



**Leeds Grand Theatre  
& Opera House Limited**

**Future Operation and Governance**

**Final Report**

**19 December 2014**





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## 1. Executive Summary

Leeds Grand Theatre and Opera House Limited (LGTOH) is the charity that operates Leeds Grand Theatre (LGT), the City Varieties Music Hall (CVMH) and Hyde Park Picture House (HPPH).

Leeds City Council (LCC) has commissioned FEI to provide recommendations regarding the future governance and operation of LGTOH taking into account the current financial position and the imperative for change; the aspirations for the cultural life of the City; the inclusion of a Learning Programme; and the Opera North residency.

Extensive consultation took place with over 50 individuals during November and December and the findings of this report are a synthesis of these conversations and the consultants' extensive experience of UK theatre operations.

LGTOH is controlled by LCC who nominate the majority of the board members. LGTOH has made deficits, before LCC grant funding, over the last six years ranging between £196k and £716k. Over the same period LGTOH has used all of its reserves to support trading and now has a negative unrestricted reserves balance of £407k. The charity is only able to continue trading because of the support offered by LCC.

LGT is the closest of the three venues to having a sustainable business model whilst the venue contributing most significantly to the deficit is CVMH, with HPPH and the Learning Programme also requiring subsidy. There is a complex set of legal issues around ownership of the assets and the conditions of grants provided to refurbish two buildings over the last ten years.

Whatever governance model is determined certain key issues need to be addressed:

- Deficit-generating business model – the operation needs to routinely generate trading surpluses, albeit with a requirement for a grant to deliver some services. An important part of any new business model will be improving secondary spend through shops and catering. We anticipate this turnaround could take two years
- Financial management – needs to improve significantly with the introduction of a well resourced financial management function that can provide good quality information and modelling to the board and management. This report has not had the benefit of detailed financial information on which to base its findings
- Chief Executive – LGTOH urgently requires a full time, experienced theatre manager as its chief officer. The charity is unlikely to achieve the turnaround it requires without focused leadership able to implement radical changes to the business model. An Interim Chief Executive should be considered whilst the governance changes are implemented
- Capital refurbishment plan – there needs to be a methodical and rigorous planning cycle in place to identify forthcoming capital and refurbishment expenditure. A reliable capital budget must be fed into the overall revenue model assumptions so that an appropriate designated capital fund can be built up from trading surpluses.

Six main options for the future governance and operation of LGTOH were considered:

- Status Quo - the structure, governance & operational arrangements do not change
- Council take back - LCC takes over direct management and operation of all venues
- Commercial operator - the management transfers to a private company under a management agreement and/or a 25 year lease
- Independent charitable company - LGTOH board membership changes so as to become fully independent of the Council and with no change in property ownership
- Opera North merger - LGTOH & Opera North Limited combine into one legal entity
- Independent charity with commercial operator - charitable company independent of the Council with delivery of operation subcontracted to commercial company.

A SWOT analysis was undertaken for each of these options considering the complex set of strengths, weaknesses, opportunities and threats.

All six options were then appraised against a set of twenty eight individual criteria grouped into objectives agreed between LCC and FEI. The thematic areas and the weightings are summarised as follows:

- Financial/commercial: 37.5%
- Programme: 32.5%
- Other: 30%

Applying the scores to the weighted criteria delivers the result shown in the table below:

Ranking	Option	Score	% Score
1	Independent/Commercial	4.20	84%
2	Independent charitable company	4.13	83%
3 =	Opera North merger	3.96	79%
3 =	Commercial operator	3.96	79%
5	Council take back	3.32	66%
6	Status Quo	2.82	56%

A sensitivity analysis changing the priorities between Financial/Commercial and Programme showed relatively minor variations and the consistency of rankings underlined the strength of the two highest scoring options.

The SWOT analysis and options appraisal leads to a preferred option for future governance and operation of LGTOH, as an **independent charity with a sub-contract to a commercial operator**, combining the virtues of independent charitable governance with the rigour and established working model of a commercial theatre operation.

A high level implementation plan and timeline shows how this should be instigated over a two year period, allowing time for the detailed financial analysis of the new business model that has not been possible for this report. This phased approach to implementation allows for a decision to appoint a commercial operator, and on splitting up the LGTOH group, to be taken once efficiencies and an optimal business model for each venue, including possible separate governance arrangements, has been identified.

## 2. Introduction and Context

### 2.1 Current position

Leeds Grand Theatre and Opera House Limited (LGTOH) is a registered charity and company limited by guarantee, with a wholly-owned subsidiary trading company (Leeds Grand Theatre Enterprises Limited). It operates three venues in Leeds: two theatres – Leeds Grand Theatre (LGT) and the City Varieties Music Hall (CVMH), and a cinema – Hyde Park Picture House (HPPH). The LGT building is leased from Leeds City Council (LCC), while the CVMH and HPPH buildings are owned by the charity. All three venues offer year-round programmes, with LGT, CVMH and HPPH presenting 275, 200 and 1052 performances/screenings respectively during the 2013/14 year. The charity operates a Learning Programme with an extensive programme of theatre tours, workshops, projects, talks, performances, Open Days and Youth Theatre. LGT acts as the home theatre for Opera North, who occupy an adjacent building, and Northern Ballet.

### 2.2 LCC Requirement

FEI has been commissioned by LCC to provide advice and recommendations regarding the future governance and operation of LGTOH.

This exercise takes into account LGTOH's current financial position and the imperative for change which arises there from; the issues which lie behind several consecutive annual trading deficits; LCC's aspirations for the cultural life of the City including the inclusion of a Learning Programme and the Opera North residency at the heart of LGTOH's operation; and the breadth of LGTOH's offer across its three venues and its place in the regional theatre market.

Fundamental to the consideration of governance and operation are LCC's objectives regarding LGTOH. These are stated in the Specification as follows:

- *For the Grand Theatre venues to operate within available resources, which currently includes the Council's grant (but may not in the future)*
- *To take a commercial approach to its operation*
- *To continue to provide a quality and balanced programme of events*
- *Where possible to broaden the scope of the existing programme to enhance the Grand Theatre Company's national reputation.*

Please note that reference is made throughout to the 'charity' and 'trustees' when referring to LGTOH and members of its governing body. The charity is also a company limited by guarantee and its trustees are also directors for Companies Act purposes.

### 2.3 Report structure and content

The primary purpose of this report is to present the options identified as potential governance and operating models for the charity and to measure these against criteria which link back to LCC's objectives regarding LGTOH, and to make a recommendation which leads there from. The report also assesses the Strengths, Weaknesses,



Opportunities and Threats relating to each option, and ends with a suggested high level implementation plan and timeline.

This approach provides the structure for sections 4 to 8 of the report.

This current section presents some key facts and background which provide important context for what follows.

Section 3 looks at certain areas of weakness in the current operation and governance which have come to attention during FEI's investigations. These observations are relevant regardless of the option recommended and should be considered as part of, or prior to, the implementation of the recommended option.

