

## Leeds Grand Theatre: Potential Governance Options

### Background & Introduction

Following a review of a number of documents relating to proposed governance arrangements for the Leeds Grand Theatre & Opera House Ltd and its relationship with the Council (LCC), it is clear that a number of options are viable. The table below outlines the 'pros' and 'cons' of each option and provides recommendations in both the short- and longer-terms. An identification of key risks has then been included on the basis of the recommendations made. As such, the Working Group should consider:

- (a) Whether the options and their 'pros' and 'cons' are complete, accurate and timely;
- (b) Whether additional risks should be added;
- (c) What level of detail the risk assessment should go into; and
- (d) How, by whom and by when the risk assessment will be completed and reported in its first and ongoing iterations.

### Options

1. Do nothing
2. Change existing structure to have 5 elected members on Management Board with 4 independent members. Chair to be elected member and vice-chair to be independent.
3. Change existing structure to increase size of Board to 12-15 members.
4. Change to single Independent Trust.
5. Change to 2 Independent Trust: one for Grand Theatre, the other for City Varieties and Hyde Park Picture House
6. Change to 3 Independent Trusts, one for each venue.
7. Replace single charitable company with 3 charitable companies.
8. Maintain a single Management Board but have 3 separate Venue Sub-Boards without elected member representation on them and potentially 1 Executive Officer reporting on behalf of all venues to Mgt Board.
9. Contract a commercial operator to run Leeds Grand Theatre on LCC's behalf.
10. Carry out either option 2-9 above but find a partner for the Picture House (e.g. Leeds Metropolitan University) to maintain it
11. Carry out either option 2-10 above but introduce some LCC officers to the Board as well as elected members and independent members.
12. Carry out either option 1-12 above but remove LCC officers from acting as Advisors.
13. Carry out either option 1-13 above but appoint an independent Chair rather than an elected member.

## High-Level Option Appraisal

No.	Option	Pros	Cons
1	<b>Do nothing</b>	<ul style="list-style-type: none"> <li>No changes need to be made, therefore no delays in liaising with Charity Commission and at a time of significant capital works</li> <li>Retains LCC influence and LCC more likely to put cultural and reputational impact higher than commercial gains of LGT</li> <li>Continued opportunities for cross-subsidy/mutual support between venues</li> <li>Continuation of pooled resources and economies of scale in purchasing etc.</li> <li>LCC can closely monitor and controls costs</li> <li>Direct link to Council priorities</li> </ul>	<ul style="list-style-type: none"> <li>LGT is not and is not perceived to be independent of LCC &amp; political considerations may subsume appropriate management considerations</li> <li>Board may lack range of skills required to run such an organisation</li> <li>Board may lack contacts in the business world restricting its access to skills, experience and funding opportunities</li> <li>Potential for poor governance and management</li> <li>As a 'controlled company', LGT may continue in 'cautious' mould, bringing its own artistic and financial restrictions</li> <li>Operational issues dominate Management meetings</li> <li>LCC liable for unplanned deficits</li> </ul>
2	<b>Move to 5 elected members on Management Board with 4 independent members: NB - elected member as Chair &amp; independent member as vice-chair with LCC officers acting as Advisors</b>	<ul style="list-style-type: none"> <li>If appropriately selected, Board members will have right range of skills and experience</li> <li>Some independence with 4 non-LCC members, favourable to Charity Commission</li> <li>Easy to implement as no major change so little liaison with Charity Commission required and little impact on capital works. This will allow time for longer-term arrangements to be put into place if required.</li> <li>Executive Board has already agreed in Jan 05 to reduce no. of elected members from 9 to 6 with 3 independent members</li> <li>Retains LCC influence and LCC more likely to put cultural and reputational impact higher than commercial gains of LGT</li> <li>Continued opportunities for cross-subsidy/mutual support between venues</li> <li>Continuation of pooled resources and economies of scale in purchasing etc.</li> </ul>	<ul style="list-style-type: none"> <li>LGT is not and is not perceived to be fully independent of LCC as elected members in majority and hold the Chair &amp; LCC officers act as advisors. i.e. conflicts of interest. Also, political considerations may subsume appropriate management considerations.</li> <li>Good practice documents recommend larger Board (see option 3 below) so 9 may be too small to accommodate breadth and depth of skills required</li> <li>Charity Commission's preference is 'not to confer a power on local authorities to nominate all or a majority of trustees'</li> <li>As a 'controlled company', LGT may continue in 'cautious' mould, bringing its own artistic and financial restrictions</li> <li>Operational issues dominate Management meetings</li> <li>LCC liable for unplanned deficits</li> </ul>
3	<b>Increase size of Board: 12 -15 members and restrict elected members to</b>	<ul style="list-style-type: none"> <li>If appropriately selected, Board members will have right range of skills and experience and by increasing size of Board, opportunity provided to inject substantial additional mix of skills and expertise.</li> </ul>	<ul style="list-style-type: none"> <li>Financial implications as more members on Board</li> <li>If elected members in majority, see cons for option 2 above</li> <li>As a 'controlled company', LGT may continue in 'cautious' mould, bringing its own artistic and financial restrictions</li> </ul>

