



Council
28 June 2005

Next stage of Strategic Review and Planning Guidance 2006/09

1 Strategic Review Outcomes

- 1.1 That the Scottish arts infrastructure is a complex set of interdependent relationships between individual artists, arts organisations, funding bodies, audiences and participants.
- 1.2 The organisations that we support through core funding are important in developing and sustaining a healthy artistic environment, and in making the arts accessible to a diverse audience.
- 1.3 That within each art form the 'eco system' is different, and at different stages of development.
- 1.4 That within some art forms there are possibilities emerging for new relationships amongst CFOs and with partners. In moving towards what might loosely be described as a federal model, we can see the emergence of the potential for a more mature set of relationships. Devolving some of the delivery to more independent sectoral interests and freeing us to concentrate on the overview both nationally and internationally.
- 1.5 Each department including audience, education, area development, capital and international has begun to develop an optimum and radical scenario for the development of their area of responsibility and for re-examining and re-defining where we have a unique or specialist role.
- 1.6 The development of these scenarios must be based on the principals inherent in our vision and mission that the arts are a fundamental part of a confident and creative society and that we must apply our efforts to ensuring we develop quality art, by supporting and nurturing artists and ensuring the widest range of people in Scotland have access to their work. **Artists** and **Access** are crucial with education and audience development offering a means of engagement between the two. Each department will be asked to plan on the basis of improving our support for artists, increasing access to high quality arts for an increasingly diverse audience, and articulating the role of education and audience development in achieving this, to meet our targets.
- 1.7 There is also acknowledgment that for the future we need to release a higher percentage of our funds as a flexible development fund rather than as recurrent funding to CFOs. At present this stands at 93% of our unrestricted Scottish Executive funds (appendix 1). In parallel we need to focus staff expertise on development, evaluation and review work and balance this with the demands from CFOs and project management.

- 1.8 We also need to develop a more sustainable CFO funding model, including reducing their reliance on public funds while acknowledging that in most cases public subsidy will always be part of their funding package.
- 1.9 'National' companies – There are six major companies, each with grants of more than £1m, that together account for 51% of our unrestricted Scottish Executive funds (Appendix 2). There is a strong sense emerging that they need to be budgeted for and managed in a different way. We will look to develop a new model of management that clearly articulates our reasons for funding each organisation in relation to our aims while also considering how to effectively manage this as a corporate risk given the high proportion of the budget, whilst acknowledging that many other CFOs have a national remit.
- 1.10 To manage our resources to maximum effect we also need to consider how and what we do in partnership with local authorities and with the other cultural bodies.
- 1.11 In relation to all our partners to consider the notion of 'creative hubs' as a potential model for future development.
- 1.12 Address the impact of the strategic review outcomes on our priorities for lottery spend.

2 Next Stage of Strategic Review

- 2.1 We now require to integrate the next stage of the review with the 2006/07 planning process. A set of planning guidance and a planning process timeline has been prepared to address this integration (appendix 3). This requires Council to approve a number of changes.
- 2.2 Due to the Council decision in November 2004 to allocate CFO funding for two years, and to allow the departmental heads time to plan for change for the planning period 2006/07 - 2008/09, we propose not to conduct any traditional review meetings with CFOs. A process of application and communication with CFOs is outlined in appendix 3a in bold. This is based on the notion that the review and scenario plans will identify changes in the level and nature of our support for CFOs which will not be evidenced by the traditional review meeting, in fact the review meetings may mislead CFOs while we are attempting to consider scenarios for change.
- 2.3 'National' companies: We recommend that Council approve that the following six companies are managed separately from the other CFOs from the beginning of the 2006/07 business cycle including the planning scenarios outlined in 2.5.
- Scottish Opera
 - Scottish Ballet
 - Royal Scottish National Orchestra
 - Scottish Chamber Orchestra
 - National Theatre of Scotland
 - Edinburgh International Festival

A proposal for the new model of management will be made to Council in October 2005. The festival, as with the other five organisations, has been designated as a 'national' company for this purpose due to the size of its funds allocation, its strategic importance in relation to the commissioning of work from the other nationals and its international profile.