Appendix 1 provides an update to the review of the LGTOH operation delivered by SMG Europe Ltd in October 2013.

A soft market testing exercise (with commercial operators) has been completed and the findings are included in Appendix 2.

Appendix 3 provides a list of all those consulted during the course of FEI's assignment.

Although an Executive Summary is included we recommend that the report is studied in detail to consider all the findings.

It is important to be aware that at this stage the recommendation cannot be based on a detailed financial analysis and model. Routine monthly management accounts and future year financial plans have only recently come into existence for the charity, and FEI's work has lacked the material to be able to build a financial picture on which to base the analysis of options and recommendation. This process however forms an important early stage of implementation of the recommended option.

#### *2.4 Current Governance and Management*

The current governance structure comprises a board of trustees, constituting the governing body of the charity. The chair and four board members are elected members of LCC with four trustees independent of the Council – in accordance with the memorandum and articles of association. This gives LCC effective control of the charity. The Theatres Director, employed on a 0.5 FTE basis is one of the independent members of the board (this being required in order to safeguard VAT recovery on capital expenditure in the context of otherwise potential VAT Cultural Exemption). The Theatres Director manages a senior management team of nine.

#### *2.5 Recent financial performance/context*

Before considering the options for future operation and governance it is important to take note of the recent trading performance of the charity, and of the LCC grant as a component of the financial model.

A 6-year summary of gross income and expenditure on unrestricted activities (not including the pension scheme) is shown below:

All figures expressed in £'000s (source: statutory accounts excl 14/15)							
<b>Unrestricted General Fund</b>							
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	
							(source: Sep mgmt a/cs)
Gross Income	7,253	7,617	9,343	13,434	9,972	10,299	
Gross Expenditure	7,473	7,510	9,794	13,708	10,238	10,636	
<b>Net surplus/(deficit)</b>	<b>(220)</b>	<b>107</b>	<b>(451)</b>	<b>(274)</b>	<b>(266)</b>	<b>(337)</b>	

In terms of LCC's grant support, values (alongside the trading performance) are shown below.

All figures expressed in £'000s (source: statutory accounts excl 14/15)							
	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	
							(source: Sep mgmt a/cs)
Movement on Unrestricted General Fund (representing Trading result) - <b>Before LCC Grant</b>	(619)	(196)	(716)	(457)	(598)	(537)	
LCC Grant	399	303	265	183	332	200	
Movement on Unrestricted General Fund - after LCC Gra	(220)	107	(451)	(274)	(266)	(337)	

Whilst the grant level has ebbed and flowed, the consistent message is that LGTOH relies on this grant and that even with this it is unable to break-even or build reserves.

A summary of reserves/funds – drawn from the statutory accounts (currently draft for 2013/14) is shown below:

All figures expressed in £'000s (source: statutory accounts)						
Closing Balances	Unrestricted (General Fund)	Unrestricted (Pension Scheme)	Unrestricted (Total)	Restricted	Total Funds	
<b>2008/09</b>	<b>697</b>	(588)	109	108	217	
<i>movement</i>	(220)	(733)	(953)	25	(928)	
<b>2009/10</b>	<b>477</b>	(1,321)	(844)	133	(711)	
<i>movement</i>	107	850	957	(124)	833	
<b>2010/11</b>	<b>584</b>	(471)	113	9	122	
<i>movement</i>	(451)	(455)	(906)	352	(554)	
<b>2011/12</b>	<b>133</b>	(926)	(793)	361	(432)	
<i>movement</i>	(274)	(173)	(447)	(57)	(504)	
<b>2012/13</b>	<b>(141)</b>	(1,099)	(1,240)	304	(936)	
<i>movement</i>	(266)	152	(114)	87	(27)	
<b>2013/14</b>	<b>(407)</b>	(947)	(1,354)	391	(963)	

The most important focus for charity trustees in terms of safeguarding the immediate term security of the charity is the unrestricted general fund, i.e. the funds/reserves which can be applied at the discretion of the trustees (unlike restricted funds, whose purpose is pre-defined and cannot be expended at will). For the purpose of this analysis the pension scheme deficit can also be put to one side as it is underwritten externally and does not (in terms of the value of the balance sheet liability) represent a financial risk to the charity. The unrestricted general fund (shaded) indicates that in four out of the last five years the operation has traded at a deficit and as a result the unrestricted general fund has been steadily eroded and now stands at a negative balance of £407k (the single year of surplus was associated with the temporary closure' and thus improved financial performance, of the City Varieties).

The ability of the charity to trade rests on the cash-positive nature of selling theatre tickets in advance combined with the ability to run a significant creditor account with LCC.

It should be noted that since the fieldwork conducted for this report took place the forecast deficit for the year (as reported in the November management accounts) has reduced to £200k.

## 2.6 Consideration of venue performance on a standalone basis

It has not been possible to analyse venue profitability for previous financial years as management accounts have not been available.

However, analysis of the current year management accounts provides a split of directly attributable income and expenditure by venue, with separate categories for central income and costs, and income/costs relating to the Learning programme. This is shown below, with some additional analysis:

Summary Venue profitability analysis: 2014/15 September Forecast: NOT INCLUDING LCC GRANT						
All figures expressed in £000s						
	Grand Theatre City Varieties		HPPH	Learning	Central costs	Total
Gross Income	3,303	573	309	175	10	
Gross Expenditure	3,106	815	361	224	401	
<b>Net Income (Expenditure)</b>	<b>196</b>	<b>(242)</b>	<b>(52)</b>	<b>(50)</b>	<b>(390)</b>	<b>(537)</b>
after allocation of central costs						
<b>Basis 1</b>	<b>defined % split</b>	<b>(38)</b>	<b>(340)</b>	<b>(71)</b>	<b>(89)</b>	<b>0</b>
<b>Basis 2</b>	<b>pro-rata gross expenditure</b>	<b>(73)</b>	<b>(313)</b>	<b>(83)</b>	<b>(69)</b>	<b>0</b>
Note:						
Central costs include staff costs (Theatres Director, Head of Support Services, Finance and HR), insurance, audit and other central costs; and is net of bank interest.						

There are two different bases used for allocating central costs to the venues; the first uses a % split taken from the financial analysis in Andrew Macgill's 2014 reports to the board (60% Grand Theatre; 25% City Varieties; 10% Learning; 5% HPPH), and the other pro rates the costs according to gross expenditure.

There is no attempt to allocate the Learning Programme which stands alone.





The analysis indicates that the venue closest to having a sustainable standalone revenue business model is Leeds Grand Theatre, and the venue contributing most significantly to the deficit is the City Varieties.

This context is important when reviewing the options described in section 4 which should be considered on the basis that they could be applied to one or all of the venues, and subject to analysis and financial modelling a final solution could see different governance/operating models applied to different venues.

This report is not intending to pre-empt such analysis and proceeds to recommend one option. However the preliminary phase of implementation should retain flexibility to consider a venue-by-venue solution, once a governance model has been chosen.