No.	Option	Pros	Cons
	<b>either majority or minority with or without LCC officers acting as Advisors (see option 13 below)</b>	<ul style="list-style-type: none"> <li>• If elected members in minority, significant independence achieved, favourable to Charity Commission</li> <li>• Liaison is required with Charity Commission so this will be a longer-term option.</li> <li>• Retains some LCC influence and LCC more likely to put cultural and reputational impact higher than commercial gains of LGT</li> <li>• Continued opportunities for cross-subsidy/mutual support between venues</li> <li>• Continuation of pooled resources and economies of scale in purchasing etc.</li> </ul>	<ul style="list-style-type: none"> <li>• LCC liable for unplanned deficits</li> </ul>
<b>4</b>	<b>Move to single Independent Trust (IT) status with 12-15 members on Mgt Board (elected members in minority with 1 as vice-chair) and an independent chair either with or without LCC officers acting as Advisors (see option 13 below)</b>	<ul style="list-style-type: none"> <li>• Significant independence achieved, favourable to Charity Commission and more likely to attract inward investment, corporate sponsorship and support from Trusts &amp; Foundations.</li> <li>• Freedom from administrative and financial restraints of LCC.</li> <li>• Well-established model used by many other regional repertory and presenting theatres &amp; recommended by AEA report [with caveat that should be a gradual change]</li> <li>• 12-15 members on Board recommended</li> <li>• Continued opportunities for cross-subsidy/mutual support between venues</li> <li>• Continuation of pooled resources and economies of scale in purchasing etc.</li> <li>• LCC no longer viable for paying off deficits [although LCC subsidy may have to increase to cover any such deficits]</li> </ul>	<ul style="list-style-type: none"> <li>• Winding-up of existing controlled company structure and transfer of assets to new company</li> <li>• Delays incurred by need to involve Charity Commission of up to 1 year</li> <li>• Increased financial exposure (through either nil/reduced annual funding or unfavourable allocation of reserves at outset or no safety net in years of deficit)</li> <li>• Loss of continuity in management, chair and governance structures</li> </ul>
<b>5</b>	<b>Move to 2 Independent Trusts, 1 for Grand Theatre, 1 for City Varieties &amp; Hyde Park Picture House</b>	<ul style="list-style-type: none"> <li>• As for option 4 above</li> <li>• Allows dedicated Board to concentrate on Grand Theatre and another for other City Varieties &amp; Hyde Park Picture House, benefits in profile and programming terms</li> <li>• Limited continued opportunities for cross-</li> </ul>	<ul style="list-style-type: none"> <li>• Financial implications: increase in resource requirements and running costs due to loss of economies of scale, cross-subsidy, increased administrative functions and loss of purchasing strength</li> <li>• More trustees needed</li> <li>• More complex governance arrangements required</li> </ul>

