

**REPORT TO MINISTERS ON AN EXAMINATION OF
THE SMALL TO MEDIUM
PERFORMING ARTS SECTOR**

**Prepared by
A Working Party of Cultural Ministers Council Standing Committee**

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ATTACHMENTS

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1.0 BACKGROUND TO THE REPORT

At a meeting of Cultural Ministers Council (CMC) in August 2000, Ministers considered a proposal to undertake an investigation into the financial and artistic viability of the Small to Medium Performing Arts Sector. At this meeting, Ministers:

- (a) affirmed the pivotal contribution of small-to-medium sized arts organisations to the cultural vitality and diversity of Australia;
- (b) agreed to commission an examination of the factors influencing the artistic and financial position of small-to-medium sized performing arts organisations;
- (c) sought a report from a Working Party of Standing Committee for comprehensive consideration by Ministers at the next CMC meeting which would:
 - take into account the current role of Governments;
 - seek to engage the States/Territories and Commonwealth in a more positive management of triennial funding through performance and tripartite agreements;
 - utilise relevant aspects of the Australia Council's work in this area, including *Planning for the Future*, examining issues in areas of the arts beyond the scope of the Major Performing Arts Inquiry, and *Promoting the Value of the Arts Research and Strategy*, identifying opportunities to engage more Australians in the arts; and
 - consider the protocol and processes by which a company is designated to, or excluded from, the Major Performing Arts Fund.

Ministers further agreed to allocate resources for consultation with the Sector and to undertake research as required.

The Ministers charged the Standing Committee of Cultural Ministers Council to establish a Working Party of officials, to undertake this examination. The Standing Committee established the Terms of Reference for the project (Attachment A). These provide a listing of the factors to be examined and define the scope of the Sector for the purpose of the examination. The Working Party acknowledged that within the broad scope of the Small to Medium Performing Arts Sector there are many and diverse performing artists, groups and organisations working on a regular basis through formal and informal structures. Therefore, organisations meeting the following criteria were included in the examination:

- organisations with which at least one Government arts agency has a regular funding relationship;
- producing and service organisations where either Government arts agency has a strategic interest in the organisations' place in the Sector; and
- organisations with a minimum turnover of \$50,000 per annum for a minimum period of three years (though not necessarily consecutive years).

Using this definition, 193 producing organisations and 61 service, advocacy or presenting organisations (a total of 254) were originally agreed by the Working Party to fall within the scope of the examination.

The Working Party appointed two consultants to undertake respectively:

- a qualitative survey of producing and service, advocacy and presenting organisations within the Sector, as well as submissions invited from major performing arts organisations and Government arts funding agencies; and
- a quantitative survey of finances and other parameters of interest for the Small to Medium Performing Arts producing organisations.

The consultants' reports were delivered in September 2001. The Working Party then asked the Australia Council to undertake additional analysis of the quantitative data to provide a better understanding of the results.

For the quantitative survey, of the 186 producing organisations finally deemed to meet the criteria, a total of 119 or 64% responded. For the qualitative survey, of 291 organisations identified as producing, service, advocacy and presenting organisations, major performing arts companies and Government arts funding agencies, 136 or 47% responded.

In formulating the following paper, the Working Party considered the findings in these two reports, the Australia Council analysis, relevant existing research undertaken by Commonwealth and State/Territory arts agencies including the Australia Council's *Planning for the Future* and *Promoting the Value of the Arts*, and an Arts Victoria report consolidating the consultants' research.

The Working Party notes that the protocols and processes by which a company is designated to, or excluded from, the Major Performing Arts Board have been jointly developed by the Major Performing Arts Board and the State arts agencies. This matter is not dealt with further in this report.

The Working Party observes that this examination provides the first national overview of the Small to Medium Performing Arts Sector in Australia.

2.0 FACTORS INFLUENCING ARTISTIC AND FINANCIAL VIABILITY

This report by the Working Party addresses each of the Terms of Reference agreed by the CMC Standing Committee. It then draws some conclusions in terms of interventions that Ministers may wish to consider to assist the Small to Medium Performing Arts Sector.

2.1 Role of the Sector within the performing arts and Australia's cultural life

The Working Party found overwhelming evidence that the Small to Medium Performing Arts Sector is essential to the artistic vitality and the ongoing development of Australia's performing arts. It is the main source of new Australian works in the subsidised performing arts. The Sector provides access to the arts, offers many employment opportunities and in particular gives young and regionally based Australians opportunities to participate in the arts. The Sector also has a considerable economic impact.

Organisations from the Major Performing Arts Sector reinforce this view of the Small to Medium Performing Arts Sector, and give even greater emphasis on the Sector's contribution to artistic advancement and professional development (with 80% of the responding Major Performing Arts organisations nominating each of these areas).

The statistical data collected for the examination showed that, over the three years studied (1998-2000), the 119 organisations responding to the survey:

- presented 22,120 performances across all artforms;
- attracted approximately 7 million live attendances and estimated over 8 million broadcast audience;
- presented 171 metropolitan, 253 regional and 228 interstate tours;
- created and presented over 5,000 new and extant works;
- conducted over 12,000 workshops/masterclasses;
- completed 105 international tours with 160 works in repertoire;
- employed over 6,000 people annually;
- provided opportunities for over 5,000 non-paid performers each year, including young people, to participate in cultural activities;
- provided opportunities for over 400 trainees; and
- generated earned income of just over \$53 million over the three years with an estimated economic impact of \$147 million in the period.

The figures above are based on data from less than 64% of the 186 producing organisations identified within the Sector and as such, this represents a partial and conservative estimate of the entire Sector's contribution.