## 2.7 *Property Assets*

The LGT freehold is owned by LCC and leased to LGTOH at a peppercorn rent (99 years from 2006), with responsibility to maintain and repair the property. Opera North holds a separate lease from LCC for the Howard Assembly Room.

CVMH freehold is owned by LGTOH (not including the Swan Public House which is owned by LCC and leased to a private company).

HPPH freehold is owned by LGTOH.

## 2.8 *Legal Context*

LCC has confirmed the following legal matters which form a necessary background to a consideration of the options presented later in the report:

- LGTOH Memorandum and Articles of Association:

If the company/charity were to be dissolved or wound up, any remaining property/funds would need to be transferred to another charitable organisation with similar objects. This is set out in LGTOH's governing documentation and is also a requirement under Charities Act legislation.

- HLF Grant Agreement

The Council, LGTOH and Opera North entered into a grant agreement with HLF in respect of the LGT in 2007 and the Council and LGTOH entered into a grant agreement in similar form with HLF in 2009 in relation to the City Varieties Music Hall (CVMH) to protect grants given by it to both theatres.

As part of the grant conditions, LGTOH is obliged to deliver an education programme associated with the two theatres, and any cessation of the programme would require the permission from and/or negotiation with HLF (NB none of the options presented later propose any reduction in the Learning/Education programme).



HLF could request repayment of the £2.7m capital grant for CVMH and repayment of the £995k grant in relation to LGT in the event of a change of ownership of the relevant building, any change to the current arrangements, a significant change in LGTOH's constitutional status, or a merger with or transfer of functions to another organisation. However the agreements enable HLF not to require repayment if a new grant contract on acceptable terms to HLF is entered into. In relation to CVMH the interrelationship with the White Swan PH will also have to be considered and for LGT, the interrelationship with Opera North would have to be addressed, as in both cases HLF consider the arrangements to be interlinked and grant given on that basis. Both grant agreements last for 25 years. Under the LGT agreement HLF required any lease to LGT and Opera North to be in excess of 30 years in length.

As part of the arrangements HLF took a charge over LGTOH's leasehold interest in the LGT. No charge was taken over CVMH. If there is a breach of the grant conditions by LGTOH and the Council has to repay any grant, LGTOH is to reimburse the Council for any such payments.

- ACE Grant Agreement

The ACE capital grant agreement (2005) was between ACE and LCC rather than direct with LGTOH and relates to the LGT only. However the Agreement imposed obligations on the Council to ensure that Opera North and LGTOH complied with certain requirements of ACE in addition to imposing certain obligations on the Council to protect ACE's grant of £11.5m. ACE wanted to approve the terms of the leases to be granted to LGT and Opera North and to take a charge over the lease granted to LGT. ACE have been included in the consultation process undertaken as part of this report and have not indicated that any of the proposed options would require the grant to be repaid. Depending on the approach taken, neither ACE nor HLF would want to lose their security of the charge protecting their grant.

- LCC lease to LGTOH for LGT

The theatre is leased from LCC by LGTOH for 99 years from 18 September 2006 and there is a sublease of parts of the space to Opera North. The Howard Assembly Room is leased to Opera North for a similar term. Clearly if operation of the main theatre were to be transferred to another legal entity, new lease arrangements would need to be established, and the rights granted to Opera North under their lease looked at. The existing residency licence arrangements for Opera North to use the LGT for certain weeks until 31 December 2035 cannot be ignored. As the LGTOH lease is subject to the charges in favour of ACE and HLF other security may be required by ACE and/or HLF if agreement is given to any assignment/transfer.

- City Varieties Music Hall and Hyde Park Picture House

These two buildings are owned by LGTOH, and thus any transfer of ownership/operation to another legal entity would require the requisite legal arrangements to be addressed in addition to the other considerations mentioned above for CVMH.

### 3. Key Issues

There are a number of matters that deserve attention before proceeding to a consideration of the options available for LGTOH's future operation and governance. It is both relevant to be aware of them (in the context of this report) before proceeding to an assessment of options; and also to see them as likely early areas for attention as part of the implementation of the recommended option.

#### 3.1 *Deficit-generating business model*

Whichever governance/operating model is chosen there is an urgent need to address the negative reserves and bring the operation to a position of generating trading surpluses. The implications of running a negative reserve are serious and it is important that trustees, management and LCC as the key stakeholder are aware that the severity of the financial situation demands urgent attention.

One conspicuous aspect of the sub-optimal business model is the limited capacity for secondary spend in all the venues. LGT's commercial income would be considerably improved by the inclusion of the (currently empty) retail units. Good capacity for secondary sales would ordinarily be a key component of a successful comedy/music venues of CVMH's scale. The loss of one bar space within this theatre as a result of the recent capital redevelopment project, as well as the decision to exclude contribution from the Swan public house from the venue's business model, are important factors in this regard.

It is understood that current LCC support will ensure that accumulated negative reserves on the general unrestricted fund will be eliminated. However more important still is the need for an interim period during which the business model can be reconfigured into one which is surplus-generating.

It should be recognised that such a process will require time, and such a 'turnaround' period should be expected to last up to two years, in order to model and implement a refreshed business model whilst undertaking a reconfiguring of governance arrangements (refer to implementation timeline in section 8.1).

#### 3.2 *Financial Management*

One of the most concerning elements of the current operation is the lack of a well-resourced financial management function. This is required in order to:

- Record actual results compared against plan, providing timely feedback on individual event contribution to management/budget holders
- Feed monthly financial results into a revised forecast for the financial year and refining planning assumptions for future financial years
- Implement iterative forward planning/budgeting function which allows future year commitments to be seen within context of overall financial plan
- Conduct financial modelling; assessment of different show deals/mix of programming/performance schedule in order to inform decision making.

The organisation is unlikely to achieve the turnaround it requires without focused financial planning and modelling/assessment of different scenarios. It is almost certain that (aside from changes to the governance structure) significant changes to the business model will be required in order for it to generate surpluses. A new/refreshed board or management will require good quality financial information to inform some significant decision-making in this regard.

Once established, the principle of forward financial planning which is in step with forward commitments must not be forfeited.

It is however also important to recognise recent progress made by the charity in the area of financial management, and in particular to acknowledge that the senior management team have increased their level of engagement as budget holders during the last year. However the point remains that, the financial management function requires more resource and higher prioritisation.

### *3.3 Requirement for full-time CEO*

An organisation with the size and complexity of LGTOH requires a full time, experienced theatre manager as its chief officer. The charity is unlikely to achieve the turnaround it requires without focused leadership able to consider radical changes to the business model in order for it to generate surpluses.

There would be merit in considering an Interim Chief Executive in the first instance whilst the governance changes suggested in this report are being planned and implemented.

### *3.4 Capital refurbishment plan with clearly defined responsibilities*

Capital planning is partly a subset of the point above regarding financial management, i.e. that there should be a methodical and rigorous planning cycle in place to identify forthcoming capital and refurbishment expenditure. There is a separate point however for LGTOH regarding clarity around plans and responsibilities for capital planning and funding. Currently it does not appear that LGTOH has a sufficiently well-researched capital plan in place in order to inform its operational financial planning.