- 2.4 That we develop a process to establish a set of principles and a methodology that will allow us to develop a set of national arts strategies that are not just the Council's but national and owned by 'a collective of responsibilities'. A proposed model for strategy development will be recommended to Council in the draft business plan in December 2005 but will necessitate the parallel development of our models for assessing and developing:
- the strategic nature of our relationships with local authorities and the range of projects and initiatives we jointly fund. We need to be clear about what we are funding and why, while acknowledging the wide variation in capacity and investment between different local authorities
 - our relationship to the other cultural NDPBs, including where we could work together, share services and minimise duplication of effort
 - our lottery strategy
 - our baseline data for measuring success towards both our own and the Scottish executive targets
 - the concept of 'creative hubs'.

2.5 The proposed budget scenarios for 2006/07-2008/09 planning period are:

- optimum – to support all arts and development work for the sector to maximum effect – providing a fully costed and evidenced based case for the next comprehensive spending review
- standstill – to propose any changes required to maximise the impact on our corporate objectives based on standstill funding
- reduced – to propose any changes required to maximise the impact on our corporate objectives based on a 15% budget reduction.

Given we have already made a commitment to CFOs for an inflationary increase for 2006/07 the standstill and reduced scenarios for that year will apply to project costs only, as well as accounting for the planned reduction in the lottery budgets from £20m to £15m. It is intended that a plan for managing the reduction in Lottery budgets is presented to Council in August 2005.

3 Recommendation

3.1 Council are asked to approve:

- the planning guidance and time line
- that traditional review meetings be cancelled for 2005/6
- that the six major 'national' companies are managed separately from 2006/07, subject to detailed proposals on how to achieve this being approved by Council in October 2005
- the scenarios optimum, standstill and reduced are adopted for planning purposes.

Morag Arnot
Director of Planning and Communication

CFO funding 2005-06

Table 1: CFO funding as a percentage of **unrestricted** Scottish Executive funds ¹

	2005-06 £	% of Unrestricted SE funding
Unrestricted SE funding	40,271,000	
Total Core funding	37,352,000	93%
Total core funding less 15% (£5.6m)	31,749,300	79%

Table 2: CFO funding as a percentage of **total** Scottish Executive funds 2005-06

	2005-06 £	% of Total SE funding
Total Scottish Executive funding	54,271,000	
Total Core funding	37,352,000	69%
Total Core funding less 15% (£5.6m)	31,749,300	59%

Table 3: CFO funding as a percentage of artform budgets (excluding Lottery)

	2005-06 £	% of artform budgets (excluding Lottery)
Total Arts budgets (excluding Lottery) ²	42,237,000	
Total Core funding	37,352,000	88%
Total Core funding less 15% (£5.6m)	31,749,300	75%

¹ Excludes £10m for Youth Music Initiative and £4m for National Theatre of Scotland

² Includes Area Development, Audience Development, Education and Cross-Council arts budgets

National Companies

The National Companies account for a high proportion of our Scottish Executive funding.

The tables below show

- overall funding for 2005/06
- the grant aid awarded to the National Companies plus the Edinburgh International Festival (EIF) as a proportion of our funds in 2005/06 (five National Companies include Scottish Opera, Royal Scottish National Orchestra, Scottish Ballet, Scottish Chamber Orchestra and the National Theatre of Scotland)
- both National Companies and National Companies plus the EIF with a 15% budget reduction applied.

Table 1: National Companies funding as a percentage of **unrestricted**³ Scottish Executive funding

	£	% of Unrestricted SE funding
Unrestricted SE funding	40,271,000	
5 National Companies ⁴	19,407,008	48%
5 National Companies + EIF ⁵	20,699,708	51%
5 National Companies -15% (£2.9m)	16,495,957	41%
5 National Companies + EIF - 15% (£3.1m)	17,594,752	44%

Table 2: National Companies funding as a percentage of **total** core funding

	£	% of Total CFO funding
Total CFO funding	37,352,000	
5 National Companies	19,407,008	52%
5 National Companies + EIF	20,699,708	55%
5 National Companies -15% (£2.9m)	16,495,957	44%
5 National Companies + EIF - 15% (£3.1m)	17,594,752	47%

Table 3: National Companies funding as a percentage of total Scottish Executive funding **(including restricted funds)**

	£	% of Total SE funding
Total Scottish Executive funding	54,271,000	
5 National Companies	19,407,008	36%
5 National Companies + EIF	20,699,708	38%
5 National Companies -15% (£2.9m)	16,495,957	30%
5 National Companies + EIF - 15% (£3.1m)	17,594,752	32%

³ £54,271,000 less £10 m to Youth Music Initiative and £4 million to the National Theatre of Scotland in 2005-06