Clearly, Governments recognise the importance, reach and diversity of this Sector with the provision of substantial funding. Between 1998 and 2000, total Government funding to the Sector's organisations was \$94 million. The breakdown for the States/Territories and Commonwealth contributions can be found in a detailed table at Attachment B. A snapshot of relative funding by States/Territories and the Commonwealth for the Sector in just one year - 2000 - is given in Table 1 below:

Table 1 State/Territories & Commonwealth Funding for 2000
(Source: Hides Group)

State Funding	Producing Organisations	Service/Advocacy Organisations	Grand Total
ACT	\$916,495	\$514,246	\$1,430,741
NSW	\$2,898,501	\$727,324	\$3,625,825
NT	\$575,430 **	\$516,031 **	\$1,091,461
QLD	\$2,272,714	\$1,684,144	\$3,956,858
SA	\$1,915,472	\$269,569	\$2,185,041
TAS	\$702,106	\$177,600	\$879,706
VIC	\$2,942,659	\$469,500	\$3,412,159
WA	\$1,984,443	\$1,687,313	\$3,671,756
Total State Funding	\$14,207,820	\$6,045,727	\$20,253,547
Federal Funding			
Australia Council	\$9,717,540	\$2,667,837	\$12,385,377
Total Government Support	\$23,925,360	\$8,713,564	\$32,638,924

** In-kind support for some organisations included in the Northern Territory figures.

The Small to Medium Performing Arts Sector makes a particularly important contribution to the cultural life of regional centres and smaller cities, often being the main arts organisations operating in those areas. By actively engaging local communities, Sector organisations promote the understanding and acceptance of artists and their work as integral to the well-being of their local communities.

The Sector focuses on the development and presentation of Australian work through the performing arts. Of 1,715 theatre, dance and cross-artform works presented by the surveyed organisations, over the three-year period, 1,597 or 93%, were Australian works. Music organisations presented 6,800 works over this period of which 1,726, or 25%, were Australian works. By comparison, data from the Major Performing Arts Inquiry (MPAI) showed that 59% of dance and theatre works and only 8% of music works presented in 1997 and 1998 by the Major Performing Arts organisations were Australian works.

As would be expected, the diversity of forms presented by the Sector is much wider than the range of forms represented in the Major Performing Arts Sector. In addition to contemporary theatre, dance, music, opera and circus, the Small to Medium Performing Arts Sector includes organisations working in:

- theatre, dance and music for and by young people;
- theatre for people with disabilities;
- multicultural performance;
- puppetry;
- visual and physical theatre, such as visual 'street theatre';

- community participation in theatre dance and music;
- choirs; and
- experimental theatre and dance, new media and new music.

The Sector also plays a vital role in the professional and career development of artists, in particular young artists and artists from culturally diverse backgrounds. The Sector is actively involving young people of all ages as participants and audiences in the performing arts, through extensive workshop programs, large scale participatory events, performances and festivals.

It is a feature of the Sector that co-operative relationships with festivals, venues and the Major Performing Arts Sector are developed and play a vital role in the Sector. These provide additional resources for the creation and presentation of work and staff sharing in some cases. It is a challenge for the Sector to build on these relationships to the mutual benefit of all concerned.

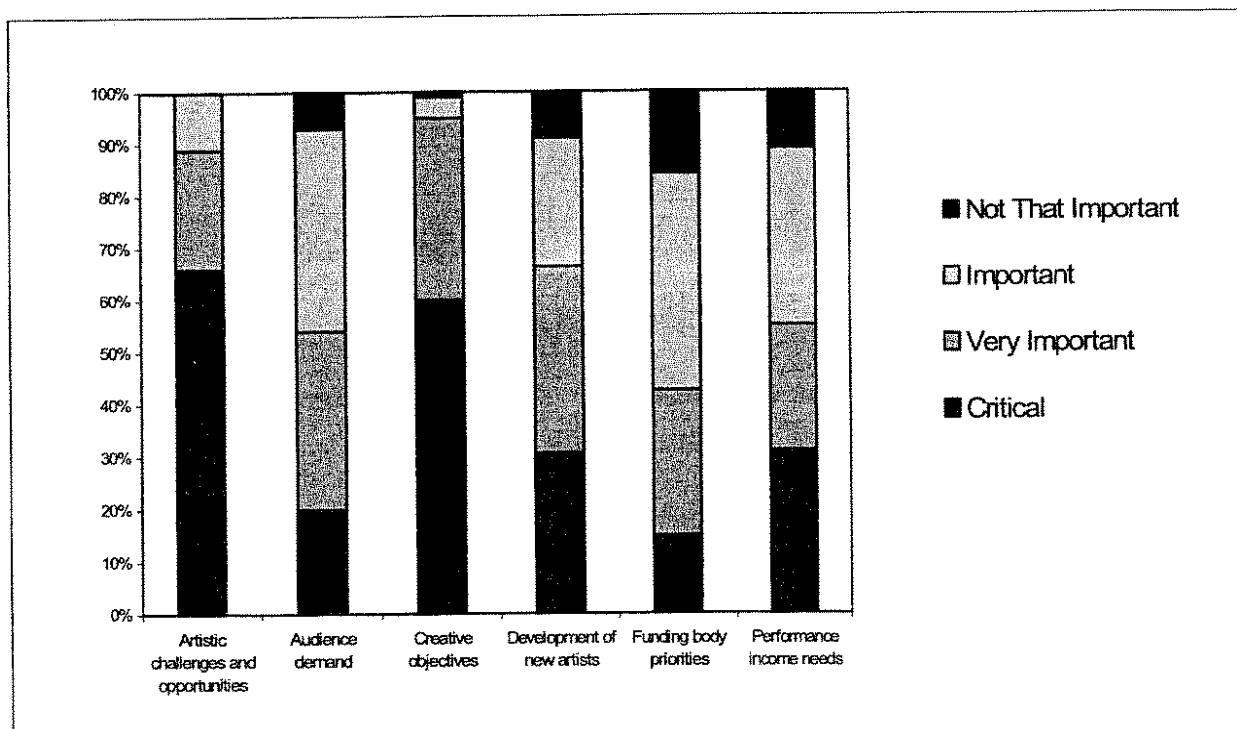
The Sector's significant role in artistic development in the performing arts and the direct relationship many of the organisations have with diverse communities, lead to an underlying challenge. The range of operations of the companies, their diverse locations and the variety of artistic and management capabilities all make it difficult for agencies to promote effective Sector-wide strategies to address the Small to Medium Performing Arts Sector as a whole.

2.2 Capacity for creative innovation, experimentation and research & development

The Working Party believes that this Sector's key contribution is to artistic advancement and further notes that the Sector plays a fundamental role in research and development, experimentation, innovation and risk-taking with a commitment to new Australian work and diversity of artistic form. The Sector is seen within the arts more broadly as the crucible for new ideas and approaches to creating and presenting work.

Organisations in the Sector place a high level of importance on artistic and creative activities. Table 2 shows that when undertaking artistic planning, 89% of respondent organisations rated artistic challenges and opportunities critical or very important and 95% of respondent organisations rated creative objectives as critical or very important. The development of new artists was rated critical or very important by 67% of respondent organisations.

