Consultancy Study on Mode of Governance of the Performing Arts Venues of the West Kowloon Cultural District

Executive Summary
October 2010
EXECUTIVE SUMMARY

The purpose of this study is to consider and recommend the most suitable mode of governance and external relationships with Government and non-Government organisations for the new performing arts (PA) venues of the West Kowloon Cultural District (WKCD). The brief required the identification and analysis of the structures, policies and practices of comparable venues in other countries and continents. 18 venues were chosen as 'benchmarks', with additional research undertaken at other venues. The 18 venues included operator models from the statutory, non-profit and commercial or private sector.

This Executive Summary presents key findings from the venue research undertaken, and highlights the consultants’ principal recommendations. The diagram below illustrates the Study methodology and the scope of the recommendations provided:

Following preparation of a Draft Final Report, three consultation sessions were organised with a range of stakeholders within the arts and entertainment industry in Hong Kong. This Final Report incorporates a number of amendments in response to feedback received at these consultation sessions.
The Role of the West Kowloon Cultural District Authority (WKCDA) Board

The following sections present the consultants’ findings, along with recommendations on operator arrangements for each of the Performing Arts (PA) venues. An outline of the process for determining funding levels for PA venues, and comment on hiring charges, sponsorship protocols and other related matters is also provided.

Each element of the governance arrangements for the PA venues will be determined within the framework of WKCDA policies and objectives. It is important, therefore, to explain the overall framing role which is envisaged for the WKCDA Board.

Under the WKCDA Ordinance, the Board of WKCDA has responsibility for and authority over all aspects of WKCDA activities. In common with corporate Boards, it is the Board’s prerogative to decide what it wishes to delegate – to sub-committees, subsidiary entities, the Chief Executive Office (CEO) or otherwise – while retaining ultimate responsibility. Given the high public profile of the PA venues it is assumed that the Board will want to keep a close watching brief on the operational set-up, on the continuing performance and on periodic reviews of the PA venues. It is recommended that the WKCDA Board be involved in:

- determining the mode of governance for PA venues
- monitoring and periodically reviewing PA governance issues
- approval of the Terms of Reference for the Performing Arts Committee
- approval of any internal WKCDA staffing structure related to the PA venues (including manpower and remuneration, although individual appointments would be the responsibility of the CEO or Performing Arts Executive Director (ED))
- approval of a site-wide cultural policy or charter
- approval of the objectives and strategic directions for each PA venue (or venue cluster), and ensuring that these align with the WKCDA’s overall strategic direction
- approval of the financial parameters (including budget) for the operation of PA venues (to inform procurement, selection and negotiation procedures), including the arrangements for any financial rewards or penalties linked to PA operator performance
- approval of the operator procurement process
- approval of individual operator and the respective operator contracts (or internal management or subsidiary arrangements) of each PA venue
- approval of the framework for the establishment of residencies
- approval of the strategic plan and annual business plan for each PA venue
- receipt of quarterly reports and annual reports from the operators, for reviewing organisational performance against published mission statement and performance targets
- annual or twice-yearly presentations from, and discussion with, the operators
- periodic site-wide reviews of PA venue operator arrangements (perhaps every five years)
- determining the functions to be provided as site-wide services, for example, ticketing, marketing, sponsorship
- approval of the set-up of any dedicated entities related to PA functions for example, the proposed marketing consortium
Prior to preparing the brief for the potential operators of the PA venues, the Board will need to clarify:

- a statement of overall purpose for each PA venue
- whether there are to be any resident companies, what criteria to use in selecting resident companies, what residents’ accommodation should be planned into the District, and what the obligations of residents and venue operators should be to each other
- whether any 'social pricing' obligations are to be imposed on operators and who would meet the cost of this.
- how far audience development initiatives should be mandated or encouraged in the District
- what discretion the venue operators will have with regards to the operation of retail, catering and bar activities, and which retail and dining elements will be managed separately from the venue operators. Given the potential for significant income generation from these trading areas, WKCDA will need to determine who benefits from the income flow
- how asset management obligations will be framed between WKCDA and the individual operators
- which operating functions will be clustered or provided as District-wide delivery arrangements (for example, premises maintenance, cleaning, security, ticketing, possibly aspects of corporate functions servicing) and will therefore be excluded from the agreements with venue operators.