⁴ Includes £4 million awarded to the National Theatre of Scotland which are restricted funds

⁵ Includes £4 million awarded to the National Theatre of Scotland which are restricted funds

Planning guidance 2006/7

1 Introduction

The Corporate Plan 2004-9 was approved by Council in March 2004 and signed off by the Minister for Tourism, Culture and Sport in May 2004. Council agreed in September 2004 that we should produce a one year Business Plan for 2005/6 within the framework of the five year Corporate Plan and the Scottish Executive agreed this was acceptable. The near complete 2005/6 Plan was signed off by Council in March 2005 and we are awaiting formal approval from the Minister whom we met in April 2005.

- 1.1 In the new planning period we are required to prepare two documents
- a comprehensive spending review bid
 - the updated Corporate plan for the period 2006 - 09, including a detailed business plan for 2006/7

- 1.2 Since the inception of the new corporate plan we have corporately focused our strategic development work on addressing objectives 1.1 and 1.2 which relate to the development, role and relationships we have with our core funded organisations and other key partners such as local authorities.

This has led to what we now refer to as the strategic review and it is the outcome of the review process so far and its continued refinement which will dominate this set of planning guidance.

The outcomes of the strategic review process and our post 2007 funds allocation **will** necessitate further modification of our corporate objectives and targets to ensure they are both achievable and focused.

2 Context

- 2.1 The external context within which the strategic review and this planning period are set is:

- Cultural Commission – reporting June 2005, with likely change implications over the next 3-5 years
- Scottish Executive funds for 06/07 and 07/08 are known.
- Lottery funds – specifically £5 million downward adjustment in our council lottery funds based on the decision made by council to front load capital lottery spend in January 2004, but depending on the success of London 2012, an additional threat to these funds.
- Scottish Executive spending review will begin in late 2005 and impact in 2008
- the drive to provide evidence to support the impact of our work not only to seek more funds and increase development work but to defend our present funding position.

- 2.2 Internal context:

- continued research and development around us establishing baseline data and measuring our success against our own and Scottish Executive targets
- from our IIP assessment, staff survey, toil requests and further evidenced in the workshops surrounding the strategic review there is a need for further prioritisation of our work to maximise impact and reduce the complexity and volume of demands made on staff

- the present artform/audience/education and lottery strategies run to 2007 and therefore require to be reviewed and up dated within 2006/07.

3 Planning

- 3.1 Each department is asked to present a plan for their area of work where they will build on their scenarios based on effective delivery of the three corporate aims and our targets (including Scottish Executive), following three budget scenarios.

The underlying principles and assumptions should be the same for each scenario and the differences should therefore be in scale and breadth.

- optimum – to make the case for the spending review describing the added value that could be gained by fully resourcing their sectors, while identifying shifts in priorities within the sector that improves the impact on our corporate aims
- standstill – on stand still funding, council have already acknowledged that the status quo is not an option, this scenario will offer a picture of change on present budgets, limited for 06/07 with shifts impacting in 07/08
- reduced – on a 15% budget reduction to enable the potential for the freeing up of flexible resources to fund more dramatic and rapid change from 07/08 onwards.

It is expected that all departments will produce scenario plans and that audience, education, area development, international, capital, planning and communication, finance and resources and HR will work where appropriate with the art form heads to inform the art form scenarios. These other departments will then provide their own scenarios identifying where they make a unique contribution to the delivery of the corporate plan.

As this is the first time that all departments will be asked to contribute directly to the planning process then development, training and support will be provided for managers, including the production of information based on the CFO annual returns and the grants administration system.

- 3.2 Each manager will also be asked to address the following areas in a planning template:

- how they impact on the three aims
- the key issues for that department in reviewing and developing new strategies for publication in June 2007
- the impact on the department of the change in management of the major national companies
- the Local Authorities effected by any changes suggested and the likely impact
- what their department's planned impact is on the policy development areas
 - creative industries
 - equalities
 - international
 - traditional
- the key priorities for their staffing, including dropping or demoting previous plans and objectives
- the costs of change – outlining the likely process that you require to implement to bring about change, including the one off costs and the staff time required.

3.3 The outcome of your proposals will be reviewed in mid November (see appendix 3a planning timeline) in relation to all departmental proposals and will be taken to the December Council meeting in the form of:

- a draft of the CSR paper
- a draft plan for the options for change that the council could support in both stand still and reduced funding options as a business plan for 06-09.