Table 2 Perception of the Importance of Specific Factors when Planning Artistically (Source: Hides Group)



These views are shared by representatives of the Major Performing Arts Sector who acknowledge that the Small to Medium Sector offers 'risk' or 'experimentation'. The Sector also provides the ground upon which new and emerging artists, including dedicated mid and late career artists, risk, innovate, refine and test their creativity. It

was the view of representatives of the Major Performing Arts Sector that the artistic director of a small or medium company often has more influence in driving the direction of an organisation compared with those in larger organisations.

During the survey period, the Sector presented 1,032 new works by theatre, dance and cross-artform organisations. In addition, these organisations were responsible for 161 commissions. New works represented 64% of the Australian works presented: theatre with 60%, dance with 76% and cross-artform with 97%. This can be compared with 1997 data from the MPAI. Although 'new works' were not identified as such by the Inquiry, the Working Party considers the closest relevant MPAI category would be the term 'challenging.' For ballet these works represented 21%, for contemporary dance 40% and for theatre 29%.

Importantly, while this creative focus is impressive in artistic terms, the Working Party notes that the Sector's emphasis in artistic development may come at the cost of audience development and performance income. It should be recognised that research and development has inherent high costs and that artistic risk and innovation need to be properly resourced with adequate levels of investment.

While artistic risk and innovation are clearly the focus of most organisations in the Sector, over a third of survey respondents stated that there were reduced opportunities to innovate, experiment, conduct research and develop work. The effects of this included restrictions on the diversity, size and scale of repertoire; fewer new works produced and more remounts; reduced production values; reduced use of screen/digital design; shorter rehearsal, creative development and rehearsal periods; engagement of less experienced artistic personnel and reduced cast sizes.

The Working Party is in no doubt that the Sector is firmly committed to research and development and it notes that a considerable proportion of organisations reported constraints in this area of activity. Moreover, the Working Party identifies that negotiating the balance between realising this aim and developing audiences to sustain infrastructure is a critical challenge to the Sector.

2.3. The Sector's contribution to audiences, employment and training

2.3.1 Audiences

The Working Party notes that audiences in the survey period increased but this did not provide sufficient growth in income to enhance the Sector's sustainability. Importantly, this has occurred in a context where the Sector identifies artistic challenges and creative objectives as a higher priority than meeting audience and income demands (see Table 2).

The surveyed organisations showed an increase in total audiences over the three-year period of the study. Total attendances (including ticketed, in-schools, contract fee, touring, and recording sales, but excluding free tickets and broadcast audiences),

increased from 1.6 million for 105 organisations in 1998 to 2.4 million for 113 organisations in 2000.

Attendance at contract fee performances increased by 157% from 1999 to 2000. NSW accounted for 81% of the increase; with theatre organisations accounting for 61% of the increase. Free attendances reported a similar rise in numbers increasing 260% from 1999 to 2000. Even though there are more organisations represented in the data for 2000, since NSW based organisations accounted for 72% of this rise, it is reasonable to conclude that this is predominantly due to the cultural program and activities related to the 2000 Olympic Games.

The increases above indicate that presenter bodies were contracting and taking box office risk for these organisations to a greater degree. Attendances at self-promoted performances, including both individual ticket sales and subscriptions remained fairly constant throughout the survey period.

Recording sales increased from just over 37,000 in 1998 to nearly 119,000 in 2000, an increase of 218%. There was an overall decline in attendances for in-school performances over the three years. As there are a number of organisations in this Sector with a focus on performing for children in schools, the Working Party believes this is an important issue that would merit closer examination by State/Territory arts and education agencies. Findings could be a relevant issue for the research activities arising out of the national initiative, led by the Australia Council, to promote links between education and the arts.

Attendance relating to regional and national touring fluctuated over the survey period. In 1998 total attendance was 422,000. In 1999 this fell to 179,000, and in 2000 rose to 309,000 representing an overall decline from 1998 to 2000 of 27%.

A further measure of the reach of the Sector is the broadcast audience for the respondent organisations. Estimated audience figures increased dramatically over the study period with the work of the surveyed organisations reaching approximately 6.0 million people in 2000.

Despite the growth in audiences, the Working Party believes that close attention should be given to a number of barriers to audience development identified by the Sector. These are:

- audience resistance to or a lack of a following for "riskier" work can make audience growth difficult, particularly in regional areas;
- inadequate facilities and shifting venue "branding" can deter audience attendance;
- performance seasons can be too short, affecting word of mouth;
- other entertainment options make it harder to attract young audiences;
- a lack of critical mass of regular work, including an inability to operate a subscription season impedes the growth of audience loyalty;
- there are fewer media advocates for riskier performance work; and

- limited ability and resources to research the market.

It is worth noting that expenditure on marketing and development (excluding marketing salaries) remained at around 9% of total costs over the survey period. In contrast, data from the Major Performing Arts Inquiry showed those organisations spending between 11% and 15% on marketing costs. In the Small to Medium Performing Arts Sector approximately 4% of total salaries (or 2.4% of total costs) is spent on marketing salaries. There are no comparable MPAI benchmarks however the Working Party believes that this is a low level of expenditure for this area which impacts on the Sector's capacity for audience development.

The Working Party believes the Sector would benefit from a greater investment in appropriate marketing strategies to address the challenge of audience development. The diverse range of companies included in this examination highlights difficulties in developing a Sector wide strategy. Specific challenges depend on the size and brief of the organisation and include ways of increasing audience numbers, increasing audience and corporate understanding of investment in research and development in the arts and increasing local appreciation of arts in a community.

2.3.2 Employment and Training

The Working Party believes that the Small to Medium Performing Arts Sector makes a vital contribution as the performing arts industry's practical training ground. Importantly, the Working Party notes that it is a Sector that is reliant upon an extraordinarily large number of volunteers and part-time workers operating in administrative and marketing areas, underpinning a stretched infrastructure.

For some artists, the Sector may be the beginning of a career trajectory to the Major Performing Arts Sector or to likeminded small to medium organisations overseas. For others, the focus is to sustain a career within the Small to Medium Performing Arts Sector itself. The Government respondents agreed with the view that the Sector plays multiple roles.

