

Research Study on a New Funding Mechanism for Performing Arts Groups in Hong Kong

Executive Summary 2012



Introduction

Positive Solutions and GHK (the consultants) were engaged by the Home Affairs Bureau (HAB) of the Hong Kong SAR Government to undertake a Study into the Funding Mechanism for Performing Arts Groups in Hong Kong (the Study).

The Study was prompted by the Report of the Committee on Performing Arts (2006). Amongst other issues, the Committee identified the need for a more 'level playing field' in determining funding for major performing arts organisations (MPAOs), and recommended the establishment of 'a common assessment mechanism and a common set of criteria to assess these performing arts groups'.

A further factor influencing the Study was the forthcoming development of the West Kowloon Cultural District (WKCD). This major cultural infrastructure project could lead to the opening of more than a dozen new performing arts venues, with high expectations locally and internationally in relation to performance breadth and quality.

The Study included the preparation of an overview of the performing arts and current funding arrangements in Hong Kong, and an examination of funding mechanisms for the performing arts in a number of overseas jurisdictions. Subsequently, the consultants prepared a Draft Funding Mechanism Discussion Document, including preliminary recommendations. This was circulated to arts organisations and other stakeholders for comment. This Final Report takes into account the feedback received.

The principal focus of the current Study is the funding mechanism used to support Hong Kong's nine MPAOs. This group of organisations includes:

- The Hong Kong Philharmonic Orchestra (HKPO);
- Hong Kong Chinese Orchestra (HKCO);
- Hong Kong Sinfonietta (Sinfonietta);
- The Hong Kong Ballet (HKB);
- Hong Kong Dance Company (HKDC);
- City Contemporary Dance Company (CCDC);
- Hong Kong Repertory Theatre (HKRT);
- Chung Ying Theatre (Chung Ying); and
- Zuni Icosahedron (Zuni).

The works of the MPAOs range from serious classical music to experimental theatrical works, which are presented across a range of Hong Kong venues. While traditional and

contemporary drama, dance and music are included, neither Chinese nor Western Opera is represented among the MPAOs. Most of the MPAOs were established in the late 1970s and early 1980s, either by Government mandate or through the initiative of independent groups of artists.

The work of the major organisations does not occur in isolation, but within the context of an inter-connected set of relationships – an ecology. The level of financial support MPAOs receive from the Government is only one in a range of factors which influence the health of these organisations, although funding support is a critical factor in their sustainability. To support its investment in the MPAOs and in other smaller performing arts organisations, Government may choose to take initiatives on other aspects of industry development. This may include building the professional capacity of individuals and organisations, establishing support or advisory services of various types, or encouraging greater private sector support for the arts.

Performing arts organisations build their income from:

- Earnings from box office and fees for provision of services (e.g. paid workshops, commissioned performances, broadcasts, international touring), sales of cultural products (e.g. CDs);
- Contributed income from sponsors and donors;
- Government subvention;
- Income from ancillary activities e.g. merchandising, training services, retail, catering, rentals (where they have such facilities/ assets); and
- Interest or other earnings from reserves.

Internationally, recent discussion of new arts financing models and new sources of money for the arts has been prompted both by the concern that Government funding cannot keep pace with the increasing costs of arts delivery, but also by a view that plurality of funding and financing sources provides a more sustainable model and protects and stimulates artistic diversity. Hong Kong's public finances are healthy, but an important issue for the Government will be how to encourage a greater degree of financial independence and entrepreneurship amongst those companies enjoying financial support from Government – that is, how to minimise dependence on subsidy without hindering the quality and innovation of artistic outputs.

