



Scottish **Arts** Council

S/C05m6p3
CONFIDENTIAL

Strategic Review
A framework for development

Large Scale Performing Arts Companies

1. Introduction

- 1.1. The large scale performing companies have been a core part of the work of the Scottish Arts Council and the Arts Council of Great Britain since they were formed. As part of the strategic review process Council encouraged the executive management team to review how we manage them. A previous proposal to include the Edinburgh International Festival in this grouping, we suggest, has been overtaken by the 'Thundering Hooves' review which is looking at Edinburgh's festivals in a wider context.
- 1.2. Another important consideration has to be the imminent announcement from the Scottish Executive regarding the Cultural Commission report; it seems likely that the Executive will wish to have a different relationship with these companies, more akin to the status of the National Collections. In effect they may cease to be the responsibility of the Scottish Arts Council or its successor.
- 1.3. This paper has several dimensions that **require Council's views**, and these have to be considered in two contexts;
 - The Scottish Executive's proposals in response to the Cultural Commission
 - Of the Strategic Review

2. The Scottish Executive's proposals in response to the Cultural Commission

- 2.1. Council has to date made the case, in the submissions to the Cultural Commission that the responsibility for the national performing arts companies should remain with the national arts development body. This has been expressed in terms of the relationship that these companies have to the wider arts ecology, and their role in providing (or having the potential to provide) leadership in their field.
- 2.2. It appears that the Executive wish to manage the companies directly and more collectively and there is some indication that the companies themselves, have, in degrees, been cooperating to that end.
- 2.3. The scale and impact of such a change is unknown at the time of writing, but some key considerations need to be explored. For example this shift of

responsibility could be accompanied by a shift in human and financial resource from within SAC.

- 2.4 In this context then Council are asked to consider the following questions:

Do we continue to adhere to the principal that these companies should remain part of the Scottish Arts Council's responsibilities?

How do Council respond to the possibility of a significant proportion of staff being transferred to manage these companies?

How do Council respond to the possibility of a significant proportion (perhaps even the 'optimum') of our voted funds being transferred to support these companies?

3. In the context of the Strategic Review

- 3.1. Any changes proposed by the Scottish Executive may take some time to implement and given the delay in the Comprehensive Spending Review, any financial solutions will not come in to play until 2008/09 at the earliest. This means, that regardless of whether the companies are the responsibility of the Scottish Executive, or the Scottish Arts Council, it remains important to take a view of their role and strategic significance, and the level of funding that follows.

- 3.2. The research and briefing material that we have prepared for Council and Committees offers an interesting backdrop. In the briefing paper on our funding trends there is evidence of a diminishing return on the public investment in these companies (excluding the National Theatre of Scotland). Meanwhile the performance in the rest of the sector has improved significantly;

'The "core group" of CFOs (61 organisations which received core funding in 1994/95 and still received core funding in 2004/05) received 64% of the total increase in Scottish Executive grant-in-aid funding to CFOs over the eleven years to 2004/05. These CFOs were responsible for 1.45 million or 50% of the increase in total audiences, attendances and participation.

Four National Companies - Scottish Opera, Royal Scottish National Orchestra, Scottish Ballet and Scottish Chamber Orchestra - received a 31% increase in funding in real terms over the eleven years to 2004/05. Audience and participation figures declined by 37% and 33% respectively over the same period.'

We would of course acknowledge that these trends may have particular causes in particular instances, but it is clearly a legitimate consideration for Council in the strategic review process to consider what we expect from the national companies in the future.

- 3.3. This is particularly important in that the proportion of public funding in these companies is far higher than in the rest of the sector.
- 3.4. We have considered this with senior colleagues, and wish to offer for discussion a framework for development that takes a fresh look at the situation.

3.5. Proposed approaches;

That Council negotiate financial targets and critical success factors with the companies (collectively in the first instance) that will reduce the dependency on public funds, in general, and nationally administered public funds in particular. Items for consideration in this regard are:

- Core purpose for the allocation of public funds
- Increased earned income from ticket sales
- Increased earned income from commercial activity
- Increased income from international working
- Increased income from the corporate sector
- Sharing 'back office' services
- Review of orchestral provision
- Increase purchase of services – for example education programmes – from local authorities

3.6. We would readily acknowledge the efforts made by the companies individually in these areas, but this approach recognises that these companies have advantages in terms of capacity, board influence, status and profile that may not apply to many other organisations, and has already been evidenced in the fact that they had a more direct input into the Commission's work.

3.7. Our own activity in relation to this agenda for change would be reconfigured to assist in the process. For example Council would have to consider investing in more in house expertise in relation to the outcomes of the negotiations to ensure the appropriate services were provided by the Council.

3.8. In consideration of these changes the Chairman has very recently written to a number of key figures in the finance world asking for their help in developing a new funding model. Specifically looking at the notion of public investment and leverage.

3.9. There could also be a political dimension to this proposal, where a call from the Minister to the corporate sector to encourage more investment in culture as an aspect of corporate social responsibility may help to build a culture of philanthropic giving presently more evident in the U.S.A. than in Scotland. This aligns to a degree with the principles that underpinned the Commission's proposals for a Culture Fund.

3.10. Council should also be aware of the view from other art forms when the matter of the 'national companies' is discussed. Many associated with the creative arts feel their sector's needs take second place to the air time given to the performing arts in general and Scottish Opera specifically. This becomes even more of a concern when the performance of these companies in relation to our stated aims is as outlined above.

3.11. The actual investment level identified by the Heads of Dance, Drama and Music for these companies in 2007/8 is £22, 676, 027. The amount currently allocated in the funding agreements is £19, 507,008. **This would therefore require an additional allocation of £ 3,169,019.**

- 3.12. In this context council need to consider;
- That the country might benefit more from the transformational investment in other art forms or genres, rather than funding the optimum for the national performing companies?
 - Which of the large scale performing arts companies are a priority in a standstill funding scenario?
- 3.13. Of course we would wish for all of the optimum scenarios to be supported, but if there is no increase in investment hard choices have to be made. Senior officers need a clear steer from Council on this matter as we go into the final stages of the Strategic Review.

Action:

Consider the questions outlined and make recommendations as to what information they require for decisions on 24th January 2006.

Jim Tough
Director of Arts
Scottish Arts Council
5th December 2005