In view of the wide-ranging and demanding scope of Board business for WKCDA it is assumed that the Board will want to exercise its oversight responsibilities for the PA venues in as time-efficient a manner as possible. For this reason, it is proposed that the Board maintain a small Performing Arts Committee with terms of reference focused around the set-up, monitoring, and performance review of the PA venues, and that such a Committee will include two or three Board members (including the Committee’s Chair), and an appropriate range of theatre, producing arts and other expertise. The role of the Performing Arts Committee, and that of the CEO and Performing Arts ED with regard to the governance of the PA venues, is outlined below.

FINDINGS

Policy Contexts

The current vision for the WKCDA is underpinned by a series of widely drawn objectives set out in section 4(2) of Part 2 of the West Kowloon Cultural District Authority Ordinance 2008. These are statutory requirements that must be met by the WKCDA:
a) to facilitate the long-term development of Hong Kong as an international arts and cultural metropolis;
b) to uphold and encourage freedom of artistic expression and creativity;
c) to enhance and promote excellence, innovation, creativity and diversity in arts and culture;
d) to enhance the appreciation of a diverse and pluralistic range of the arts;
e) to develop new and experimental works in arts and culture;
f) to cultivate and nurture local talents in the arts (including local artists) and local arts groups and arts-related personnel;
g) to encourage wider participation by the local community in arts and culture;
h) to promote and provide arts education to the local community;
i) to facilitate the development of cultural and creative industries;
j) to facilitate and enhance cultural exchange and co-operation between the mainland of China, Hong Kong and any other place;
k) to facilitate and enhance co-operation between any Government or non-Government body or organisation and providers of the arts, within and outside Hong Kong;
l) to encourage community, commercial and corporate support and sponsorship of arts and culture;
m) to provide or facilitate the provision of free and accessible open space within the WKCD to the general public; and
n) to strengthen the position of Hong Kong as a tourist destination.

These objectives were based on a report of the Consultative Committee on the development of WKCD in 2007/08. This, in turn, drew upon the work of the Performing Arts and Tourism Advisory Group (PATAG), which set out a series of guiding principles for the proposed performing arts facilities, which included, amongst others:

- the performing arts facilities should be capable of meeting the long-term development needs of arts and culture and contribute to maintaining and sustaining the diversity and vibrancy of the performing arts scene
- both hardware and software should promote artistic excellence [so] ... becoming a world-class arts and cultural, entertainment and tourism district
- WKCD should be a hub for local and international creative talents and promote creative industries
- there should be capacity for arts education and audience building both inside and outside Hong Kong
- performing arts facilities should be generally affordable to both performing arts groups and audiences so as to encourage maximum participation
- the performing arts facilities should strive to operate on a self-financing basis with a level playing field and a healthy degree of competition amongst venues and performing arts groups.

Several of these principles have implications for the mode of procurement, governance and management of the new PA venues in WKCD.
Overseas Experience

Key findings from the overseas venue benchmark research included:

**Owner and operator framework**
- the importance of setting a clear purpose for the venue, and articulating this accurately
- clear allocation of responsibilities between the owner and venue operator – with expectations laid out in leases, funding agreements or other forms of contract
- the value of day-to-day autonomy for the venue’s management – both private and non-profit sector interviewees stressed the importance of avoiding unnecessary bureaucracy to ensure efficient decision-making
- the benefit of adopting a whole-of-life asset management plan for each venue, and ensuring adequate resources are set aside, including long-term capital budgeting
- the retention of some functions at corporate headquarter level rather than venue level in professional theatre management groups.

**Programme content**
- the presence of resident companies at several of the benchmarked venues, and the cultivation of artistic partnerships and other long-term relationships
- the presence of sophisticated education, learning, and community engagement functions
- the active role adopted by many of the (non-arena) venues in producing and co-producing work in order to complement the work of resident companies and to build audience loyalty and interest; and the cooperative programming agreements in evidence at the Lincoln Center and LA Music Center.

**Commercial activity**
- the commitment to sponsorship and fundraising activity, and the engagement of Boards and senior management in this activity
- the evolution of sophisticated retail and catering operations which animate the venues both day-time and night-time, and provide a reliable income stream (in some venues this includes car-parking income).

**Leadership and performance**
- the importance of highly experienced and dedicated staff in venue leadership positions
- the commitment to stakeholder relationship building, with some organisations devoting significant senior staff and Board time to this
- the adoption of performance measures and/or regular written reports for internal monitoring and accountability, and for external reporting to stakeholders.

