



Briefing Paper

Strategic Review and CFO Application Process

1. Context

- 1.1. The Scottish Arts Council has been progressing the Strategic Review as a means of reviewing how our resources, human and financial, can be deployed to best effect in relation to our aims. Council are strongly of the view that the status quo is not an option. The discussion and consultations that have taken place have arrived at the outcomes that were considered by Council at its meeting on 28th June 2005. (see 2 below)
- 1.2. The process is at the stage of being translated into the Planning Guidance that allows Department Heads to respond to these outcomes. This will consider a number of scenarios, including an optimum scenario which will be the basis of our Comprehensive Spending Review (CSR) bid to the Scottish Executive in the autumn, and mirrors the aspiration for increased investment expressed by the Cultural Commission.
- 1.3 We also have to consider a scenario that is based on standstill or reduced funds (as required by the CSR) and scenarios that reduce the proportion of funds that are committed to CFOs (as required by Council). (see 2.7 below)
- 1.4. Any changes to the funding level for CFOs collectively and individually will be decided by end of March 2006 and would apply from 1st April 2007 at the earliest.

2. Strategic Review Outcomes (extract from Council paper)

- 2.1 That the Scottish arts infrastructure is a complex set of interdependent relationships between individual artists, arts organisations, funding bodies, audiences and participants.
- 2.2. 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.
- 2.3. That within each art form the 'eco system' is different, and at different stages of development.
- 2.4 That within some art forms there are possibilities emerging for new relationships amongst CFOs and with partners. Devolving some of the delivery to more independent sectoral interests could free us to concentrate on the overview both nationally and internationally.
- 2.5. 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.

2.6. The development of these scenarios must be based on the principles inherent in our vision and mission:

- that the arts are a fundamental part of a confident and creative society,
- that we must apply our efforts to ensuring we develop quality art,

This will be accomplished by:

- supporting and nurturing artists,
- 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.

2.7. 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. This compares with 79% in the Arts Council England, 71% in the Arts Council Northern Ireland, and 83% in Arts Council Wales. 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.

2.8. We also need to develop a more sustainable CFO funding model, including reducing the reliance on public funds, while acknowledging that in most cases public subsidy will always be part of the funding package.

2.9. '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. 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. It is accepted that many other CFOs have a national remit.

2.10. 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.

2.11. In relation to all our partners to consider the notion of 'creative hubs' as a potential model for future development.

2.12. Address the impact of the strategic review outcomes on our priorities for lottery spend.

3. Next Stage of Strategic Review

3.1 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 the traditional review meetings with CFOs. A process of application and communication with CFOs is outlined in appendix 3a in bold.

3.3 'National' companies: Council has agreed to consider an approach where 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.

3.4 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'.

3.5 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. A proposal for managing the reduction in Lottery budgets will be presented to Council in August 2005

3.6. The outcome of the departmental 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.

4. Planning timeline 2005 – 2006

July	<p>Briefing paper and application forms (2006/07 – 2008/09) sent to CFOs on 1 July</p> <p>Template for planning and further detailed guidance issued to Managers</p> <p>July – September: Artform scenario development meetings take place with advisers</p>	<p>Director of Arts</p> <p>Director of Planning and Communications</p> <p>Managers and advisers</p>
August	<p>CFO day on 25th August: 2nd briefing on strategic review and update on the Cultural Commission</p> <p>Lottery paper presented to Council on 30 August</p>	<p>Directors/ Staff</p> <p>Chief Executive</p>
September	<p>CFOs submit 3 year applications by 30 September</p>	<p>CFOs</p>
October	<p>3 October – 11 November Managers assess CFO applications</p> <p>Local Authority group meetings to discuss 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/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 November¹.</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>

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 take place after meeting with the Minister. Meetings with CFOs with significant changes to their funding status 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>Remaining CFO Feedback meetings and 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