FEI understand that LGTOH's lease from LCC for the Grand Theatre is a repairing lease with the obligation falling to LGTOH to maintain the building to the condition that it was in when it was taken over. A condition survey was undertaken as at the date of the lease, but has not been accessible to LGTOH management, and it has been LGTOH's belief that such a survey did not exist. As a result, respective responsibilities have become blurred and there is a risk that urgent capital issues are not expedited (for example we understand that the roof requires a capital spend of £2.1m), and that there is a lack of ownership of forward planning. Both sides should collaborate on capital planning as a matter of urgency and build a consistent shared view on how such plans will be funded.

For LGTOH, a reliable capital budget must be fed into the overall revenue model assumptions so that an appropriate designated capital fund can be built up as



necessary from trading surpluses. This is in any case a requirement of the lease between LCC and LGTOH which has to date not been observed. Without this plan, it is impossible to know what the target level of operating surplus needs to be for future years. With it being almost a decade since the Transformation project the subject of capital planning requires urgent focus and prioritisation.

### 3.5 Board Governance

A review of recent board and Finance Committee minutes indicates that the board's position is perhaps made difficult by its close association with LCC, which is by default the 'funder of last resort' and there is a risk that this inhibits the board from thinking and acting autonomously as the governing body of a separate legal entity. An example may be evident in the reserves policy which forms part of the 2012/13 Trustees' Report and reads as follows:

*'The reserves policy objective of the Company is [...] to have the minimum level of reserves which will fund a two month closure of one of its venues as well as providing sufficient funds to meet any financial consequences arising from potential emergencies as identified in the Company's risk register. It is the aim of the Directors that they will, as soon as practical, re-build the Company's reserves to this minimum level.'*

In the subsequent financial year the level of negative unrestricted funds more than doubled and there is little evidence of the board requiring the executive to present plans or proposals to reverse the deficit-making trend.

#### **4. Description of Options**

The following represent the main options (and their key defining characteristics) regarding the future governance and operation of LGTOH.

##### *4.1 Status Quo*

The structure, governance and operational arrangements do not change.

- LGTOH continues as separate legal entity (charitable company)
- Majority of trustees are LCC councillors, giving the Council control of the company

##### *4.2 Council take back*

LCC takes over direct management and operation of all three venues.

- LGTOH no longer has separate legal entity status; charity dissolved
- Board of trustees disbanded
- Venues managed/operated as part of LCC Arts and Venues Service under the Culture and Sport portfolio within the City Development department
- Broad policy set by Council, advised by Head of Service and subject to occasional Scrutiny Board oversight
- Staff, assets and commitments transferred under TUPE from LGTOH to LCC

##### *4.3 Commercial operator*

The management transfers to a private company under a management agreement and/or a 25 year lease.

- LCC contracts direct with commercial operator
- Delivery of Learning programme defined within contract
- Venues managed either by a single or multiple commercial operators
- Contract determines level of service, funding support/management fee, repairs/renewals obligations
- Staff, assets and commitments transferred under TUPE from LGTOH to commercial operator

##### *4.4 Independent charitable company*

LGTOH board membership changes so as to become a charitable company fully independent of the Council and with no change in property ownership.

- Legal entity status remains the same; Memorandum and Articles of Association amended
- New chair appointed (independent of LCC)



- Board membership refreshed so that there is no longer a majority of LCC councillors (for example 9 independent, 2 council trustees) and the opportunity is taken to recruit trustees with specific relevant skills, e.g. fundraising, finance and who represent key stakeholders e.g. Opera North
- LGTOH formalises provision of services and funding support from LCC with a Service Level Agreement, and operates at arm's length

#### 4.5 *Opera North merger*

LGTOH and Opera North Limited combine into one legal entity.

- Single board provides governance
- New Chief Executive oversees opera company and theatres
- Staff/management combine where appropriate (e.g. Learning)
- One contractual relationship with LCC
- Single lease drawn up between LCC and the new organisation for occupation of the buildings

#### 4.6 *Independent charity with commercial operator*

Charitable company independent of the Council with delivery of operation subcontracted to commercial operator.

- As for 4.4, but with programming and operation of theatre(s) delivered via contract with commercial operator
- Majority of staff transferred under TUPE from LGTOH to commercial operator
- Retain small core team employed by charity (contract management/fundraising/ Learning)
- Contracts determine repairs/renewals obligations

In addition there are other subsidiary options that offer variations to those described above, and are considered of sufficient merit to describe briefly; however only the six principal options are taken forward for detailed scoring and further consideration.

#### 4.7 *LGTOH operation transferred to another existing independent charitable company e.g. West Yorkshire Playhouse/ Northern Ballet*

#### 4.8 *A new independent charitable company set up that takes in the operation of LGTOH and other arts and entertainment services in Leeds, Bradford and the wider region (Regional Super Trust)*

#### 4.9 *A new independent charitable company taking in the operation of LGTOH and other performance venues in the City (West Yorkshire Playhouse, Leeds Town Hall, Carriageworks) (City Super Trust)*

## 5. Options - SWOT Analysis

### 5.1 Status Quo

Strengths	<ul style="list-style-type: none"> <li>• LGTOH benefits from close support from LCC both through funding and provision of services</li> <li>• All 3 venues present full programmes with good attendances and positive profile</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Business model is not sustainable. Several years of running deficits mean there are no reserves to mitigate risk or support future vision</li> <li>• Organisation is technically insolvent, with only LCC support allowing it to trade</li> <li>• Board governance; appears to be little appetite to force a sea-change in business to reverse deficit trend</li> <li>• Close association with LCC inhibits board from acting objectively and solely in the interests of the charity</li> <li>• Too little medium/long term financial planning, or strategy to re-build reserves</li> <li>• Theatres Director role is only part-time; most comparable organisations would have a full time CEO</li> <li>• LCC (the primary stakeholder) relationship and level of commitment is unclear (e.g. capital refurbishment responsibilities; level of future revenue funding)</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Operational efficiencies could be implemented and reduction to funding requirement achieved</li> <li>• New funding sources could be identified (private and public sector)</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Reduction/elimination of LCC funding support would require LGTOH to cease trading</li> <li>• Capital refurbishment programme is unscoped, and without reserves there is no basis currently to fund this</li> </ul>

### 5.2 Council take back

Strengths	<ul style="list-style-type: none"> <li>• Operation is secure from insolvency and can plan with certainty, subject to internal performance requirements</li> <li>• LCC Arts and Venues service experienced in delivery of cultural programme</li> <li>• LCC commitment clarified</li> <li>• Risk directly controlled by LCC</li> <li>• Capital planning for theatre buildings fully integrated with LCC</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Loss of charitable status means fewer opportunities for fundraising</li> <li>• Potential loss of strategic vision brought by quasi-independent board</li> <li>• May lack commercial acumen to transform operation</li> <li>• Subjected to full LCC policies and procedures which are not</li> </ul>