No.	Option	Pros	Cons
		subsidy/mutual support between venues <ul style="list-style-type: none"> <li>• Limited continuation of pooled resources and economies of scale in purchasing etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Significant input required from Charity Commission leading to approve new structures and transfer assets as appropriate leading to delays of &gt;1 year.</li> <li>• City Varieties and Hyde Park Picture House may struggle more on their own due to their historical deficits</li> <li>• Potential for direct competition between Grand Theatre and City Varieties</li> <li>• Transfer of assets required from existing to new structure plus between the 3 venues</li> <li>• Loss of continuity in management, chair and governance structures</li> </ul>
6	<b>Move to 3 Independent Trusts, one for each venue</b>	<ul style="list-style-type: none"> <li>• As for option 4 above</li> <li>• Allows dedicated Board to concentrate on each venue, benefits in profile and programming terms</li> <li>• Current financial administrative arrangements already mostly based on 'three venue' model</li> </ul>	<ul style="list-style-type: none"> <li>• Financial implications: increase in resource requirements and running costs due to loss of economies of scale, cross-subsidy, increased administrative functions and loss of purchasing strength</li> <li>• More trustees needed</li> <li>• More complex governance arrangements required</li> <li>• Significant input required from Charity Commission leading to approve new structures and transfer assets as appropriate leading to delays of &gt;1 year.</li> <li>• City Varieties and Hyde Park Picture House may struggle more on their own due to their historical deficits</li> <li>• Potential for direct competition between Grand Theatre and City Varieties</li> <li>• Transfer of assets required from existing to new structure plus between the 3 venues</li> <li>• Loss of continuity in management, chair and governance structures</li> </ul>
7	<b>Replace current charitable company with 3 charitable companies</b>	<ul style="list-style-type: none"> <li>• Allows dedicated Board to concentrate on each venue, benefits in profile and programming terms</li> <li>• Current financial administrative arrangements already mostly based on 'three venue' model</li> </ul>	<ul style="list-style-type: none"> <li>• Financial implications: increase in resource requirements and running costs due to loss of economies of scale, cross-subsidy, increased administrative functions and loss of purchasing strength</li> <li>• More trustees needed &amp; may not be able to find sufficient with appropriate skills and experience</li> <li>• More complex governance arrangements required</li> <li>• Significant input required from Charity Commission to approve</li> </ul>

No.	Option	Pros	Cons
			<p>new structures and transfer assets as appropriate leading to delays of &gt;1 year.</p> <ul style="list-style-type: none"> <li>• City Varieties and Hyde Park Picture House may struggle more on their own due to their historical deficits</li> <li>• Potential for direct competition between Grand Theatre and City Varieties</li> <li>• If elected members continue to act as sole trustees - see cons for option 1 above.</li> <li>• Loss of continuity in management, chair and governance structures</li> </ul>
8	<p><b>Maintain a single Management Board (size &amp; no. of elected members to be determined) but have 3 separate Venue Sub-Boards without elected member representation on them and potentially 1 Executive Officer reporting on behalf of all venues to Mgt Board</b></p>	<ul style="list-style-type: none"> <li>• Allows dedicated Sub-Board to concentrate on each venue, benefits in profile and programming terms</li> <li>• Current financial administrative arrangements already mostly based on 'three venue' model</li> <li>• This model tried and tested at Yorkshire Museums, Libraries &amp; Archive Council</li> <li>• Retains benefits of cross-subsidy, purchasing power and pooled administration</li> <li>• Board meetings freed up to consider strategic and integration issues, not operational management considerations</li> <li>• Minimal resource input to implement and, if found to not be working, easy to remove this model</li> <li>• Opportunity to increase participation of non-Council representatives</li> <li>• Continuity for operational management even if Management Board changes (e.g. due to political change at LCC, unable to recruit appropriate independent members, sickness etc.)</li> </ul>	<ul style="list-style-type: none"> <li>• Potential financial implications due to increase in staff resource requirements</li> <li>• Possible delays incurred by input from Charity Commission</li> <li>• Potential for competition between Grand Theatre and City Varieties</li> <li>• Venue managers would compete for same resources from Board</li> <li>• If elected members continue to act as sole trustees - see cons for option 1 above. However, if some independent members on Board, see pros for options 2 and 3 above.</li> <li>• If lottery funding dependent on venue-specific constitution, this model does not satisfy that condition</li> </ul>
9	<p><b>Find a commercial operator to run Leeds Grand Theatre on LCC's behalf</b></p>	<ul style="list-style-type: none"> <li>• This model already in place elsewhere - however, most commercial operators principally seek to run large-scale theatres</li> <li>• Commercial operator can achieve economies of scale and negotiate block bookings of shows</li> <li>• LCC protected against any deficits - losses met by operator</li> </ul>	<ul style="list-style-type: none"> <li>• This could result in the ACE grant (13.5m) having to be repaid as well as prejudicing any further award for phase 2</li> <li>• Most commercial operators principally seek to run large-scale theatres so unlikely to want to take on City Varieties &amp; Hyde Park Picture House</li> <li>• Without adequate contract/SLA/documented KPIs, a commercial operator may not focus on best interests of Leeds,</li> </ul>