**Operator Types**

A range of performing arts venue operator types are evident overseas. These include:

- independent non-profit entities that are established for the purpose of operating a single venue
- statutory bodies
- educational institutions that operate one or more venues situated within or owned by
  the institution
- Government arts and cultural departments that directly manage performing arts
  facilities
- Government-owned corporations
- professional theatre management companies that are contracted by the owner to
  provide venue management services.

The model that is least common in the Hong Kong environment is the professional
management group. Typically these are commercial companies which operate a number
of venues, and can bring a level of expertise and experience that may not be available to
a single operator. The term ‘commercial’ relates to the legal status of the operator –
indicating a company that distributes profits to its owners – not to the financial
arrangements agreed for the specific venue. Where professional venue management
companies are contracted to run PA venues it is normal for:

- specific programming outcomes to be required of the operator in line with the venue
  owner’s philosophy and objectives
- obligations to resident companies, local arts organisations or other nominated users
  to form part of the management agreement
- hiring charges, ticket pricing parameters and access policies to conform to an agreed
  framework
- management fees and programme subsidy levels to be confirmed in advance
- arrangements for sharing any financial surpluses (or positive variations against
  budget) to be confirmed in advance.

Hong Kong Context

The current arrangements for operation of PA venues in Hong Kong were reviewed as
part of the research process. Characteristics of the local performing arts ‘market’ include:

- because of its dominant position the Leisure and Cultural Services Department
  (LCSD) hiring charges and ticket pricing charges set the benchmark for the market.
  Subsidised ticket prices result in relatively low income from box office. Equally, hiring
  charges for non-profit organisations are heavily discounted
- venues and producing companies are both funded by Government
- only modest levels of support are secured in the form of sponsorship or philanthropy
- with the exception of the Fringe Club, individual venues do not have a developed
  producer or co-producer role
- most programming decisions in the LCSD venues are taken centrally rather than at
  the venue level; and for major venues the selection of hirers is the responsibility of
  an internal committee which is headed by the Deputy Director
- LCSD’s venue partnership scheme has provided priority hiring arrangements for
  some of the producing organisations
- there are very few performing arts venue staff outside the Government sector
- there are very few private/ commercial presenters or artists agencies in the arts
  sector.
RECOMMENDATIONS

Operator Selection

WKCD is not faced with a series of discrete and unrelated choices about the type of operator or about the specific individual operators it selects. The Authority will need to bear in mind the overall 'mix' which results from the possible individual choices. Taking this into consideration, the consultants propose that the following guiding principles be adopted to inform the Authority’s decision-making process:

1. For reasons of diversity, risk mitigation, flexibility and community acceptance no single operator will be appointed to manage all PA venues in the District. It is in WKCD’s interest to maintain a mix of operators, regardless of what category of operator is determined as most appropriate on a venue by venue basis. Equally, it will be advisable not to have a large number of PA operators on-site as this will preclude potential economies of scale and demand a high level of procurement and contract-management time on the part of the WKCD Executive team.

2. The selection of operators will be focused on the core arts and entertainment functions of programming, production, event marketing and partnership building. Other functions – such as ticketing, premises security, cleaning, and catering – may come under the control of the individual operator or may be provided on a District-wide basis, but this will form a secondary and distinct set of decisions.

3. An essential role for WKCD will be in specifying cultural and community outcomes, and monitoring their fulfilment. This will apply even where WKCD takes direct responsibility for operating a venue.

4. It is advisable for WKCD to source suitable independent operators who may have an interest and capacity in operating one or more venues in WKCD. However, since there is currently an under-developed operator market in Hong Kong – because Government has been the dominant operator of existing PA venues – there may be difficulties in finding suitable non-profit operators. Establishment of new entities or direct management by WKCD will only be the preferred delivery mechanisms where other forms of operation are unavailable or deemed ineffective to achieve the stated outcomes.

5. Best practice management behaviours are not endemic to one type of operator. Sponsorship success, relationship-building, clarity of planning, and management accountability are less linked to the form of operator than to the operator’s experience and commitment, and to the clarity with which the venue owner and/ or funder articulates expectations.

6. It is not assumed that the adoption or adaptation of an existing model from elsewhere will necessarily produce the best result for WKCD, even if there is much valuable overseas experience to draw from. Within the boundaries of sensible risk management there is an opportunity to consider new models and new forms of partnership at the inception of this unique cultural development.