3.4 CFO Process

CFOs will be asked to submit an application which outlines their artistic vision for the next three years in relation to its impact on our three aims and their contribution to our targets. You will be able to use the information received in September to further develop your planning scenarios and to apply the new quality framework to your CFOs.

3.5 Lottery

Options for the planned reduction in lottery budgets will be presented to Council in August 2005, however for planning purposes the £2.65 million allocated to arts development should be considered as remaining.

Morag Arnot
Director of Planning and Communication

Planning timeline 2005 – 2006

2005	Action	By whom
January	Budget 2005/06 approved by Council	Council
February		
March	'Near final' draft of Business Plan 2005/06 approved by Council Optimum/radical scenarios in preparation as part of Strategic Review	Council Managers
April	Meeting with Minister for Tourism, Culture and Sport re 'near final' Business Plan 2005/06	Chair and Chief Executive
May	CFO day – 1st briefing on strategic review and update on Cultural Commission Council Planning session	Directors/Staff Directors
June	Staff meeting – update on Strategic Review and Cultural Commission Planning Guidance 2006/07 – 2008/09 presented to Council on 28 June Write to City Councils requesting meeting to discuss scenarios	Chief Executive Council Chief Executive/Head of Planning
July	Briefing paper and application forms (2006/07 – 2008/09) sent to CFOs on 1 July Template for planning and further detailed guidance issued to Managers Information/data supplied to Managers July – August July – September: scenario development meetings take place with expert advisers	Director of Arts Director of Planning and Communications Head of Planning Managers Expert Advisers
August	CFO day on 25th August: 2nd briefing on strategic review and update on the Cultural Commission Lottery paper presented to Council on 30 August	Directors/ Staff Chief Executive

September	<p>CFOs submit 3 year applications by 30 September</p> <p>Write to Scottish Executive to set up meetings with officials in November (officials) and Minister (December)</p>	<p>CFOs</p> <p>Chief Executive Head of Planning</p>
October	<p>3 October – 11 November</p> <p>Managers assess CFO applications in relation to strategic and operational components (ref: guidance issued in July)</p> <p>Local Authority group meetings to negotiate 'city' scenarios</p> <p>Update presented to Council on planning process on 25 October. Proposals on model for managing National Companies and partnership working with local authorities presented to Council.</p>	<p>Managers/Lead Officers/ Specialist Advisers</p> <p>Chief Executive Head of Planning</p> <p>Chief Executive</p>
November	<p>Departmental Plans (including three scenarios and CFO recommendations) presented to Group Heads by 11 November⁶.</p> <p>A planning and mediation process will then take place by 18 November to produce options and recommendations for Committees</p> <p>Information exchange with appropriate local authorities</p> <p>Present departmental plans to Creative and Performing Arts Committees on 24 November. Committees make recommendations to Council</p> <p>Meet Scottish Executive officials to discuss Plan</p>	<p>Managers</p> <p>Chief Executive Directors</p> <p>Chief Executive Head of Planning</p> <p>Chief Executive Director of Arts</p> <p>Chief Executive Directors</p>

⁶ Red – low strategic priority

Amber – high strategic priority but major operational weaknesses OR medium strategic role but other actual/potential CFOs could fulfil that role

Green – High strategic priority and clear bill of health operationally

December	<p>1st draft Corporate Plan and Spending Review draft plan presented to Council on 13 December</p> <p>Meet Minister to discuss 1st draft Corporate Plan</p> <p>CFO Feedback meetings (Reds) take place after meeting with the Minister. Meetings with CFOs (Reds) to be completed by 21 January</p>	<p>Chief Executive</p> <p>Chair Chief Executive</p> <p>Chief Executive, Head of Arts, Council member, Lead Officer, Local Authority</p>
2006		
January	Continue as required - CFO Feedback meetings (Reds) by 21 January	Chief Executive, Head of Arts, Council member, Lead Officer, Local Authority
February	<p>CFO Feedback meetings (Amber) and (Greens) between 9 – 28 February</p> <p>Responses from CFOs reported to Council on 28 February (provisional date)</p> <p>Council agree Corporate Plan 2006/07 – 2008/09 on 28 February</p>	<p>Lead Officer</p> <p>Chief Executive</p> <p>Council</p>
March	Ministerial approval received for Corporate Plan 2006 - 09	Scottish Executive