No.	Option	Pros	Cons
			audience requirements etc. <ul style="list-style-type: none"> <li>Limited number of commercial operators outside London's West End</li> <li>Costs to LCC could increase: e.g. payment of annual management fee plus fixed subsidy and loss of any profit (which would all go to operator)</li> <li>Opera North and Northern Ballet (NBT) may lose out as commercial operator may not wish to continue allocating set weeks of programming at Grand Theatre to them without significant financial incentive from LCC</li> </ul>
10	<b>Do either options 2-9 above but find a partner for the Picture House (e.g. Leeds Metropolitan University) to maintain it</b>	<ul style="list-style-type: none"> <li>Currently, greatest deficits and falling audience figures in Hyde Park Picture House: with a partner who could regenerate it and introduce additional uses of it (e.g. as film studies resource), it would be used more often and provide greater benefits to Leeds</li> <li>Partner could focus solely on needs of the Picture House without distraction by Grand Theatre's &amp; City Varieties' considerations</li> </ul>	<ul style="list-style-type: none"> <li>The transfer arrangements required by the Charity Commission may limit the potential for the partner to make it more viable.</li> <li>Partner inherits a financially unviable business</li> </ul>
11	<b>Do either options 2-10 above but don't have any elected members on the Board: Management Board could be LCC officers and/or independent members</b>	<ul style="list-style-type: none"> <li>Complete independence from LCC, potentially favourable to Charity Commission and other funding bodies</li> <li>Less political implications</li> <li>Potential for greater continuity as elected members subject to change in local elections and annual reelection to board</li> <li>Potential for greater skills mix</li> </ul>	<ul style="list-style-type: none"> <li>Current Articles state there must be elected member involvement</li> <li>If no LCC involvement, Board may not focus on best interests of Leeds, audience requirements etc.; financial implications may subsume all other considerations.</li> <li>If no LCC involvement, potential for no or little link to LCC priorities and Vision for Leeds.</li> <li>LCC officers may not have the time to take on this dual role.</li> <li>If LCC officers on Board, may lead to conflict of interest.</li> </ul>
12	<b>Do either options 2-10 above but have some LCC officers on Board as well as elected members and independent members</b>	<ul style="list-style-type: none"> <li>As for all options above (with exception of Option 9)</li> </ul>	<ul style="list-style-type: none"> <li>LCC officers may not have the time to take on this dual role.</li> <li>If same officers providing advice, significant conflicts of interest. [However, this could be negated if Option 13 below implemented]</li> </ul>
13	<b>Do either options 1-12 above but have no LCC officers acting as</b>	<ul style="list-style-type: none"> <li>Increased independence and no conflict of interest, favourable to Charity Commission</li> <li>Frees up LCC officers' time</li> </ul>	<ul style="list-style-type: none"> <li>Venues would have to seek this experience (e.g. financial &amp; legal) externally leading to increased costs and possible increase in grant/subsidy from LCC to cover this</li> </ul>

No.	Option	Pros	Cons
	<b>Advisors</b>	<ul style="list-style-type: none"> <li>• Potential to source external advisors with more specific expertise in theatres</li> </ul>	
<b>14</b>	<b>Do either options 1-13 above but with an independent Chair rather than an elected member</b>	<ul style="list-style-type: none"> <li>• As for all options above bar 5, 6, 7 and 11.</li> <li>• Independence from political considerations easier to prove</li> <li>• Free from possible disruption to management continuity due to LCC elections</li> </ul>	<ul style="list-style-type: none"> <li>• Potential for no or little link to LCC priorities and Vision for Leeds</li> <li>• Loss of LCC control</li> </ul>

## Recommendations

**Short- to medium-term:** undertake either option 2 or 3 above as transitional arrangement until longer-term arrangements can be made. However: neither stage should be rushed - it is essential to appoint the right people to the Board utilising appropriate structures even for a transitional arrangement.

**Longer-term:** move to Independent Trust **or** stick with transitional arrangement if this has worked well. However, if an Independent Trust model is agreed, further consideration is required as to the number - e.g. 1 or 2 Independent Trusts or even 3. Again, for all options, there is the further need to consider the Board makeup (e.g. number and elected member representation plus possible representation from LCC officers [Option 12]), whether an independent member should act as Chair [Option 14] whether LCC officers should continue to act as Advisors (financial, legal etc.) [Option 13], whether a partner should be found for the Picture House [Option 10] and whether separate Venue Sub-Boards should be established [Option 8].

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