7. It will be important to appoint the specific operators at an early stage of development, but also to avoid hasty decision-making on operators or operator-types. There are complex management and governance issues at stake, and these require appropriate reflection and debate.
The consultants’ operator recommendations are ‘provisional’ because they will need to be reviewed in the context of:

- the confirmed range of PA venues
- the phasing of construction of the venues
- clarification of the cultural, and other, objectives for each venue
- the views and relative strengths of the CEO and Executive team
- the level of market response to invitations to submit Expressions of Interest for venue operation.

The following table summarises the provisional operator recommendations:

<table>
<thead>
<tr>
<th>Venue Type</th>
<th>Provisional Operator Recommendation</th>
<th>Rationale</th>
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<tbody>
<tr>
<td>MPV</td>
<td>An existing venue management group, with financial arrangement dependent upon whether the operator is also an investor in the construction costs.</td>
<td>Experience, networks and economies of scale likely to generate better programming and financial results than any alternative approach. Minimises WKCD risk of failing to meet surplus targets for this venue; surplus will be needed to cross-subsidise other venues. Harnesses existing operators’ strengths.</td>
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<td></td>
<td>For logistical and managerial reasons it is recommended that the MPV be a stand-alone venue physically.</td>
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<td></td>
<td>In order to discourage market dominance it is proposed that the operator of the MPV be precluded from operating other PA venues.</td>
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<tr>
<td>Great Theatre 1</td>
<td>An existing venue management group, with financial arrangement dependent upon whether the operator is also an investor in the construction costs.</td>
<td>Experience, networks and economies of scale likely to generate better programming and financial results than any alternative approach. Minimises WKCD risk of failing to meet surplus targets for this venue; surplus will be needed to cross-subsidise other venues. Harnesses existing operators’ strengths.</td>
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<tr>
<td></td>
<td>Because the Great Theatre may accommodate long-run musicals, it is recommended that it be a stand-alone venue physically.</td>
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<tr>
<td>Great Theatre 2</td>
<td>Either an existing venue management group (which could be the same operator as for Great Theatre 1), or a newly established non-profit entity.</td>
<td>As for Great Theatre 1 above. However, the programming parameters may make a dedicated entity more appropriate for this Theatre (for example, if it is not intended to host long-running shows).</td>
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<tr>
<td>Medium-sized theatres 1 and 2</td>
<td>To be operated separately, one by an existing venue management group or non-profit operator, the other by a newly established non-profit, customised for this purpose, and probably with an artform-development mandate (for example, drama or dance house). The operator/s of the Great Theatres should be eligible also to tender for operation of one of the medium-sized theatres. Because it is proposed that these theatres be separately operated they should also be physically separate from each other (which will</td>
<td>Risk spreading and industry development – uses expertise that is available, but also builds independent managerial capacity. Increases WKCD flexibility to respond to changing environment in the future.</td>
</tr>
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<tr>
<td>Medium-sized theatres 3 and 4</td>
<td>To be operated by an existing venue management group or non-profit operator, or by a newly established non-profit, customised for this purpose, and with an artform-development mandate (for example, drama or dance house – but a different artform emphasis from the medium-sized theatre constructed during the earlier phase of WKCD’s development). An operator of one or both of the Great Theatres should be eligible also to tender for operation of one of the medium-sized theatres.</td>
<td>Selection of operator type can be determined in light of the choices made for operators of Medium-sized theatres 1 and 2 in the earlier phase of WKCD’s development.</td>
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<tr>
<td>Concert Hall</td>
<td>Existing venue management group or existing non-profit operator. The contract could be bundled with operation of the Great Theatre (and one medium-sized theatre) or issued to a separate operator. If no suitable contractor can be found, the Concert Hall could be operated by a newly established non-profit, customised for this purpose.</td>
<td>Experience, networks and economies of scale likely to generate better programming and financial results than alternative approaches. Harnesses existing operators’ strengths.</td>
</tr>
</tbody>
</table>
| Chamber Music Hall  | If the Hall is physically integrated with the Concert Hall it should be managed by the same operator. If it is physically separated (not under one roof) its operation may be:  
- bundled with the operator contract for one of the medium-sized theatres or the Concert Hall, or  
- undertaken by a newly established non-profit, customised for this purpose.  
If suitable design proposals emerge from the Concept Plan teams, the Chamber Music Hall could be physically integrated with one of the medium-sized theatres as an alternative to integration with the Concert Hall (or being a stand-alone venue). | More efficient to cluster with another venue’s operation, but not a high-risk or complex operation, and therefore relatively easy to be handled by a newly-established entity. |
| Xiqu Centre         | Newly established non-profit, customised for this purpose. Because Xiqu has its own distinctive cultural contexts, and calls for customised décor and ambience, it is recommended that this be a stand-alone venue. | The operator needs to have close knowledge of the artform, and to adopt a developmental role in relation to artform support, training, marketing and audience development. A customised entity is likely to be required. Builds local management capacity. |
| Four black box theatres | One black box theatre to be bundled with operation of one of the medium-sized theatres. | Balances efficiencies of scale with need to encourage creative freedom in these small venues. |
The advice provided in this report is that – other than the Piazzas and public domain areas – as many venues as possible should be operated independently from WKCD, but in pursuit of objectives established by WKCD. In the event that an appropriate existing operator cannot be procured for a specific venue or group of venues, it is recommended that WKCD establish a new entity to fill this gap, placing the entity at arms length from WKCD. The underpinning rationale for this advice is that:

1. With several venues to be opened in the initial phase – and possibly as many as 12 or 13 – taking direct operational responsibility represents an intense workload and high level of risk for WKCD.

2. While there is currently an under-developed operator market in Hong Kong – because Government has been the dominant operator of PA venues – there are many existing operators overseas (both commercial and non-profit) who may have an interest in operating one or more venues in WKCD. Over time, local expertise can be built and a local operator market nurtured. Indeed, in some cases, the transfer of knowledge can be part of the contracted operators’ obligations over a period of several years. WKCD is encouraged to take a long-term view of the evolution of the venues on-site, recognising that a fully home-grown management and governance structure can be achieved over five to ten years.

3. Through its contract specification and procurement negotiation processes WKCD can retain control over key aspects of the programme framework, the contractors’ obligations to resident or other local arts organisations, hiring and pricing policies, and the distribution of any financial surpluses. In the event that an independent operator underperforms, WKCD can establish alternative operating arrangements.

4. Direct operation of several of the venues by WKCD would represent a parallel arrangement to LCSD operation of PA venues. It is understood that Government’s
aspiration is to diversify the operator market, not to establish an operator duopoly of LCSD and WKCD.

5. Maintaining a purchaser-provider split, with WKCD adopting the purchaser role, will be more effective in protecting public interest and securing best value. Put simply, WKCD will be less compromising in ensuring independent operators deliver effectively and economically than it would be with itself if it were the provider. Moreover, focusing on policy articulation and contract specification will enable WKCD to concentrate on the bigger picture and maintain a strategic role in the Cultural District’s performing arts development.

6. The 2007 Financial Advisor Report identified that PA venues operated within the public sector were more expensive to run than venues run by independent operators. This is because public sector terms and conditions of employment are more generous than in non-profit organisations, and because commercial operators run a very tight ship in relation to cost control (and in some cases benefit from economies of scale by operating a large number of venues). It is probable that venues operated by WKCD will be more expensive to run than venues operated by either non-profit or commercial operators.

7. If the successes, failures, and public profiles of the PA venues are directly linked to WKCD on a day-to-day basis it will be very difficult to avoid stealthy (and possibly unintentional) influence of programming and other management decisions – for example discouraging controversial or challenging work which may bring unwelcome media coverage to the Authority. This runs counter to the objective of upholding and encouraging freedom of artistic expression and creativity, as stated in the WKCD Ordinance.

It is recommended that WKCD secure specialist client-side advice during the operator selection and negotiation process, from experienced PA venue operators who are free of any actual or perceived conflict of interest. In the case of those venues which are to be operated by existing commercial or non-profit entities it is recommended that a competitive process be established which enables WKCD to select on the basis of programming, organisational and financial merits of the proponents’ proposals. The criteria to be applied during selection may include, amongst others:

- programme excellence in the programme proposals submitted
- the quality of operator proposals for community engagement, education, and audience development
- contribution to industry capacity-building, commitment to training, knowledge transfer and local employment
- operational experience, especially in the fields most relevant for the venue types concerned
- quality of management and Board
- financial proposals and operator financial track record
- overall cost-effectiveness.

The weighting for each of these criteria may vary according to the individual venue-type.