	<p>compatible to entrepreneurial cultural organisation e.g procurement, marketing</p> <ul style="list-style-type: none"> <li>• Operation has a reduced incentive to 'think for itself' and forfeits potential innovation and creativity</li> <li>• Transition requires approval of funding stakeholders (principally HLF) and Charity Commission, and compatibility with provisions of LGTOH's constitution</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Potential for economies of scale from absorbing operation into pre-existing larger infrastructure</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Pressure on public sector finances means medium/long term budget support may reduce, with more direct impact on programme delivery</li> <li>• Transition blocked by funding stakeholders/Charity Commission</li> </ul>

### 5.3 Commercial Operator

Strengths	<ul style="list-style-type: none"> <li>• LCC risk confined to defined commercial contract</li> <li>• Relationship with operation simplified</li> <li>• Commercial discipline and experience applied to operation</li> <li>• LCC retains ability to influence artistic programme (for example in relation to competitors to LGT resident companies) through funding agreement and subsidy</li> <li>• Access to operational reserves in order to withstand trading fluctuations</li> <li>• Improved buying power of national organisation increases profitability</li> <li>• Improved customer service, particularly front of house</li> <li>• Reassurance of similar models operating well elsewhere in the sector, which can also provide best practice models</li> <li>• Good level of interest from commercial operators indicating positive competitive environment</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• May not take account of local programming needs</li> <li>• Less incentive to seek diversity in art or audiences other than as contractual requirement, resulting in programming decisions determined primarily from a commercial point of view</li> <li>• Less control by LCC of programme and operation</li> <li>• Potential for poorer employment conditions for staff</li> <li>• Uncertainty regarding pension provision for TUPE staff</li> <li>• Reduced opportunity for fundraising</li> <li>• Possible reduced loyalty from patrons</li> <li>• Transition requires approval of funding stakeholders (principally HLF) and Charity Commission, and compatibility with provisions of LGTOH's constitution</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Efficiencies to be achieved from experience of operating other theatres</li> <li>• Potential to structure profit share so LCC can benefit</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Potential negative PR of City cultural icon 'being sold' to</li> </ul>

	<p>commercial company who will ‘asset strip’</p> <ul style="list-style-type: none"> <li>• Resident and visiting companies unhappy with ‘contra re-charges’, booking fees and commissions</li> <li>• Risk of operator becoming insolvent/ceasing to trade due to external factors</li> <li>• Transition blocked by funding stakeholders/Charity Commission</li> </ul>
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#### 5.4 Independent Charitable Company

Strengths	<ul style="list-style-type: none"> <li>• Independent board allows selection of relevant expertise to the governance role</li> <li>• Organisation has autonomy and mandate for self-determination</li> <li>• Imperative to champion quality of art and breadth and diversity of audiences</li> <li>• Independent charitable status provides good platform for fundraising initiatives (supported by relevant board expertise)</li> <li>• Strategy/vision can be more clearly re-articulated and linked to operational objectives</li> <li>• As standalone organisation increased appetite for targeting commercial opportunities</li> <li>• LCC Risk confined to defined grant level and service level agreement</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• More distant relationship from LCC resulting in less control</li> <li>• Greater reliance on multiple income streams and sensitivity to economic environment</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• With reduced obligation for LCC representation board can seek specific (board member) expertise for developing the organisation</li> <li>• Potential to grow profile of organisation and pursue strategically-led artistic policy</li> <li>• Opportunity for Opera North Board to nominate trustees</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Risk of recourse to LCC for funding if new operation does not perform financially</li> </ul>

#### 5.5 Opera North merger

Strengths	<ul style="list-style-type: none"> <li>• Unified vision for delivery of art and development of audiences</li> <li>• Simplicity and economies of scale in operation of physical site</li> <li>• Considerable potential for back office savings</li> <li>• Cements pre-eminent performing arts organisation of Leeds with its pre-eminent heritage venue with potential to strengthen both and to bolster any bid for 2023 European Capital of Culture</li> <li>• Increased public profile regionally and nationally and strengthened ‘voice’ with funders, sponsors, donors and patrons</li> </ul>
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	<ul style="list-style-type: none"> <li>• Opera North could reconsider balance of performing in Leeds vs touring with a freer hand</li> <li>• Consolidates two LCC funding agreements with potential for economies</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• Significant structural and cultural change for both organisations will require careful transition/integration</li> <li>• Dilution of focus for Opera North</li> <li>• ACE not currently supportive (such a merger arguably adds risk for Opera North without delivering increased output)</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Economies of scale from merging management and administration (e.g. box office),</li> <li>• Chance to deliver key strategic initiatives (e.g. education/learning/engagement/digital)</li> <li>• Potential synergies between Howard Assembly Hall (currently programmed by ON) and City Varieties programming</li> <li>• Potential programming-only partnership for LGT with commercial operator</li> <li>• Enhanced fundraising opportunities</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• ACE funding may be more challenging to maintain for broader cultural offering with higher proportion of West End-style shows</li> </ul>

### 5.6 *Independent charity with commercial operator*

Strengths	<ul style="list-style-type: none"> <li>• Independent board allows selection of relevant expertise to the governance role</li> <li>• Organisation has autonomy and mandate for self-determination</li> <li>• Imperative to champion quality of art and breadth and diversity of audiences</li> <li>• Independent charitable status provides platform for fundraising initiatives (supported by relevant board expertise)</li> <li>• Strategy/vision can be more clearly re-articulated and linked to operational objectives</li> <li>• As standalone organisation increased appetite for targeting commercial opportunities</li> <li>• LCC Risk confined to defined grant level and service level agreement</li> <li>• Commercial discipline and experience applied to operation</li> <li>• Reduced requirement to build operational reserves in order to withstand trading fluctuations</li> <li>• Improved buying power of national organisation increases profitability</li> <li>• Improved customer service particularly front of house</li> </ul>
Weaknesses	<ul style="list-style-type: none"> <li>• More distant relationship from LCC resulting in less control over programme and operation</li> <li>• May not take account of local programming needs</li> <li>• Less incentive to seek diversity in art or audiences other than</li> </ul>



	<p>as contractual requirement, resulting in programming decisions determined primarily from a commercial point of view</p> <ul style="list-style-type: none"> <li>• Uncertainty regarding pension provision for TUPE staff</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>• Potential for fundraising significantly enhanced</li> <li>• With reduced obligation for LCC representation board can seek specific (board member) expertise for developing the organisation</li> <li>• Potential to grow profile of organisation and pursue strategically-led artistic policy</li> <li>• Opportunity for Opera North Board to nominate trustees</li> </ul>
Threats	<ul style="list-style-type: none"> <li>• Risk of recourse to LCC for funding if new operation does not perform financially?</li> <li>• Resident and visiting companies unhappy with 'contra re-charges', booking fees and commissions</li> <li>• Potential (though reduced in comparison to 5.3) negative PR of City cultural icon 'being sold' to commercial company</li> <li>• Risk of commercial operator becoming insolvent/ceasing to trade due to external factors</li> </ul>



