours. We expect to retain most staff through until at least 31 March 2021.
- Cashflow has remained positive
- LEADER funding final grant payment is still outstanding, value around £60,000.

Friends of the Eastgate

The Friends of the Eastgate have provided invaluable support to the company throughout the year and their fundraising has helped to finance new outdoor furniture, café equipment, stage technical and cinema equipment. The vital role that the Friends play has been highlighted during the Covid-19 pandemic, firstly by raising much needed funds to complement emergency grant aid, and secondly by organising and producing a weekly series of on-line 'Eastgate at Home' videos featuring local talent, from dancers to actors and musicians.

Going Concern

Three-quarters of the theatre's turnover is earned income – mainly ticket and café sales – so the government's instruction to close in March due to the Covid-19 pandemic had an immediate impact on the company's finances. The grants, fundraising and furlough payments we have been able to secure, together with the limited reopening of the café in July, have made it possible for the company to continue through the summer.

Looking ahead, Live Borders have confirmed that their annual core grant will be maintained in 2021-22, although at a slightly lower level than in the current year. Nevertheless, there can be no certainty as to the future impact of Covid-19 on the company and its activities. If the UK and Scottish governments were to strengthen restrictions on social gathering or instruct the venue to close there could be significant doubt about the company's ability to continue as a going concern.

The Board has looked at a scenario of admissions reducing to 50% of pre-Covid-19 trade, as well as the severe but plausible downside scenario of complete closure for three months. In each scenario we have assumed that Live Borders core funding is maintained in line with their Service Agreement with the Eastgate Theatre.

In the first scenario we have assumed that the café continues to operate at 75% of previous levels, and some cinema, event cinema, and live performances are possible albeit with reduced seating capacity as a result of social distancing regulations. Faced with a 50% decline in attendances we would adapt our business model by, for example, reducing the number of days the venue is open but the resulting reductions in staff and overhead costs would be limited and so a small operating deficit would be likely. The programme and range of activities would be curtailed, which in turn may make it more difficult to obtain core and project funding in the future.

The more severe scenario of forced closure for three months, and assuming no new government financial assistance, would result in the company making all staff redundant and mothballing the organisation in the hope that at some future date the venue could be reactivated. Our assessment is that a shorter forced closure period, perhaps up to six weeks, could be managed and several key staff retained, but the impacts would still be severe and financial recovery would be slow.

Faced with these uncertainties the company is undertaking a range of mitigating actions including:

- Building a new audience database to allow efficient, low cost marketing in preparation for activities restarting
- Maintaining communication with the local community and artist communities to ensure that they understand what is happening and what to expect from the theatre
- Make use of the auditorium to expand the cinema and event cinema programme during periods when live performances are not possible
- Minimising fixed costs and deferring discretionary expenditure
- Working with Live Borders, Creative Scotland, and Screen Scotland to ensure that the Eastgate delivers a service which merits continued core and project grant support.

Additionally, several measures are being taken to improve the liquidity of the company:

- Retaining half of the RBS long term (20 year) loan of £80,000

- Using all relevant government support schemes (furlough staff costs, reduced VAT rate, etc)
- General public fundraising, assisted by the Friends of the Eastgate
- Developing projects and activities which can be supported by specific grants.

The Board are committed to ensuring that the Eastgate Theatre can continue as a viable cultural and community organisation and remains a vital part of the social and economic fabric of Peebles and Tweeddale.

Thanks to funders

Directors wish to acknowledge with due thanks and great appreciation the support given to the Eastgate Theatre, by the following grant-funding bodies:

Live Borders
Peebles Common Good Fund
Peeblesshire Charitable Trust
Borders Caring Service
Creative Scotland
Screen Scotland
Big Lottery
Scottish Borders LEADER
WREN

Ron Inglis

Chair, Board of Directors, Eastgate Theatre