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Bearing in mind the need to balance the benefits of diversity and an appropriate spreading of risk with the demands of monitoring contract compliance by and maintaining communication with a wide range of operator entities, it is recommended that WKCD seek to limit the number of operators of the PA venues to between four and eight, including WKCD itself.

It is recommended that several of the venues (whether comprising one auditorium or a cluster of two or more auditoria) be operated by newly-established non-profit entities. In some cases this is a fall-back position if the preferred option (appointment of an existing commercial or non-profit operator) cannot be secured. In other cases a newly-established non-profit entity is the preferred option. Advice has been provided on the responsibilities and appointment processes for the Boards of such non-profit entities.

**WKCD - Operator Relationship**

Regardless of the nature of the operator, the relationship between operator and WKCD should be framed by:

1. A common set of principles.
2. A collaborative and flexible approach to achieving WKCD’s objectives.
3. A clear planning and reporting framework.
4. Periodic review and contract-renewal processes and, where necessary, exit strategies.
5. A lease (or licence to occupy) and a linked management agreement which confirms the specific outputs required, and articulates items one to four above.

The purpose of the detailed planning regime proposed (lease, management agreement, strategic plan, annual business plan and budget – see ‘Funding’ below) is to allow the PA venue operators to get on with their business on a day-to-day basis, with periodic reporting to the Performing Arts Executive Director (ED), Performing Arts Committee, and WKCD Board. The Performing Arts ED, for example, will not have the power to ‘direct’ specific decisions of the venue operators. Ultimately, if WKCD is unhappy with the performance of a specific operator – or if an operator fails to comply with the terms of their management agreement or plans – WKCD will have the power to impose penalties or to terminate the agreement with that operator.

The proposed reporting structure is illustrated below, for an operator responsible for three venues:
Funding the PA Venues

The venue funding arrangements should be similar for both non-profit venue operators and commercial venue operators in WKCD. That is:

1. A management agreement should be prepared for each venue, specifying responsibilities of the operator and of WKCD.
2. A three-to-five year strategic plan should be prepared (initially by WKCD, in later years updated by the venue operators themselves for WKCD approval). This will restate the purpose of the venue, the rationale underpinning its programme, and the development priorities for the next few years. It will clarify the link between the venue and WKCD’s vision and objectives.
3. A draft annual business plan should be prepared (for the first year by WKCD, subsequently by the venue operators as above) which specifies short-term actions, programme outputs, organisational development and – most importantly for the funding agreement – the financial forecasts and asset management priorities for the next year. The draft annual business plan will be accompanied by a statement of funding required to deliver the programme and other outputs specified in the annual business plan. In the case of the MPV, and possibly the Great Theatres, there may be no funding required by the operator. Instead, there may be a proposed share of the anticipated surplus with WKCD (that is, funding will flow in the other direction).
4. The venue’s CEO (and, if agreed, selected Board members) will meet with the Performing Arts ED to discuss, and if necessary amend, the annual business plan and the accompanying financial projections, including cashflow.
5. The amended business plan should be submitted to the WKCD Board (via Performing Arts Committee) for approval.
6. The approved business plan should include targets, specify monitoring arrangements and be accompanied by a schedule of payments (subject to satisfactory performance).
The preparation of each year’s draft business plan may be influenced by a statement from WKCDA indicating its own short and medium-term priorities, and indicating likely funding parameters for each venue, to avoid dealing with unhelpful ambit claims.

**Hiring Charges**

Local arts organisations and other producers will seek reassurance that hiring charges for the PA venues are maintained at levels which make the venues affordable for a wide range of events and activities. Hire charges would be confirmed on a year-by-year basis through the process of approving the annual business plan and budget for each PA venue, and approving any financial support to be provided, or share in financial surplus to be enjoyed, by WKCDA.

It is recommended that any ‘subsidised’ hires are effected by allocating a budget or fund to provide support to selected/ priority hirers. Such a fund could be under the control of the PA venue operator, working to an agreed set of principles and priorities (for example, first call on the fund goes to local arts companies, then to arts companies from elsewhere, then to schools or other community users). Alternatively, the fund could be administered by the Performing Arts Committee, or a small Panel formed from this Committee. The establishment of a dedicated fund would confine the number of subsidised hires to a pre-determined level, and avoid undermining the venue operator’s capacity to optimise income (because the difference between subsidised and normal hiring charges would be made up from the fund).