## 6. Options Appraisal

Leeds Grand Theatre and Opera House Limited Proposed Future Governance Structure: Options Appraisal		Option 1: Status Quo	Option 2: Council take back	Option 3: Commercial operator	Option 4: Independent charitable company	Option 5: Opera North merger	Option 6: Independent/ commercial
<b>Objectives/scoring criteria (1-4 from LCC objectives)</b>	<b>Weighting</b>						
<b>1. Financial sustainability/autonomy from LCC funding</b>	<b>20.0%</b>						
1.1 Potential for rigorous financial management (iterative forward planning; routine analysis against plan)	4.0%	2	3	5	4	4	5
1.2 Potential to meet agreed SLA targets and financial parameters without recourse to LCC	4.0%	2	3	5	4	4	5
1.3 Potential for financial autonomy from LCC (zero subsidy)	4.0%	2	2	4	3	3	3
1.4 Potential for a coherent capital/refurbishment programme to be developed	4.0%	2	3	4	4	4	4
1.5 Likelihood of maintaining building to a high standard	4.0%	2	4	3	4	4	4
<b>2. Ability to operate on a commercial basis</b>	<b>17.5%</b>						
2.1 Potential for maximising commercial income (improving deals and occupancy, increased bars, catering and merchandise revenues)	4.4%	2	3	5	4	4	5
2.2 potential to embrace commercial objectives and culture (improved customer service and customer relationship management)	4.4%	2	3	5	4	4	5
2.3 Potential for attracting sponsorship/revenue fundraising	4.4%	2	3	4	4	4	4
2.4 Potential for identification of efficiency measures/back office savings	4.4%	2	3	4	4	4	4
<b>3. Provision of quality and balanced programme</b>	<b>20.0%</b>						
3.1 Alignment with vision of LCC for quality/diversity of culture in the city/region	5.0%	4	5	3	4	4	4
3.2 Complementary balance with Opera North/NB/WYP programmes	5.0%	4	4	3	4	5	4
3.3 Potential for developing learning/education further within programme	5.0%	4	4	4	5	5	5
3.4 Maintain/improve quality of existing commercial programme (appealing to diverse audiences)	5.0%	4	4	5	4	3	5
<b>4. Broadened scope of programme and increased national profile</b>	<b>12.5%</b>						
4.1 Ability to secure/enhance profile of Leeds regionally and nationally	4.2%	3	3	4	5	5	4
4.2 Potential for contributing to local/regional cultural economy (boosting Leeds' profile as destination for artists and audiences)	4.2%	2	2	3	4	5	4
4.3 Potential for widening scope of programme; introducing audiences to new works	4.2%	3	3	3	4	4	3
<b>5. Organisational</b>	<b>12.5%</b>						
5.1 Potential to recruit Board/Trustees with strong strategic vision	3.1%	2	2	4	5	5	5
5.2 Ability to recruit experienced theatre manager as CEO	3.1%	2	3	5	4	3	4
5.3 Potential for motivated SMT with ownership of organisation's performance	3.1%	3	3	4	5	4	4
5.4 Potential for buy-in to organisation's objectives from staff	3.1%	4	3	3	5	3	4
<b>6. Risk/Other</b>	<b>17.5%</b>						
6.1 Avoidance of insolvency	1.8%	1	5	4	4	3	4
6.2 Potential for scenario not to lead to greater financial losses	1.8%	2	3	5	4	4	4
6.3 Desired outcome to be achieved within shortest possible timescale	5.0%	5	4	4	4	3	4
6.4 Meets grant obligations of key funding partners	1.8%	4	4	3	4	4	4
6.5 Potential to gain agreement from key stakeholders (ACE and LCC members)	1.8%	3	3	3	4	2	4
6.6 Maintains close association (support and influence)with LCC	1.8%	4	5	4	3	3	3
6.7 Potential to avoid negative PR that damages reputation of LCC/Leeds	1.8%	3	3	4	4	4	4
6.8 Respond to local needs and have positive relationships with main users (ON/NB)	1.8%	2	3	3	4	5	4
<b>Total Scores</b>	<b>100.0%</b>	2.82	3.32	3.96	4.13	3.96	4.20
		56%	66%	79%	83%	79%	84%
<b>Ranking</b>		<b>6</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>3</b>	<b>1</b>
<b>LCC Objectives</b>							
<ul style="list-style-type: none"> <li>For the Grand Theatre venues to operate within available resources, which currently includes the Council's grant (but may not in the future);</li> <li>To take a commercial approach to its operation;</li> <li>To continue to provide a quality and balanced programme of events;</li> <li>Where possible to, broaden the scope of the existing programme to enhance the Grand Theatre Company's national reputation.</li> </ul>							
					<i>Scoring</i>		
					1 unacceptable		
					2 significant weakness		
					3 minor weakness		
					4 met		
					5 met excellently		

The criteria headings 1-4 are drawn from the Specification document issued by LCC which has informed FEI's review, with headings 5 and 6 adding points which are considered germane to a rounded assessment of the options identified. In high level terms it is possible to bracket together 1 and 2, 3 and 4, and 5 and 6 as they relate to similar thematic areas, and the weightings could be summarised as follows:

- Financial/commercial: 37.5%
- Programme: 32.5%
- Other: 30%

This summarised weighting reflects a consensus from consultees that financial sustainability has to be the primary consideration, but that the quality and integrity of the programme comes very close behind.

Applying the scores to the weighted criteria delivers the result shown in the table below:

Ranking	Option	Score	% score (based on 5 = 100%)
1	Independent/Commercial	4.20	84%
2	Independent charitable company	4.13	83%
3 =	Opera North merger	3.96	79%
3 =	Commercial operator	3.96	79%
5	Council take back	3.32	66%
6	Status Quo	2.82	56%

### Sensitivity Analysis

If the summary weighting were to be equal between Financial/Commercial and Programme (at 35% each with the changes being applied to criteria headings 1 and 3) the result would look as follows:

Ranking	Option	Score	% score (based on 5 = 100%)
1	Independent/Commercial	4.21	83%
2	Independent charitable company	4.14	83%
3	Opera North merger	3.97	79%
4	Commercial operator	3.95	79%
5	Council take back	3.35	67%
6	Status Quo	2.87	57%

Alternatively, if Financial/Commercial were given a weighting of 45% and Programme 25%, with changes to the same variables as above, the result would be as follows:

Ranking	Option	Score	% score (based on 5 = 100%)
1	Independent/Commercial	4.18	84%
2	Independent charitable company	4.09	82%
3	Commercial operator	3.99	80%
4	Opera North merger	3.92	78%
5	Council take back	3.22	64%
6	Status Quo	2.67	53%

The relatively minor variations to scoring and relative consistency of rankings underline the strength of the two highest scoring options.



## 7. Recommendation

The options appraisal in the previous section leads to a preferred option for future governance and operation of LGTOH, that is, for it to be an **independent charity with a sub-contract to a commercial operator**.