Just over half of the organisations surveyed identified professional development of artists as a major contribution to the performing arts. The Sector has demonstrated numerous instances and ways of contributing to the professional and career development of artists. These include the following:

- companies can offer young artists their first contact with the professional arts industry;
- without the experience of experimentation in creating smaller scale work, it would be difficult for artists to go on to create larger works in other contexts;
- the Sector plays a significant specialist role in developing artists from culturally diverse backgrounds and training across a diversity of performing media practices complementing the curricula of major training institutions; and
- the Sector supports emerging artists, through mentorships, by producing work with and by emerging artists and by the profiling of emerging work to the broader industry.

Survey results indicated that the Sector provided paid employment for over 6,000 people on average annually. Paid workers, on average, made up 46 % of the Sector while unpaid workers made up 54 %.

More than 5,000 people each year participated in performances by Small to Medium Sector organisations without being paid. This figure would include young people performing in youth music, dance and theatre and those in adult choirs and community activity. For theatre, dance and cross-artforms, unpaid artists working weeks represented only about 23% of total artist working weeks. These figures exclude musicians. Among music organisations, unpaid musician calls represented 84% of all musician calls. Many organisations highlighted a reliance on unpaid workers to sustain the creative side of the industry as a critical issue.

The involvement of volunteers should be applauded as evidence of strong community support. However, in this instance the extent of dependence in the administrative and marketing areas on this workforce merits closer examination.

Of all workers providing organisations with administrative, production and marketing support, 60% were unpaid. The reliance on unpaid labour, staff turnover and burnout was recognized by the Sector as affecting professional development, continuity and leaving certain functions such as marketing and development performed poorly.

Generally, within individual organisations, human resources were very limited. On average and across all organisations, less than one full-time management or administration staff member was employed annually and there was less than 0.5 of a full-time position for marketing and development employed annually.

Contract and part-time work were the main forms of employment in the Sector. Often the division of labour is blurred where creative staff and performers are also responsible for management and marketing activities.

Training and professional development opportunities for those working in the Sector emphasized on-the-job training and attendance at conferences and seminars for artists and administrative staff, over specialist training courses, training with other arts organisations and other training, eg - mentorships, and for administrative staff, training with Government. Only 30% of organisations conducted training for their artists with other arts organisations, and 21% of organisations adopted training with other arts organisations for their administrative staff .

Specific training issues were also highlighted in relation to ensemble training for dance and circus and for young artists working with young people.

The Working Party accepts that the very high level of volunteerism in the areas of administration, marketing and production support may be inhibiting the Sector's performance. This reflects questions of both resourcing levels and policy frameworks within the State/Territory and Commonwealth funding agencies.

2.4 Regional touring and access programs

The Working Party notes that the Small to Medium Performing Arts Sector provided a diverse range of performances, including education and access programs to metropolitan, regional and national audiences over the research period with 171 metropolitan, 253 regional and 228 interstate tours. While metropolitan touring increased slightly, regional and interstate touring decreased marginally over the period.

Funding for many of these intra and interstate tours was provided through a variety of State and Territory Governments' arts funding programs and through the Commonwealth Government's Playing Australia program.

Companies in this Sector offer a high proportion of regular access to professional performing arts for regional audiences. While the Sector has a significant ability and

willingness to connect with diverse audiences, including those in regional areas, one in every six organisations experiences touring difficulties. Challenges identified included cost, a perceived lack of funding, and confusion in delivery mechanisms. It was also suggested that regional presenters were resistant to commit to new work in advance.

The engagement of young people in the arts is a role embraced by the Sector through the delivery of extensive workshop programs, large-scale participatory events and performances in schools. Importantly, the Sector provides a low price entry point for people who may not be able to afford to attend the work of major organisations.

Furthermore, the Sector has been able to extend its innovative approach to programming and to new ways of presenting work. In this regard, performances by the Sector have occurred outside traditional performance venues (and sometimes free of charge) in diverse locations ranging from prisons, mineshafts, disused factories, temples and train platforms to the 2000 Sydney Olympic Stadium's opening and closing ceremonies.

The Working Party believes that there is a challenge for Government funding agencies to better co-ordinate and communicate funding opportunities to support touring (also see Section 2.7).

2.5 Australia's international profile

The Working Party believes that the Small to Medium Performing Arts Sector makes a significant contribution in promoting Australia's international cultural profile. In their written submissions, the Queensland, Victorian and Western Australian agencies stated that their Small to Medium Sector organisations played a major role in international touring.

There were 105 international tours undertaken by the Sector during the three-year survey period, providing a profile for Australia mainly in Europe, Asia, USA, Canada and New Zealand. Reported cases of international touring increased by 22 % over the three-year period and approximately \$2.3 million income was generated.

Over the three years of the survey period, attendance figures for international touring rose considerably from 106,000 in 1998 to 249,000 in 2000.

Australia's international cultural profile is also enhanced through cultural exchanges, development of works on location with overseas organisations and through recordings that feature Australian and international artists.

The Australian Performing Arts Markets (established by the Australia Council and supported by most States/Territories) provide an important platform for international promotion of the Small to Medium Performing Arts Sector: 80 - 90% of the 'Spotlight' performances at the last four Markets featured Sector organisations.

The impact of the tours generated by these markets is important to the profile and sustainability of the organisations. It has been estimated that more than \$25 million has been generated for Australian performing artists and organisations from the first four Markets.

Some 160 repertoire works were available for touring at the time data was collected for this examination. Circus and physical theatre are key cultural exports from this Sector. The Sector also contributes to inbound cultural tourism, particularly through Indigenous arts and culture.

Government funding support for international touring and exchanges varies, with the Australia Council and Arts Victoria having an extensive focus in this area. Although other States/Territories have less of a focus, there are generally increasing levels of international support.

For those organisations for which international touring is relevant, key challenges were seen as costs, lack of funding, lack of opportunity and Australia's geographic isolation from the rest of the world. The Working Group notes that although there is extensive co-operation between the different levels of Government, different international policy objectives between the States/Territories and the Commonwealth may cause tension and require clarification and on-going negotiation.

Other challenges to Australia's international arts profile included limits to international distribution for scripts and industry journals and lack of resources to attend international alliance meetings overseas.

The Working Party notes that increased interest in Australian performing arts, generated through the success of the Performing Arts Markets and the high public profile of Australian performance during the Olympic Games, has raised expectations from overseas presenters about support for organisations to tour internationally.