**Resident Companies**

The presence of resident companies within the District will add to the vibrancy and character of WKCD, and have potential to enhance the brand of individual venues with which they are associated. It is recommended that medium and long-term residency relationships be considered as part of the organisational and programme planning for several of the PA venues. These would constitute partnership arrangements which include regular contributions to the venue’s programme. Such partnerships might be forged with local companies, mainland Chinese companies, and/or international companies. It is further proposed that a range of short-term residency schemes should complement any longer-term venue partnerships.

It is envisaged that medium and longer-term residency arrangements would only include full, dedicated accommodation (office, storage, and rehearsal) within a small number of PA venues, if any.

It is not recommended that any of the PA venues be directly operated by a resident company during the initial phase of WKCD’s realisation. However, this could be re-considered as an option during subsequent stages of development, especially in the case of one or more of the black box theatres, and possibly one of the medium-sized theatres.

**Sponsorship and Fundraising**
Sponsorship and fundraising are competitive activities. The challenge for WKCD is that the only satisfactory means of avoiding clashes (for example, WKCD and a venue operator simultaneously approaching the same sponsor for different activities), is to share information. It is noted, however, that some competing parties may be unwilling to do this; which is not an uncommon problem overseas. The following protocols are therefore suggested, for further discussion:

- venues to seek sponsorship and donations towards programme activities only – not towards venue enhancements, asset management, or equipment purchase (that is, capital improvements)
- venue development staff to meet regularly (perhaps monthly or bi-monthly) to discuss issues and trends, seek opportunities for joint sponsorship-seeking (for example, a sponsor might be interested to support education activities at several venues – packaged together this would be a more attractive sponsorship proposition)
- WKCD development staff to be invited to join such meetings
- WKCD might limit its sponsorship-seeking and donor-seeking to outdoor programmes (piazzas and other public domain areas), plus any fund-raising towards capital improvements – potentially via a foundation or similar fund-raising vehicle.

**External Relationships**

There is a wide range of agencies, cultural organisations, suppliers and other 'constituencies' which will be significant to the successful operation of the PA venues in WKCD. These include a range of external relationships which will need to be cultivated and managed at the level of the individual WKCD venue operator; and relationships which will need to be managed at the WKCD corporate level. Responsibility for building and maintaining these relationships will vary according to the status of the external contact and the strategic significance of any specific issues which are under consideration.

The means by which venue operators address the maintenance of these relationships does not need to be prescribed by WKCD, although the expectation that such relationships will be cultivated should be articulated in the management agreements with operators. With regards to WKCD external relationship management, it is recommended that a formal communications plan be adopted.

**Organisational Responsibilities**

The overall framing role of the WKCD Board was described above. It is recommended that the Board maintain a small Performing Arts Committee. The purpose of the Committee will be to provide expert advice and recommendations to the Board on matters relating to the performing arts venues, and to arts and entertainment activities throughout WKCD.

The Performing Arts Committee will advise and make recommendations to the WKCD Board with regard to:

- performing arts policy for WKCD
- the arts and entertainment programming policy and objectives for each PA venue in line with WKCD's overall strategic direction
- arts education and industry development related to the PA venues and to other arts and entertainment activity within WKCD
- the mode of governance of each of the PA venues, and the appointment of independent operators for the PA venues, including the appropriateness of engaging commercial operators or existing non-profit organisations, or forming customised entities
- overseeing the set-up of new and customised entities (if any) for operating individual venues/venue clusters
- overseeing and reviewing the in-house resources and systems for direct operation of any PA venues by WKCDA (whether through a business unit, subsidiary or direct line management)
- the scope and terms of management agreements with each independent operator, and confirmation of the annual business plan for each PA venue. The agreements and plans will include, amongst other elements, artistic and education programme directions and other output targets, stakeholder and public engagement obligations, parameters for hiring arrangements, classes of hiring charges, parameters for ticket pricing, venue use for resident companies (if any), cooperative programming and asset management responsibilities
- the scope and terms of service level agreements with staff or units within WKCDA responsible for operation of any PA venues or for delivery of arts and entertainment activity
- financial and other resource projections for the operation of the PA venues with reference to the Board’s stated vision and objectives, and in light of resource parameters and constraints communicated by the Board
- fundraising and sponsorship strategies and protocols related to PA venues and to other arts and entertainment activity within WKCD
- arts and entertainment programming policy and objectives in piazzas and other public domain areas
- the identification of potential resident companies and artists in the initial stages of WKCD’s establishment; the financial and other arrangements for such residencies; and the framework to guide development of future residency relationships between PA venues and potential resident companies and artists (that is, WKCDA may not be directly involved in such relationship-building in the longer-term, except where needed)
- based on the framework agreed by the WKCD Board, approval of the choice of resident companies (if any) proposed by venue operators.