Arts Policy and Funding in Hong Kong

Government policy comprises four major elements:

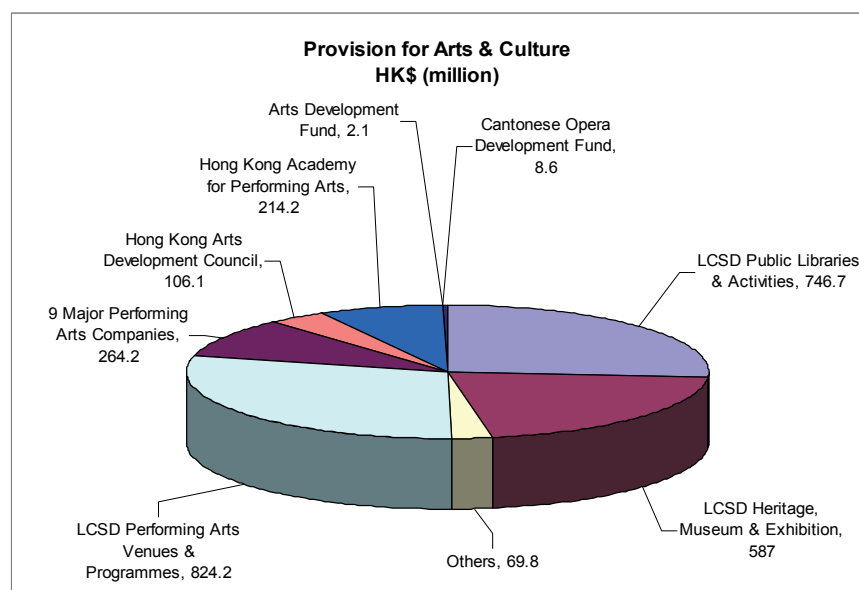
- Respecting freedom of creation and expression;
- Providing opportunities for participation;
- Encouraging diversified and balanced development; and
- Giving support to build an environment that nurtures culture and the arts.

More specific recent directions were indicated in the Chief Executive's 2008-09 Policy Address:

To tie in with the WKCD development, we need to enhance our software by promoting cultural activities in the community and tapping into cultural consumption markets. To bring more cultural activities into local communities, the Government will encourage cultural and performing arts groups to stage performances across the territory. We will continue to support artistic creations and overseas exchanges, encourage tertiary institutions and professional arts groups to nurture intermediaries for arts services, and develop a broad audience base. Our joint efforts will help realise the vision of developing Hong Kong into a world-class arts and culture destination.

Chart 1 below provides a snapshot of the government resources devoted to arts and culture in 2009/10.

Chart 1: Government Funding for Arts and Performing Arts 2009/10



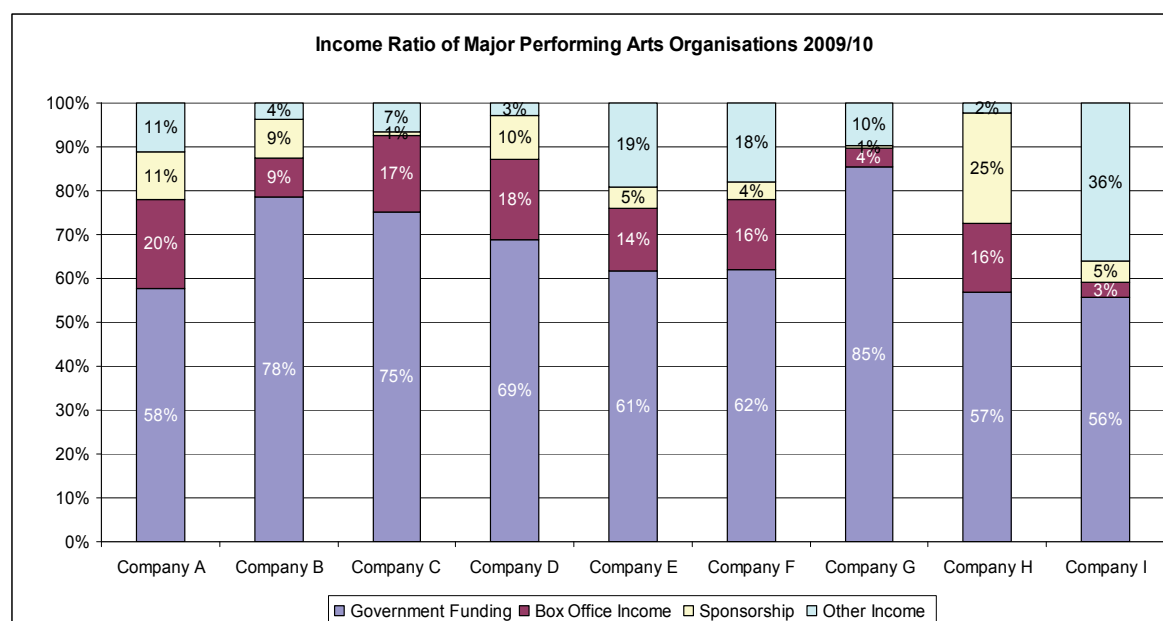
There are approximately 1,000 performing arts organisations in Hong Kong.¹ Almost 40% are Xiqu organisations, with music comprising 31%, drama 17%, and dance 9%. The rest are organisations that present or produce variety shows. The organisations range from Government-subsent, professional organisations to independent, amateur/ semi-professional and smaller organisations.