2.6 The resourcing of the Sector, including models of working, management and governance issues, and cost revenue dynamics

2.6.1 Resourcing the Sector

Table 1 makes clear the role of Government funding in sustaining the Sector. The State/Territory Governments are the major supporters providing \$57.4 million between 1998 - 2000 to the Sector, including relevant service and advocacy organisations, with \$39.9 million of this provided to producing organisations (refer Attachment B). The contribution of the Commonwealth Government, through the Australia Council (\$36.7 million, of which \$28.6 million went to the producing organisations) exceeds the contribution of any one State/Territory. This total was supplemented by a total of some \$3.4 million in touring grants to Sector organisations through the Commonwealth Government's Playing Australia program.

The Working Party notes the findings of the quantitative research for the respondent organisations showing that Government subsidy is the greatest portion of the Sector's annual income. The Working Party also notes that the ratio of subsidy to earned income has decreased over the three years of the survey data, from subsidy being 56% of income in 1998 to 51% of income in 2000.

Tables 3 & 4 show the proportion of aggregate Government and non-Government income as a whole for the researched organisations over the three-year survey period, and also by artform.

Table 3 Proportion of Government Subsidy & non-Government Income for the Responding Organisations 1998 – 2000 (Source: Hides Group)

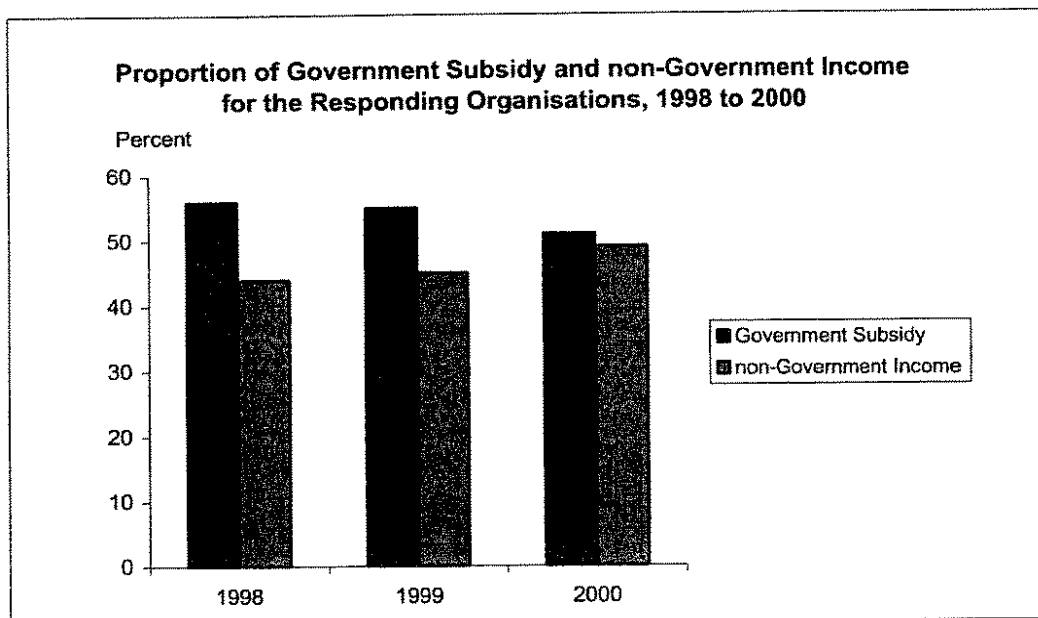
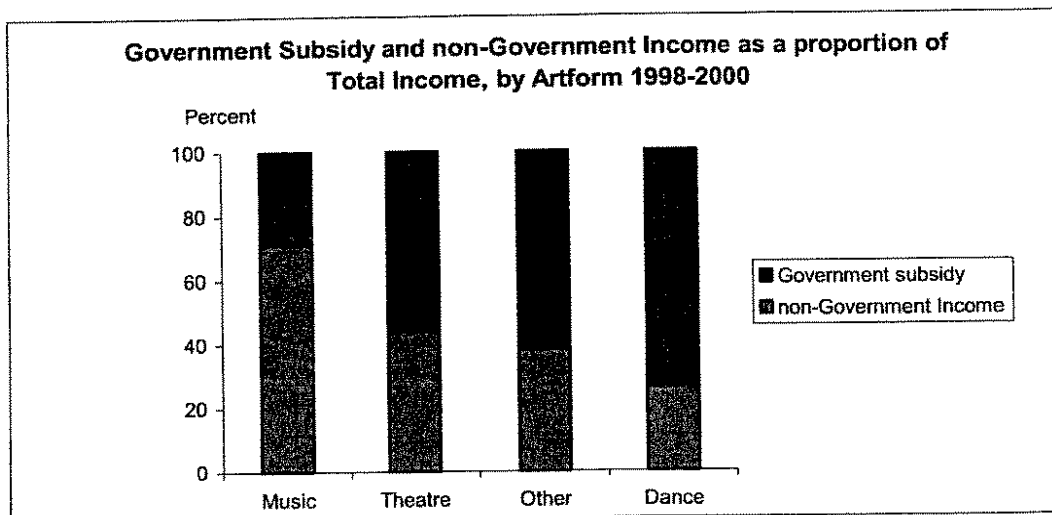


Table 4 on the following page compares the relative Government subsidy for each artform for the reporting organisations.

Table 4 Government Subsidy & non-Government Income as a Proportion of Total Income by Artform 1998 – 2000 (Source: Hides Group)



Surveyed organisations also acknowledged the indirect Government support they received in terms of infrastructure, advocacy, accommodation, business/ arts strategies, audience and market development and assistance with governance and research.

Although there was a slight increase in State Government funding of 7% through the research period, Australia Council funding remained static, an issue of concern for 56% of organisations and singled out by the Sector as of critical significance.

The Working Party noted that the total financial bottom-line position of the reporting organisations in the quantitative survey is currently in surplus as shown in Table 5:

Table 5 Surveyed Producing Organisations Net Surplus/Deficit 1998 – 2000 (Source: Australia Council)

	1998	1999	2000
<i>Number of Organisations</i>	105	110	113
Total Income	\$33,989,000	\$37,683,000	\$43,391,000
Total Expenditure	\$33,385,000	\$37,190,000	\$42,392,000
Net Surplus/(Deficit)	\$604,000	\$493,000	\$999,000

However, in 2000, this represents an average surplus of less than \$9,000 per company.

