

Working group Briefing Note –Paul Jenkins

Date: 21st September 2010

Subject: Review of Cheltenham Festivals Business Plan 2011 - 2013

- Do the 2010 forecasts for the jazz, music and science festivals, that have already taken place this year, represent the actual position for the year? If not, the forecasts need to be updated to make meaningful comparisons to 2011 forecasts.
- The 2011 “break even” position is based on the assumption of CBC’s grant contribution remaining at the same level – have you factored in a possible reduction in this and other grants in the future?
- The current level of the general reserve is £202k, which includes £80k unspent LABGI money as at 31st December 2009. If the forecast £105k loss for 2010 materialises, the reserve will be reduced to £97k. This appears satisfactory if the 2011 breakeven forecast is achieved. However, if things are not improved and 2011 also delivers a loss in the same region as 2010, this reserve could be wiped out. How does CF plan to mitigate this risk?
- What assumptions have been made regarding the future box office provision? CBC may reduce its grant to off-set any financial losses incurred by the council if CF purchase their own Box Office (estimated reduction in grant of £38,600). Whilst a reduction in the grant is identified within CF’s risk assessment (& is the highest scoring risk) - the mitigation note requires further explanation & scrutiny.
- Need to confirm what assumptions have been made in the 2011 forecasts for the time of use of the Council’s box office and commission payable? If Tessitura is not fully operational from 1st January, or if there is still some requirement for the council’s box office, then the amount payable in commission to the council may increase in line with increased ticket sales.
- Para 1 to the report states “taking a tougher stance on any festival activity not making a return”. However, the jazz festival is forecast to make a loss in 2010 and 2011. How will CF demonstrate this statement and would they consider dropping a festival if unable to turn into a sustainable profit?
- Para 3 forecasts an overall increase in box office income of £482k (32%) in 2011. This seems high, and includes a 6% growth in the music festival despite planning a 6 day reduction in this event. Is this achievable?
- The overall forecast position for 2011 is to breakeven, but this relies on additional income, including 39% growth in literature and 35% in science

festival box office. Again, this seems high given that there is no increase in the length of the festivals.

- There is an acceptance in the report that too much has been given away as part of the existing membership package. Can this be quantified? How are CF proposing to reduce the membership benefits without losing members, who are now used to the packages & seating price reductions available? Has a possible reduction in membership been factored in to the forecasts?
- Do the forecasts allow for CBC's reduction in charity rates from 30% to 20% in 2011/12, as per CBC'S approved budgets February 2010?
- There is to be a reduction in the level of marketing spends, with shared marketing staff across some festivals. Will this have an effect on the projected growth in the festivals?
- There is a forecast increase in sponsorship and donations of 14.7%. Is this realistic given the current economic climate?
- CF has indicated that the Education Co-ordinators post will be cut – will this have a negative impact on future grants CF receive from the public sector, which specifically fund the outreach & community work?
- CF are proposing to reduce it's marketing spend, however have identified the need to improve it's marketing activity if it is to deliver the level of growth projected for the Music Festival – this does not align.
- At the time of writing the business plan, 5 year forecasts were being worked on by CF. Are these now available?
- Are you able to provide figures showing the growth in ticket sales and other income for the last 5 years? The working group have asked for this, to demonstrate how CF has grown their business in recent years.
- Para 8 mentions new opportunities within income streams, with the new Head of Development producing a fund raising plan. Could this be made available to the working group, to see how it aligns with the financial forecasts?

**SARAH DIDCOTE
GROUP ACCOUNTANT
SEPTEMBER 2010**