During 2009/10 the MPAOs provided a total of 662 performances, of which 552 were in Hong Kong, 36 in Mainland China and the remaining 74 in overseas locations. Most of the MPAOs delivered between 50 and 70 performances. The lowest number of performances was 41 and the highest 194.

All MPAOs provide workshop and educational activities, either to support professional development for artists or to create opportunities and engagement for the general public.

Because of the scale and variety of operating modes of the MPAOs, it is not particularly helpful to compare their income levels in absolute terms. In the following chart, income sources are displayed, therefore, as a proportion of overall income for each organisation. It is noted that in 2009/10 Government funding contributed between 56% of total income and 85% of total income, with box office, fees and other income making up the remainder:

Chart 2: Income Ratios 2009/10



¹ Hong Kong Annual Arts Survey 2007/2008 prepared by Hong Kong Arts Development Council (2009).

Five of the MPAOs had net assets/ reserves of over \$10 million at March 2010, three had net assets of between \$4 million and \$10 million, and one had a small accumulated deficit (less than HK\$50,000).

Strengths and Weaknesses of the Major Performing Arts Organisations

The following summarises key common strengths and weaknesses of, opportunities for and challenges to, the MPAOs, as identified during interviews with each company.

Common **strengths** would appear to be:

- Regular funding and recognition as a major organisation;
- Being the only one of its kind and hence a lack of direct competition;
- Dedicated, professional staff with positive attitudes;
- In most cases, supportive and experienced Boards;
- In most cases, existing relationships and links with Mainland China; and
- In some cases, a long operational history (e.g. roots of HKPO stretch back to 1895).

Common **weaknesses** would appear to be:

- A history of annual funding, with no requirement to prepare long-term, multi-year plans to support development proposals;
- A high percentage of subvention relative to other income;
- Marketing planning is short-term and sales-focused;
- Restrictions to the building of reserves;
- Limitations of the Venue Partnership Scheme – concerns regarding ‘fairness’ and a perception that the Government avoids making hard merit-based choices between organisations;
- A poorly developed customer database, including lack of information from Urbtix;
- A lack of coordinated programming with other performing arts organisations;
- Limited capacity to attract new staff due to budgets in the sector compared to competing careers; and low salary levels in some of the MPAOs; and
- An absence of quality professional critique – by peers, press, and funders. Assessment is focused on easily quantifiable output indicators.

Common **opportunities** would appear to be:

- Increased arts education and outreach (although, as noted, several of the MPAOs have developed active arts education programmes);
- Increased commissioning of new work;
- Growing of audiences and income base;

- Leadership development;
- International touring, promoting the image of Hong Kong in the Pearl River Delta, China and elsewhere;
- Better venue relationships/ partnerships linked to WKCD development; and
- The health of the Hong Kong and Chinese economy.