Organisations receiving annual and triennial funding reported a similar pattern in their reported bottom-lines from 1998 to 2000 dipping in the middle year but returning in 2000 to the bottom line position of 1998. Organisations receiving project

funding reported a steady improvement to their bottom-line over the survey period. Triennially funded organisations revealed a higher level of surplus than those funded on differing models.

However, further analysis of the data based on artform and annual turnover of reporting organisations revealed important variations to this trend. Additional analysis was also undertaken on the ability of the Sector to earn sponsorship income, an issue raised by one in three of the organisations surveyed as 'a great challenge'.

Analysis by size of organizations

Annual turnover was broken down into four segments to provide the Working Party with a greater level of information for each segment. It should be noted that the segment breakdowns are not definitive, were made for the purpose of this study and trends could vary across States/Territories.

Companies with expenditure in excess of \$1 million make up 4% of the Sector. These companies reported deterioration in their bottom line results, showing a net surplus in 1998 of \$510,000 and \$228,000 in 2000. The average surplus for these companies also fell from \$255,000 to \$38,000 over the period. These averages exceed those of the entire Sector, being \$6,000 in 1998 and \$9,000 in 2000. However, given that these are the Sector's largest companies, the reported surpluses are relatively small when compared to their annual turnover. Only a small number of companies were represented in this category, therefore accurate interpretation of the trend analysis is difficult.

Companies spending between \$500,000 - \$1 million make up 21% of the Sector. These companies reported a continuing deterioration in their bottom-line results over the period. The reported net deficit increased 53% from (\$139,000) in 1998 to (\$213,000) in 2000, while the average deficit for these companies deteriorated from (\$6,000) to (\$9,000).

Companies in the \$200,000 - \$500,000 bracket make up 29% of the Sector. These companies showed considerable improvement in their net bottom-line, moving from a 1998 deficit of (\$167,000) to a surplus of \$301,000 in 2000. On average, these companies went from a deficit of (\$6,000) in 1998 to a \$9,000 surplus in 2000.

Small companies spending less than \$200,000 per year represent 46% of the Sector. In 2000, these companies contributed \$683,000 to the total net surplus of \$998,000 for the Sector. On average, these companies reported a surplus of \$7,000 in 1998, which doubled to \$14,000 in 2000. While these companies reported an improving bottom-line result, it is important to note that many of these companies receive little support for core operations and are usually funded on a project-by-project basis. It is therefore difficult to draw conclusions or make comparisons on these companies from year to year.

Analysis by artform

Table 6 below provides a breakdown of operational results for artform sub-sectors for the reporting organisations.

Table 6 **Surveyed Producing Organisations Net Surplus/Deficit ('000)**
by Artform 1998 – 2000 (Source: Australia Council)

Artform	1998	1999	2000
Dance	\$529,000	\$145,000	\$230,000
Music	(\$137,000)	(\$140,000)	(\$212,000)
Other	(\$197,000)	\$230,000	\$297,000
Theatre	\$410,000	\$258,000	\$684,000
Total	\$605,000	\$493,000	\$999,000

The Working Party believes it is particularly important to note that the bottom line position of organisations working in the areas of Dance and Music deteriorated during this period.

Further analysis of these results in Music and Dance focused on the relationship between earned income and expenditure. The ratio of income and expenditure and subsidy remained fairly constant for Music throughout the survey period. The increase in reported deficit does not seem to be directly associated with either rising costs or falling earned income. Therefore, this may reflect a consistent under-resourcing of the Music sub-sector that would require new income, either earned or through subsidy, being found at a greater level than any rise in expenditure.

Although the bottom-line position in Dance remains positive, the Working Party was concerned to note the decrease in operational surplus and an accompanying fall in the ratio of earned income to expenditure. The Dance sub-sector, with an almost exclusive focus on developing and presenting new Australian works in a labour intensive field, appears to struggle to increase earned income. Analysis of financial information confirmed that there were sharply rising costs and diminishing earned income. The results indicated that Dance organisations experienced considerable financial difficulty in their operational activities and maintenance of ensembles of dancers over the survey period, even though Government funding increased substantially, partly counteracting the impact.

Sponsorship

With regard to non-Government income, figures reveal that *average* sponsorship results for each of the reporting organisations increased nearly 50% over the period. However, half of the overall increase in sponsorship can be attributed to a single Music company based in New South Wales.

On average, organisations with expenditure of over \$500,000 were able to generate five times more sponsorship dollars than those organisations under \$500,000 where

the average sponsorship gained was less than \$10,000 per annum. It is also interesting to note that average sponsorship earnings fell for those organisations under \$500,000 over the survey period. Breaking this down by both size and location reveals that organisations over \$500,000 located in NSW dominate sponsorship for the Sector.

The ability for an organisation to attract sponsorship is affected by that company's perceived market placement, audience base, composition of the board, and the effectiveness with which sponsors can be sourced and serviced. For many organisations, access to sponsors is hindered by the distant location of corporate head offices in major cities. One in every three organisations surveyed reported that it was simply not possible for a small company to attract sponsors; to be able to offer them appropriate benefits; or even service sponsors if and when they are secured. Consequently, larger organisations (particularly in NSW), with access to greater resources, are better placed to attract sponsorship.

The Working Party also notes that smaller organisations in this Sector generally do not employ Sponsorship/Development staff. The task of gaining limited sponsorship falls to existing staff, as does servicing the sponsors requirements. The Working Party questions whether smaller companies are gaining real value through the minimal sponsorship they have earned.

2.6.2 Working models, management and governance

The Working Party agrees that flexibility in working models is important and intrinsic to the Sector, provided that the Sector can sustain the skills and risk management required to operate effectively.

Organisations in the Small to Medium Performing Arts Sector have highly flexible structures that support creative processes and multi-skilled management. There is a range of working models in this Sector, including examples of organisations successfully discarding one model and re-inventing themselves in response to a changing external environment.

The majority of organisations had legal operating structures with boards of at least six members. A majority were not-for-profit organisations. The survey data indicated that the level and coverage of boards' skills and expertise is of concern, with an average of about 90% of boards having artistic skills, two thirds having financial skills and only about half with marketing and publicity skills. It was also revealed that difficulty was experienced in attracting board members with sponsorship experience.

