Appendix Two – Governance Models (Detailed Review)

Introduction

This appendix provides a detailed review of the governance models summarised in the main report. It is intended to support Members and officers by setting out the practical implications, strengths, risks, and commissioning considerations associated with each model.

The purpose of this section is not to introduce new options, but to expand on those identified within the options appraisal, enabling a more informed comparison of how different operating structures may perform in practice.

In particular, this appendix considers how each model balances:

- Financial sustainability and risk transfer
- Cultural and community outcomes
- Operational capability and market access
- Governance complexity and level of Council control

The following sections outline each governance model in turn.

Commercial Operator Model

Overview

Under this model, a commercial operator would lease and operate the venue, focusing on maximising revenue generation, operational efficiency, and programming scale. This approach typically involves a long-term lease arrangement with defined performance and reporting obligations.

Strengths

- **Financial sustainability** – reduces or eliminates public subsidy requirements
- **Access to touring productions** – strong industry relationships enable higher-profile programming
- **Operational efficiency** – established systems, staffing models, and commercial disciplines
- **Audience development** – national marketing reach and database access

Risks / Limitations

- **Profit-driven focus** – potential prioritisation of commercial content over community outcomes
- **Reduced flexibility for local programming** – limited access for grassroots and community use
- **Reduced Council control** – long-term lease arrangements limit direct influence

Key Considerations / Commissioning Approach

- Typically structured as a **lease or land transaction**, potentially outside PA23 if correctly framed
- Cultural and community requirements should be embedded through **KPIs and contractual obligations**
- Careful balance required between **risk transfer and cultural protection**

Charitable Trust Model (CIO preferred; CLG alternative)

Overview

A charitable trust model places the venue within an independent, not-for-profit structure focused on public benefit. A Charitable Incorporated Organisation (CIO) is typically preferred due to its streamlined governance, though a Company Limited by Guarantee (CLG) may be used where legacy arrangements exist.

Strengths

- **Public benefit focus** – strong alignment with cultural and community objectives
- **Access to funding** – eligibility for grants, philanthropy, and Gift Aid
- **Reinvestment of surplus** – asset lock ensures profits are retained locally
- **Balanced model** – combines cultural delivery with financial discipline

Risks / Limitations

- **Ongoing subsidy requirement** – unlikely to be fully self-sustaining
- **Governance dependency** – success relies on strength and capability of the Board
- **Mobilisation complexity** – requires time to establish or transition

Key Considerations / Commissioning Approach

- Can be commissioned via:
    - **Lease/land transaction with funding agreement**, or
    - **Service contract under PA23** (if applicable)
- Requires clear definition of:
    - Governance structure and Board capability
    - Transitional support and mobilisation plan
    - Cultural and financial KPIs

Arms-Length Management Organisation (ALMO)

Overview

An ALMO is a Council-owned company operating at arm's length, providing greater operational flexibility while retaining public ownership and strategic control.

Strengths

- **Retains public ownership** while enabling operational independence
- **Greater commercial flexibility** than direct Council management
- **Access to external funding** opportunities
- **Structured governance** with Council representation

Risks / Limitations

- **Continued reliance on Council support**
- **Risk of commercial drift** without strong governance controls
- **Governance complexity** requiring robust leadership and oversight
- **Limited private sector investment potential**

Key Considerations / Commissioning Approach

- Requires establishment of a **formal governance structure and Board**
- Clear **financial framework and subsidy expectations** must be defined
- Strong performance management and reporting essential

Tenant Management Organisation (TMO)

Overview

A TMO is a community-led governance model where local stakeholders take responsibility for management and programming, typically suited to smaller-scale or highly localised venues.

Strengths

- Strong community engagement and ownership
- Responsive and locally driven programming
- Supports local creative sector development
- Potentially lower operating overheads

Risks / Limitations

- Limited commercial and operational expertise
- Financial sustainability challenges
- Governance and decision-making risks
- Reduced ability to attract major touring productions

Key Considerations / Commissioning Approach

- Best suited to **smaller venues or defined programme elements**
- May require **professional management support or hybrid structures**
- Not typically appropriate as a standalone model for larger venues

Positioning

TMOs are most effective where community leadership is the priority but are unlikely to deliver the scale or financial resilience required for a venue of this nature without additional support.

Hybrid Models (ALMO / Trust with Community Integration)

Overview

Hybrid approaches combine elements of different governance models, for example an ALMO or Trust structure with embedded community-led programming or advisory groups.

Strengths

- Balances financial sustainability with cultural integrity
- Maintains Council oversight while enabling flexibility
- Supports both professional and community programming

Risks / Limitations

- Increased complexity in governance and delivery
- Potential for blurred accountability
- Requires strong leadership and clarity of roles

Key Considerations

- Clear delineation of **responsibilities and decision-making authority**
- Structured governance framework with defined reporting lines
- Alignment of **financial and cultural objectives**

Managed Services (Delivery Mechanism)

Overview

Managed services are not a standalone governance model, but a delivery mechanism that can operate alongside any of the models above. They involve outsourcing specific functions or leadership roles to specialist providers under defined contracts and KPIs.

Strengths

- Access to specialist expertise (e.g. ticketing, marketing, catering, FM)
- Rapid mobilisation and capability uplift
- Flexible and scalable approach
- Performance-driven through KPIs and open-book reporting

Risks / Limitations

- Requires strong contract management
- Potential dependency on external providers
- Cost control required to ensure value for money

Key Considerations / Commissioning Approach

- Typically procured via **Open or Competitive Flexible Procedure under PA23**
- Contracts should include:
    - Clear **KPIs and service levels**
    - **Gainshare mechanisms**
    - **Open-book reporting**
    - Step-in and termination rights

Managed Services – Leadership & Content Strategy

In addition to operational functions, managed services can provide expert leadership and programming strategy, including:

- Programme design and curation
- Audience development and CRM strategy
- Pricing and yield management
- Sponsorship and commercial partnerships

Commercial Structures:

- Retainer + gainshare
- Milestone-based fees
- Time-limited "build–transfer" models

Governance:

- Retained by Council or operator via Programme Board
- Defined approvals and reporting structures

Conclusion

In practice, the preferred approach may combine elements of these models. For example:

- A **Trust or commercial lease** supported by managed services; or
- A **hybrid structure** balancing community access with commercial delivery

This flexibility allows the Council to tailor governance, risk, and operational delivery to its strategic priorities, ensuring that the future operation of the venue is both sustainable and aligned with wider cultural objectives.