Common **challenges** would appear to be:

- Costs of international touring and how they can be met;
- Lack of appropriate talent trained locally;
- Restrictions to the level of allowable reserves²;
- A perception that some of the companies are not adapting to a changing marketplace; and
- The potential for Mainland China arts organisations and producers to move into the Hong Kong market.

Strengths and Weaknesses of the Performing Arts Sector

Government Engagement with and Financing of the Sector

It is recognised by arts organisations and Government stakeholders that the current funding system has developed through a series of historical steps, but with no over-arching policy imperative in relation to why Government engages with and supports the arts. Most of the arts organisations interviewed expressed a desire for Government to articulate its cultural aspirations and expectations more clearly – although not necessarily through a prescriptive ‘cultural policy’.

This evolution has led to investment in particular aspects of the performing arts sector – in particular the MPAOs (through HAB); large scale community arts and entertainment venues throughout the HKSAR (through Leisure and Cultural Services Department, LCSD); with a relatively small amount for small to medium scale organisations funded through the Hong Kong Arts Development Council (HKADC). There is no holistic plan informing the allocation of resources either through a tiered funding structure for artists and arts organisations at different stages of development, or through plans for specific art forms.

The sector is characterised by significant reliance on Government subsidy compared with a number of other jurisdictions, reduced-cost venue hire, and historical policies of setting ticket prices at affordable levels to encourage audience development. Corporate support for the

² In the case of Australia the funding agencies encourage a minimum 20% reserves target for MPAOs.

arts and individual patronage is very limited. Some attribute this to the low tax regime, although there may be other attitudinal factors at play.

The Value Chain

In terms of education and training, there is a view that the sector has good technical and support staff emerging largely from Hong Kong Academy for Performing Arts (HKAPA). Views on the quality of performance students were mixed; there were some positive comments, such as the quality of dancers when compared to Europe, but a number of companies expressed concern that top students would go on to perform out of the country, while others would opt to teach as the salaries are better.

A key weakness in the sector is perceived to be the limited skills and expertise in different aspects of arts administration – hence the University of Hong Kong's recent decision to launch a Leadership Academy for the arts sector. A number of experienced arts administration professionals are employed by the Government through LCSD. LCSD also introduced an Arts Administrator Trainee Scheme in partnership with its 20 Venue Partners in 2010/11.

There appears to be a growing emphasis by some companies on commissioning new work from local and regional artists. Production costs in terms of elements such as props, costumes, and sets are regarded as affordable. However, the lack of commercial and independent producers is regarded as a weakness in the sector.

There is concern that, although the quality of the product is high, few people in Hong Kong really engage with the performing arts and there is considerable competition from other forms of entertainment and activities. This problem is exacerbated by a lack of coordination and cooperation in the sector in relation to programming and marketing between organisations, including festival producers.

Several organisations expressed their concern with the Urbtix system; in particular its inability to facilitate access to audience information. This prevents organisations from building a good understanding of the demography, geography, and frequency of attendance of audiences, thus limiting their strategic marketing ability.³

The Impact of WKCD

Each organisation recognises the investment that will be required in order to take up the opportunities that WKCD will create, both in strengthening their existing organisation and in

³ It is noted that LCSD has concerns over confidentiality of personal data, and is currently examining this issue.

overall arts education and audience development needed for the successful development of the Cultural District.

Arts organisations, in common with the Hong Kong Government, want to position Hong Kong as a major centre for culture and creative development but recognise that this will take time to achieve. Therefore, a more organic approach to all aspects of development of the WKCD is preferred for both hardware (the facilities) and software (companies and product). MPAOs also raised the issue of the impact of the WKCD on the existing LCSD venues, their management and future venue booking and programming arrangements.

Views on the Funding System

The following highlights selected views of arts organisations regarding the current funding system.