The research data shows that organisations are generally well managed, but do not show the levels of investment in business management skills and board expertise to support good risk management practices. Qualitative research indicated that 82% of all responding organisations listed lack of administrative resources as a critical issue. Analysis of the roles and functions of organisations' boards showed that less than

two-thirds of the boards had members with specific financial and business management expertise (see Section 2.6).

One in five survey respondents nominated governance issues and particularly staff succession issues as a challenge. Other challenges include the ability to attract skilled volunteer board members and finding effective operational models for national boards.

2.7 Relationship of levels of Government and the Sector including enhanced management of funding

The Working Party believes that current inter-Government communication processes and funding relationships are impacting on the ongoing viability of the Small to Medium Performing Arts Sector.

Virtually all organisations included in the examination were jointly funded by both the Australia Council and a State/Territory arts agency. However, direct Australia Council support for the whole Small to Medium Performing Arts Sector is 64% of the total of the States' and Territories' support. The Working Party notes that there is no objective framework determining the balance of Commonwealth and State/Territory support. It is clear that within current Australia Council resource levels, any expectations of matching co-funding between the Council and the States/Territories cannot be met.

Six of the eight written submissions by State and Territory agencies raised a number of concerns about the funding relationship between them and the Australia Council: several also raised concerns about relations with Local Government funding. In the main, these concerns focused on the need for improved communication and joint agreements about funding for organisations.

The Australia Council acknowledges the need for better communication with the States/Territories and its difficulty in meeting expectations.

In respect of the Department of Communications, Information Technology and the Arts programs, the Working Party noted that while the major focus of Playing Australia was touring across State and Territory boundaries, State and Territory touring programs were based principally on increasing access within their own jurisdictions, that is, through intrastate touring.

Marginally more of the responding organisations were in receipt of Australia Council triennial funding than were receiving triennial funding from their State or Territory, but this represented no more than a third of all responding organisations. There were far more instances of annual support from a State or Territory compared to the Australia Council and the majority of organisations were in receipt of either State annual or triennial funding. The Australia Council's introduction of an annual program category occurred outside the time period of the quantitative survey.

In addition to some States/Territories expressing concern about levels of Australia Council funding for organisations in their State/Territory, agencies were also concerned about:

- mechanisms for co-operation between State and Federal funding agencies, including joint funding agreements and shared reporting requirements;
- the need to formalise communication between these agencies about co-funding requests; and
- the need for stability of funding for agreed organisations.

The Sector identified as a challenge the need for State and Territory Governments and the Australia Council to mutually accommodate the peer assessment and State/Territory funding systems.

The responding organisations also saw the need for increased co-operation between the Commonwealth and States/Territories in collecting and reporting of statistical data on the industry; matching closing dates and notification dates, reporting requirements, and standardising application forms. The lack of co-ordination in these areas was seen to increase the administrative workload of Sector organisations.

Finally, there exists a continuing pressure from Government funding agencies for the Sector to become more self-sustainable whilst at the same time advance the arts through innovation. Fundamentally, the Sector is committed to the development of new work and represents itself to be creative above all else. Government funding agencies are concerned with a range of specific outcomes relating to the accountability and reach of public funding to and beyond the Sector. The interplay between these two apparently competing objectives represents the underlying challenge of the relationship between Government and the Sector.

3.0 CONCLUSIONS

The Working Party believes that the Sector is characterized by great diversity, a focus on new creative endeavor, a slim administrative structure, a large volunteer workforce and a commitment to artistic production.

While the Sector as a whole is in surplus its financial stability is finely balanced and in some areas shows evidence of decline. Acknowledging that analysis of the financial position of the Sector is based on data reflecting a relatively short reporting period, the Working Party is concerned by evidence of declining financial positions in the Music and Dance sub-sectors, raising questions about the sustainability of organisations in these sectors in both the short and long term. The Working Party also noted with concern the financial position of mid-size organisations across all artforms, ie - those with an annual turnover of between \$0.5 and \$1 million.

There are a number of possible responses to the Sector's situation. One might be to suggest additional government resources above that currently provided. This is most certainly the stated expectation of organisations in the Sector.

The Working Party acknowledges there are other solutions which also need to be considered, including clarification of the Commonwealth and State/Territory Governments' expectations of organisations in the Sector, opportunities for better targeting of subsidy to address administrative issues and reducing administrative duplication.

The Working Party has identified four key issues for consideration by Ministers.

3.1 Clarification of Governments' expectations of the Small to Medium Performing Arts Sector

Although the aggregate bottom line for the Sector is in surplus, the very real perception by the Sector is that the dual-focused expectation of governments - that organisations in the Sector become more self-sustainable while continually advancing the performing arts through innovation, experimentation and creative risk-taking - may not be viable in the medium to long term. Governments' expectations and evaluation of the annual output of organisations in the Sector need to be clear and relevant to the specific role of the organisation. Appropriate investments in creative risk-taking may be greater than current levels of support and yet may offer few immediate financial returns. Current resources do not ensure that all of the organisations supported in this Sector can realise both self-sustainability and excellence in artistic development.

To address this dual focus, Ministers are asked to consider either a greater focusing of recurrent resources, which may in the end support fewer organisations in the Sector, or a targeted increase of resources to enhance the organisations' current contribution to Australia's performing arts. The specific issues addressed below will also assist the Sector.

3.2 The need to strengthen the Sector's administrative capacity to provide a more stable business and operating environment

Ministers could endorse the need for a training and skills program in business management, marketing, and audience development strategies for arts organisations.

Enhancing the governance of organisations in the Sector is also crucial. A program of skills analysis and development for boards of organisations is needed, including incentives to attract new board members.

This could be achieved by a re-prioritisation of funding or through additional funding specifically for training purposes. The Working Party believes that Ministers' commitment to a shared national training program in both business development and board governance would underline the importance attached to this intervention.

Further, a targeted funding program could be introduced that supports the creation and networking of resources between a number of arts organisations. Such resources could include joint presenter/producer models, shared administration, marketing and audience development projects, research, fundraising and technology.