The WKCD Board may choose to delegate decision-making authority to the Performing Arts Committee in respect of one or more of the preceding areas of responsibility.

On the Board’s behalf, the Performing Arts Committee will monitor the PA venues, including the performance of their operators, and the resident companies/artists through:

- establishing programme and other output targets for inclusion in the management agreements, service level agreements, and/or annual business plans
- receiving regular progress reports from the Performing Arts ED and the CEO (the format of such reports to be determined by the PAC and endorsed by the Board)
- arranging meetings with and presentations by the operators and resident companies/artists
periodically commissioning market research to ensure adequate and accurate customer feedback (for example, from audiences, hirers, sponsors, resident companies, and others)
- maintaining adequate knowledge of industry trends and developments.

On the Board’s behalf the Performing Arts Committee will also **guide the Performing Arts ED** in his/ her role, especially with regard to:

- relationship-building with PA venue operators, resident companies, artists and internal (WKCD) service providers
- linkage (as agreed with WKCD’s Board) to other strategic agencies, such as LCSD, Education Bureau, Hong Kong Tourism Board, and business sector agencies
- service development, programming policy, troubleshooting.

It is proposed that the Performing Arts Committee comprise the CEO, two or three members of the Board (one of whom will Chair the Committee), and up to seven co-opted members. It is recommended that appointments to the Committee be made by the WKCD Board. The Board should establish appropriate processes for the appointment of Committee members, taking into account public and stakeholder accountability requirements.

The Performing Arts ED will attend meetings, but not be a member of the Performing Arts Committee. It is recommended that advice and recommendations from the Performing Arts Committee be presented to the Board via the CEO.

**Staff**

Overall performing arts development strategies will be agreed between the CEO and Performing Arts ED, in line with policy directions approved by the Performing Arts Committee and/ or Board. The CEO will oversee the Performing Arts ED’s progress in realising the agreed strategies through regular written and verbal briefings, and through the Authority’s performance management and appraisal system.

All day-to-day communications between the venue operators and WKCD will occur through the Performing Arts ED, as indicated in the preceding Operator Relationships chart. The Performing Arts ED will be required to keep the CEO informed of progress in discussions and negotiations with operators through regular briefings. Where necessary (for example, in the event of an impasse in negotiations), the CEO may become directly involved either at the request of the Performing Arts ED or the venue operator.

The Performing Arts ED will assist the Performing Arts Committee in its policy development, operator selection and monitoring, and other responsibilities by:

- attending all meetings of the Committee
- providing regular information reports to the Committee
- contributing to Committee discussion on performing arts policy and strategy
- responding positively to requests for information and to Board-endorsed policy directions
- undertaking research as agreed with the Committee and CEO (who retains responsibility as line manager for the Performing Arts ED)
- providing such support as the Committee may reasonably require.
In Conclusion

It is timely that the Government’s Efficiency Unit is preparing guidelines for the governance of sub-vented organisations. This is a reminder that the effective governance of the PA venues will be affected by a number of factors other than the mode of operator. These include:

- appropriate target setting and monitoring processes within the operator organisation
- periodic monitoring of operator performance by WKCD
- the appointment of experienced and high quality staff by the individual operators
- clarity in the role of each of the venue’s Boards (where they have Boards), and:
  - effective Board recruitment and induction processes
  - commitment by individual Board members
  - well-serviced Board meetings
  - clear delegations for senior staff
  - an organisational commitment to business planning and marketing planning.

WKCD will need to determine how active a role it wishes to play in the support of governance best-practice in relation to the Boards of any operator organisations.

The development of WKCD represents a bold and dramatic shift in the cultural infrastructure of Hong Kong and the wider region. While the term ‘governance’ implies proper stewardship and caution, it also implies providing leadership and direction. It will benefit the realisation of the PA venues for considered but timely decisions to be made regarding the governance arrangements for the PA venues. This will enable the operators – whether independent or in-house – not only to contribute to the organisational shaping of the venues, but also to share in the process of creating effective frameworks and supportive conditions within which they and WKCD can operate with greatest benefit for the people of Hong Kong.