Current strengths are perceived to be the stability of the system, and security for organisations within the MPA group. Weaknesses of the current system are perceived to be in the following areas:

Limitations of current structures and rules

There is a lack of movement and fluidity in the system. Major status can appear as an 'exclusive club' with no options for new membership. There is also a belief amongst some that there is little incentive for organisations to ensure they fulfil their responsibilities as MPAOs artistically, or in relation to community and audience development. There also appears to be no clear rationale as to why the organisations are considered as MPAOs, since they vary so much in scale, purpose and type of work.

Limitations of measurement for assessment

It is recognised that simple, quantitative measurements and deliverables may not fit the development of the subvented groups. The system is not comparing like-with-like, so there needs to be a more customised approach for assessing each art form. The quality of self-evaluation reports is not comparable, with some groups appearing to deliver more than others. However, no clear key performance indicators (KPIs) are set and the Government has no systems for monitoring performance.

Peer assessment in Hong Kong is perceived to be difficult to achieve, because the sector is small, and independent critical perspectives are therefore hard to obtain.

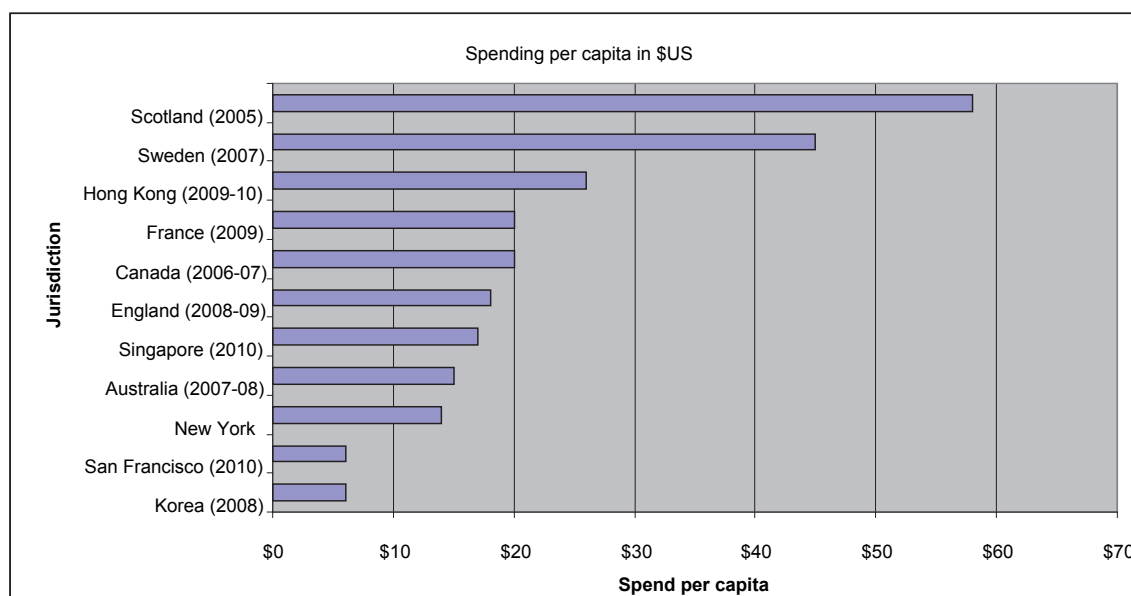
Regarding any future funding system, there is a desire for funding to be more clearly linked to the vision and mission of the arts organisations, with specific outputs and outcomes agreed for each organisation. These would need to be in line with Government policy ambitions to secure support from Government.

The Performing Arts and Funding Systems Overseas

Overviews of the performing arts and funding arrangements in England, Australia and Korea were prepared, with shorter studies prepared for Singapore, Scotland, France, Sweden, the USA and Canada. The selection was intended to reflect different political and cultural contexts, as well as regional spread.

Chart 3 below shows government spending per capita in \$US on the performing arts in the selected jurisdictions.