3.3 Improved inter-Government communications and co-funding arrangements, including greater stability and/or equity of funding for organisations

In the context of stable funding resources, improving the effectiveness and efficiency of funding between governments gains a new urgency. The Working Party believes that there is a will to improve the co-operation between State/Territory agencies and the Australia Council for jointly funded performing arts organisations and recently important steps in establishing protocols for action have been made. Issues to be addressed by the funding agencies include:

- formalised communication between the States/Territory agencies and the Commonwealth regarding mutually agreed organisations;
- the establishment of tripartite agreements for organisations in receipt of triennial funding from both the relevant State/Territory agency and the Commonwealth;
- improved co-ordination of State, Territory and Commonwealth application and reporting materials and cycles; and
- better co-ordination and communication by funding agencies of the funding opportunities to support touring.

While funding agencies need to recognise the context in which each agency operates, Commonwealth, State and Territory changes to a more co-ordinated approach should assist in enhancing sector sustainability. To meet this challenge the Working Party believes that Standing Committee members should work over the next twelve months to identify and confirm changed arrangements, with a joint report to Ministers by the Commonwealth members and the State Chair of the Standing Committee at the next CMC meeting.

3.4 Enhancing the role that this Sector plays in promoting Australia's culture in the international arena through the performing arts

The Working Party believes that international demand supports the need for increased resources to facilitate international tours by organisations in this Sector. Further cooperation in existing State/Territory and Commonwealth international programs would provide a basis for improving support to the Sector.

The Working Party thanks and commends Ministers for the opportunity to undertake this important examination of the Small to Medium Performing Arts Sector.

ATTACHMENT A

REPORT TO MINISTERS ON THE SMALL TO MEDIUM PERFORMING ARTS SECTOR

TERMS OF REFERENCE

BACKGROUND

At a meeting of Cultural Ministers Council (CMC) in August 2000, Ministers affirmed the pivotal contribution of small to medium performing arts organisations to the cultural vitality and diversity of Australia. It was agreed to commission an examination of the factors influencing the artistic and financial position of small to medium sized performing arts organisations.

OBJECTIVES

The principal objective of the examination is to identify and report on the factors influencing the artistic and financial viability of small to medium performing arts organisations, including:

- the role small to medium performing arts organisations play in the performing arts sector and Australia's cultural life;
- the sector's capacity for creative innovation, experimentation and research and development;
- the contribution of the small to medium sector to audiences, employment and training;
- the role of the small to medium sector in regional touring and access programs;
- the contribution of the small to medium performing arts sector to Australia's international profile;
- the resourcing of the sector, including models of working, management and governance issues, and cost and revenue dynamics; and
- the relationship between levels of government and the sector, including the enhanced management of funding.

SCOPE

Within this sector there are many diverse performing arts organisations working on a regular basis through formal and informal structures. Commonwealth and State/Territory Arts Departments have agreed the report on the sector will appropriately include:

- organisations with which at least one Agency has a regular funding relationship; and
- producing and service organisations where either Agency has a strategic interest in the organisation's place in the sector.

The scope of the sector examination will be limited to organisations included with the mutual agreement of the Commonwealth and State/Territory Arts Departments.

Organisations will have a minimum turnover of \$50,000 per annum for a minimum period of three years (does not have to be consecutive years). The use of the word organisation or company does not designate legal status. Organisations defined as major companies by the Australia Council's Major Performing Arts Fund are excluded.

The Report will take into account relevant research undertaken by Commonwealth and State/Territory Arts Departments, including the Australia Council.

Timeframe

The Report will be managed by a Working Party comprising representatives of the Commonwealth, including the Australia Council, and State/Territory Arts Departments.

Ministers will consider a report from the Working Party at the next meeting of CMC in 2001.

ATTACHMENT B

REPORT TO MINISTERS ON THE SMALL TO MEDIUM PERFORMING ARTS SECTOR

SUMMARY OF GOVERNMENT FUNDING TO THE SECTOR

(Source: Hides Group Report)

STATE FUNDING	PRODUCING ORGANISATIONS			SERVICE/ ADVOCACY ORGANISATIONS			GRAND TOTAL		
	1998	1999	2000	TOTAL	1998	1999		2000	TOTAL
ACT	\$484,555	\$673,605	\$916,495	\$2,074,655	\$509,148	\$447,668	\$514,246	\$1,471,062	\$3,545,717
NSW	\$2,152,030	\$2,605,210	\$2,898,501	\$7,655,741	*\$1,191,310	*\$543,086	*\$727,324	\$2,461,720	\$10,177,461
NT	**\$662,520	**\$527,600	**\$575,430	\$1,765,550	**\$392,191	**\$389,486	**\$516,031	\$1,297,708	\$3,063,258
QLD	\$2,085,479	\$2,278,609	\$2,272,714	\$6,636,802	\$1,599,300	\$1,693,244	\$1,684,144	\$4,976,688	\$11,613,490
SA	\$1,609,671	\$1,825,304	\$1,915,472	\$5,350,447	\$211,998	\$218,098	\$269,569	\$699,665	\$6,050,112
TAS	\$523,400	\$596,067	\$702,106	\$1,821,573	\$154,500	\$160,500	\$177,600	\$492,600	\$2,314,173
VIC	\$3,034,951	\$2,845,982	\$2,942,659	\$8,823,592	\$421,250	\$378,000	\$469,500	\$1,268,750	\$10,092,342
WA	\$1,983,044	\$1,820,735	\$1,984,443	\$5,788,222	\$1,550,220	\$1,609,290	\$1,687,313	\$4,846,823	\$10,635,045
Total State Funding	\$12,535,650	\$13,173,112	\$14,207,820	\$39,916,582	\$6,029,917	\$5,439,372	\$6,045,727	\$17,515,016	\$57,431,598
Federal Funding									
Australia Council	\$9,536,970	\$9,391,995	\$9,717,540	\$28,646,505	\$2,631,022	\$2,772,766	\$2,667,837	\$8,071,625	\$36,718,130
Total Government Support	\$22,072,620	\$22,565,107	\$23,925,360	\$68,563,087	\$8,660,939	\$8,212,138	\$8,713,564	\$25,586,641	\$94,149,728

Source: State / Territory and Federal Government Departments.

* Some portion of these amounts may apply to organisations outside the TOR but part of the small to medium performing arts sector as defined by NSW Government. Mostly these amounts relate to Service / Advocacy Organisations.

**

In-kind support for some organisations included in these figures.

- Note: 1. *The State/Territory and Federal Government also provide substantial support in terms of capital infrastructure and venue costs as well as in-direct support through various Government programs.*
2. *These amounts refer to sample provided by CMC which equals 193 organisations.*