In close second place is the option of LGTOH being an independent charitable company (with no commercial operator sub-contracted). In equal third are the options of merging with Opera North, and contracting the operation directly to a commercial operator.

The blend of what might initially have been considered separate approaches is key to the higher score of the recommended option, as it combines the virtues of independent charitable governance with the rigour and established working model of a commercial theatre operation.

Governance provided by an independent board of trustees is key. The recommended option gives the charity the imperative, and flexibility, to determine and implement its strategy and vision, with representation from LCC still embedded in its board membership. It also provides strategic context to the Learning programme ensuring that the parameters within which the commercial partner operates are compatible and complementary with charitable aims and objectives in the more qualitative areas.

Further advantages of this approach include:

- The ability to conduct implementation via a phased approach, with the setting up of a refreshed board and re-drafted memorandum and articles preceding a decision to appoint a commercial partner. This would allow the new board to be developed first, and the engaging of a commercial partner to follow once leadership, vision and strategy have been bedded in
- The option of re-visiting the decision to appoint a commercial operator in the event that a reconfigured business operating model and new board leadership satisfactorily address the issues of financial sustainability. Importantly however, it keeps the process running in parallel of procuring a commercial operator, so that all options are maintained
- The ability (as in fact for all options) to identify efficiencies and an optimal business model for each separate venue (including the opportunity to operate separate governance arrangements for each) early in the implementation process.

Reasons for the equal third and fourth-ranked options scoring less well include the following:

### Opera North merger

- Arts Council England, who as a major funder/stakeholder play a significant role in determining ON's strategy, are not currently supportive. Concerns are around dilution of focus and adding risk
- Delivery of a commercial theatre programme is outside ON's current skill-set



- Merging of workforces could be problematic in the short term due to differing organisational cultures

#### Commercial Operator

- This option is the one least likely to be politically acceptable
- Complementing the ON and NB programmes may be seen as a lower priority
- The structure would distance the organisation further from influential funders.





## 8. Implementation Plan

### 8.1 High level plan

A high level implementation plan and timeline is shown below with annual quarters defined according to the financial years.

Key project streams	2014/15 Q4	2015/16 Q1	2015/16 Q2	2015/16 Q3	2015/16 Q4	2016/17 Q1	2016/17 Q2	2016/17 Q3	2016/17 Q4	2017/18 Q1
<b>Management/Business Model Optimisation</b>										
Appoint interim CEO	█									
Deploy additional Finance resource	█									
Build detailed future years financial model	█	█								
Compile 5 year capital plan and incorporate in financial model	█	█								
Model/analyse different business models			█	█	█					
Optimal Business model identified with plan for each venue					█					
Identify and implement efficiencies within existing business model	█	█	█	█	█	█	█	█	█	█
Commence recruitment of permanent CEO				█						
New CEO in post						█				
<b>Governance</b>										
Confirm approval for recommended option	█									
Commence search for new Chair	█									
Identify new Chair and Finance Committee chair		█								
Identify new trustees			█	█	█					
Consultation with Charity Commission regarding proposed changes		█								
Draft new memorandum and articles of association			█							
Implement new memorandum and articles				█						
Current board resigns				█						
New Board commences				█						
<b>Commercial Operators</b>										
Continue discussion with potential operators	█	█	█							
Issue formal tender for commercial operators				█						
Tender process in progress					█	█	█	█		
Commercial operator(s) appointed									█	
Commercial operator(s) commence operation										█
TUPE transfers as required										█

### 8.2 Amendments to constitution

It would be straightforward for the LGTOH to amend its constitution to cease to be controlled by the Council. The alteration to effect this change is the reshaping of the board of trustees and setting new parameters as to how it is made up. These would not include the CEO holding a board position.

It is worth noting that any change to the constitution will require the constitution to be revised so that it is consistent with the format adopted under the Companies Act 2006 and it is recommended that the memorandum and articles are modernised during this process. It may be that changes as a result of these changes will require Charity Commission approval but no difficulties are foreseen in obtaining such approval.

Nick Dodds  
John Mortlock  
Sean Egan  
December 2014

## Appendices

### Appendix 1- Update to 2013 report by SMG Europe

A study of the LGTOH operation was commissioned by LCC in the Autumn of 2013, and carried out by a leading commercial venue management company, SMG Europe. Having reviewed the report FEI's view is that it provides a valuable list of potential financial/operational/commercial issues as well as a constructive consideration of the gains to be made from 're-booting' the organisational culture, focusing on shared objectives and information.

As part of its own review FEI has sought to update the SMG review, and the table below provides a checklist of key points from the report. Areas which remain in need of attention are detailed below in the right hand column.

<b>SMG report: Issue identified/recommendation</b>	<b>Achieved</b>	<b>Outstanding at Dec 2014</b>
'Fundamental review of financial architecture' required	Some positive changes have been implemented	The fundamental 'sea change' required remains outstanding
SMT does not share financial objectives	Monthly management accounts are now produced and SMT members report on their budget areas at a monthly meeting. SMT has sight of overall financial picture	The financial objectives now need to engage with the task of leading the organisation into generating surpluses
Monthly management accounts not produced	Now produced, and distributed to/reported on by SMT	
Subjectivity in apportionment of costs across the 3 venues	allocations are now direct now with shared costs held in 'Company' cost centre	
Financial information not shared with staff		The SMT could now be in a position to be able to brief their teams on the organisation's financial position.
Budget not built up from event-level matrix; event contribution not a guiding principle	This is now the principle being followed by the new Head of Finance.	Forward financial planning needs to catch up with the General Manager's bookings (which go out as far as 2018/19)
No concept of a 'rolling forecast'-	The principle of a rolling	However, financial

incorporating latest results into future planning	forecast (reforecasting current and future years on basis of actual results) is agreed	management resource is not yet sufficient to fully implement.
Improved organisational/governance culture to support financial prudence, inclusive financial management, promote financial autonomy	Some small positive steps have been made	The fundamental shift in culture that is required has not yet taken place
Address un-competitive supplier pricing	There is better general awareness of need for rigorous supplier management	Targeted supplier review/re-tendering exercise still o/s
Provide more emphasis to Facilities Management	Responsibility has been added to Technical Manager role	Not yet clear whether this brings required management/budget focus on this cost base area
Employ full time Chief Executive		Not yet pursued. Board papers indicate preference for funding Finance Director role, though no evidence of that progressing either
House management function appears over-staffed	CVMH House Manager role is being discontinued	No other changes being considered currently
Lack of Business Development role		No change. Theatres Director's view is that this function is effectively fulfilled by Head of Learning (regarding certain sponsorship); however need is for focused expertise on all non-ticket income
HR/Payroll to sit under Finance; CVMH receptionists to sit under Communications		Not addressed
Technical staffing appears excessive		No re-assessment has yet taken place
BECTU pay rates could be		This issue has not



improved by adopting in-house agreement		been pursued; whilst there are technically savings to be made the management effort required to implement such a change is significant and probably – correctly – not a priority task currently
Lack of professional finance expertise on board	A potential trustee has recently been identified who has held a partner-level role in a 'Big 4' accountancy firm	Currently attends board meetings only in advisory capacity
Financial planning does not take into account impact of bookings as they are made, and accordingly there is no assessment of Show A vs Show B (for example) when confirming a schedule booking		See earlier point re need for financial planning to catch up with event planning
Opera North: ON receive favourable treatment relative to other occupants of theatre, though financial contribution per week is generally lower.		There is much history (and strategic support from funders) which places ON at the heart of the Grand Theatre operation, and it is proper that the relationship is a partnership one; however, ON has a significant stake in the future financial sustainability of LGTOH and there should be merit in a reconsideration of the terms of the joint operation
No food/catering offer		SMG ideas regarding cold food offer not investigated further
Opportunity exists to increase booking fees	Implementation of increased booking fee currently underway	



**Appendix 2 (*Confidential*) – Soft market testing for commercial operators**

See separate document.

### Appendix 3 – Consultations

The following people were consulted in November and December 2014. All interviews were confidential and the opinions expressed have been amalgamated into this report. We thank all the consultees for their time and honesty.

- 1 Cluny Macpherson Chief Officer Culture and Sport Leeds City Council
- 2 Matthew Sims Head of Arts and Venues Leeds City Council
- 3 Chris Blythe Principal Finance Manager Leeds City Council
- 4 Jane Cash Senior Project Manager Leeds City Council
- 5 Martin Farrington Director of City Development Leeds City Council
- 6 Tom Riordan Chief Executive Leeds City Council
- 7 Cllr. Keith Wakefield Leader of the Council Leeds City Council
- 8 Cllr. Andrew Carter Leader of the Conservative Group Leeds City Council
- 9 Cllr. Cohen Conservative Group Culture Shadow Leeds City Council
- 10 Cllr. Stewart Golton Leader of the Lib Dem Group Leeds City Council
- 11 Cllr. Lucinda Yeadon Executive Member for Digital and Creative Technology  
Culture & Skills Chair of the board of Trustees Leeds City Council and LGTOHL
- 12 Cllr John Proctor Member of board of Trustees LGTOH ex Chair. Deputy Leader of  
Conservative Group Leeds City Council and LGTOHL
- 13 Cllr Bob Gettings Morley Borough Independents councillor and Member of board  
of Trustees Leeds City Council and LGTOHL
- 14 Cllr Patrick Davey City centre Labour councillor and Member of board of Trustees  
Leeds City Council and LGTOHL
- 15 **Cllr Gerry Harper Hyde Park Labour councillor and Member of board of  
Trustees Leeds City Council and LGTOHL- TBC**
- 16 Paul Scholey Member of board of Trustees LGTOHL
- 17 Roger Wood Member of board of Trustees LGTOHL
- 18 Keith Howard Member of board of Trustees LGTOHL
- 19 Brian Bouttell Observer to the board of Trustees LGTOH
- 20 Andrew Macgill Theaters Director LGTOHL
- 21 Julie Wainwright Head of Finance LGTOHL
- 22 Ian Sime General Manager GT and CVMH LGTOHL
- 23 Rachel Lythe Head of Learning LGTOHL
- 24 Anne Shaw Head of House Management LGTOHL
- 25 Al Dawson Head of Technical and Facilities LGTOHL



- 26 Anne Whittaker Head of Support Services LGTOHL
- 27 Amy Sanderson Head of Sales and Marketing LGTOHL
- 28 Wendy Cook General Manager HPPH LGTOH
- 29 Richard Mantle General Director Opera North
- 30 Chris Denton Commercial Affairs Consultant Opera North
- 31 Rory Wardroper Fundraising Consultant Opera North
- 32 Helen Dobson Finance Director Opera North
- 33 Ric Green Technical & Operations Director Opera North
- 34 Mark Skipper Chief Executive Northern Ballet
- 35 Sheena Wrigley Chief Executive West Yorkshire Playhouse
- 36 Sara Maxfield Area Director North Arts Council England
- 37 Michelle Dickson Director of Touring and York office Arts Council England
- 38 Ian Tabbron Op & ballet review and capital projects North Arts Council England
- 39 **Fiona Spiers Head of the Heritage Lottery Fund for Yorkshire and the Humber Heritage Lottery Fund - TBC**
- 40 Tony Stephens Assistant Director Culture and Tourism City of Bradford Metropolitan District Council Department Regeneration and Culture
- 41 Julia Potts UK Business Development Director Ambassador Theatre Group
- 42 Nick Thomas Chairman Qdos Entertainment and HQ Theatres
- 43 Derek Nichols Trustee HQ Theatres
- 44 Julian Russell Chief Executive Officer HQ Theatres & Hospitality HQ Theatres
- 45 Nick Reed General Manager SMG group
- 46 Jon Barrenechea Project Development Manager Picturehouse Cinemas Ltd
- 47 Alistair Oatey Director of Operations Picturehouse Cinemas Ltd
- 48 Alex Reedijk General Director Scottish Opera
- 49 Christopher Barron Chief Executive Birmingham Royal Ballet
- 50 Stewart Griffiths Chief Executive Birmingham Hippodrome
- 51 Debbie Oxtoby Principal Legal Officer Commercial Property Leeds City Council



#### **Appendix 4 – About the consultants**

The FEI team consists of three senior consultants who have many years experience in managing or advising theatres and their Boards. The team was led by FEI Managing Director, Nick Dodds who undertook the majority of the interviews. FEI Associate Director and qualified accountant John Mortlock reviewed the current position of LGTOH, looking at the issues underpinning the operating deficit and identifying the strengths and weaknesses of the business model. Specialist lawyer Sean Egan completed the team and contributed to the risk assessment and legal issues arising from the options.

**Nick Dodds** was Chief Executive of Brighton Dome, a three venue theatre and concert hall operation, where he managed the refurbishment and transfer from the Local Authority to an independent trust. He was Chief Operating Officer of the London 2012 Festival, Finance and Administrative Director of Edinburgh International Festival and is a Board Member of UK Theatre. As a consultant he has advised many venues and arts organisations on strategy and business models, both in the UK and internationally.

**John Mortlock** is an experienced senior finance professional with extensive experience in the cultural sector, particularly cultural venues. He was Finance Director of the Royal Opera House, London and Senior Financial Advisor to the London 2012 Festival and Cultural Olympiad and has a background in insurance, IT and consulting. He specialises in business modelling, operational planning and delivery.

**Sean Egan** is a leading UK theatre lawyer, specialising in arts charities, trustee responsibilities, governance and constitutional issues. He was a Partner in London law firm Bates Wells Braithwaite from 1999-2014 where he advised on legal structures of cultural assets including Council spin-outs. He advised the Broadway Theatre on the transfer, including TUPE, to Barking and Dagenham Council and he advised Southampton City Council on a proposed new arts complex. He is a former Trustee of the Young Vic, Headlong Theatre, Random Dance, Hackney Empire and Fuel Theatre.