Chart 3: Government Spending per Capita

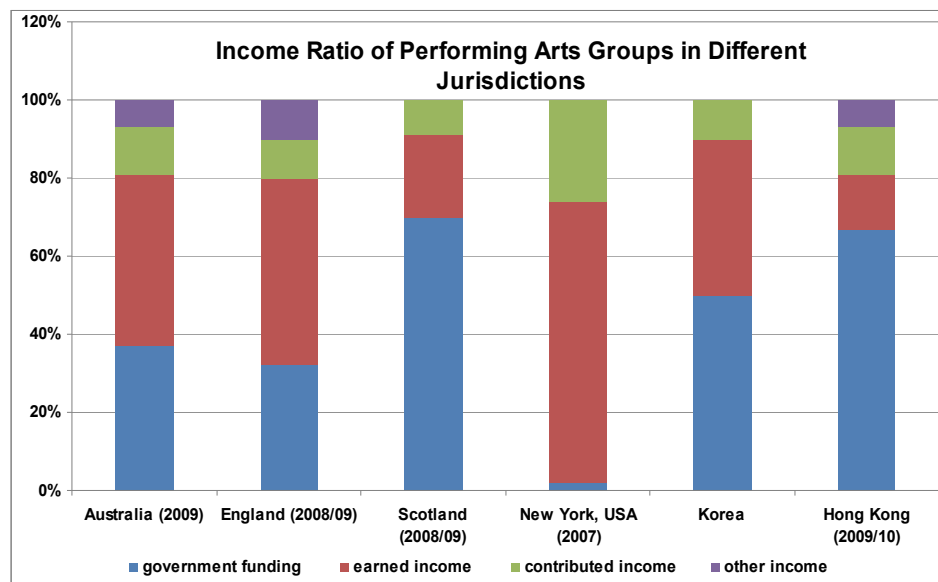


Hong Kong sits third behind Sweden and Scotland in per capita spending – although it would be unwise to place too much reliance on figures for which there may be definitional differences between one jurisdiction and another.⁴ It is noteworthy that five of the jurisdictions have performing arts spending per capita between US\$15 and US\$20, and that two of those which sit above that level (Scotland and Sweden) are sparsely populated countries where costs for serving dispersed communities are high.

⁴ The spend per capita figures have not been adjusted to reflect cost of living differences between jurisdictions.

The overall ratio of Government funding to other sources of income for MPAOs in Hong Kong and in several of the overseas jurisdictions is indicated in Chart 4 below.

Chart 4: Income Levels for the Major Performing Arts in selected Jurisdictions⁵



The following points merit consideration in the development of a future funding mechanism for Hong Kong:

- Funding systems continue to change and evolve – such as the recent systemic changes in England and Scotland, and the evolving system in Korea. There is no ‘fixed’ system.
- Multi-tier Government structures can result in each tier providing support for the arts – sometimes through co-funding by multiple tiers, sometimes by focusing on different elements of the arts ecology. For many arts organisations this reduces their level of dependence upon a single agency, and therefore their level of risk exposure.
- Most of the jurisdictions reviewed have an arms-length agency disbursing Government funding. A notable exception is France, where the Ministry is closely involved with the funded organisations, including appointing artistic directors at national companies.
- Several of the overseas funding agencies express an interest and engagement with the broader performing arts ecology, including arts accommodation, venue provision, audience development, the role of festivals and producers, and the skills and capabilities of the managements and boards of the performing arts organisations.
- There are broad and well-established performing arts sectors in most of the countries studied – for example, there are over 700 performing arts organisations in Australia (of

⁵ Earned income refers to box office and fees charged for performances and workshops; contributed income refers to philanthropy and sponsorship (private sector support); and other income refers to ancillary income (e.g. rental/ hires where the company has a property).

which c.350 are non-profit organisations), and nearly 900 funded non-profit arts organisations in England. In this context majors or 'nationals' constitute a small, highly significant group.

- The performing arts sectors reviewed include not only music, drama and dance but also physical theatre, opera, musical theatre, circus and mime.

Each jurisdiction (including Hong Kong) is distinctive in its economy, history, culture and political processes. Arts funding systems grow out of these contexts and, for this reason, it would not be appropriate to attempt to closely emulate systems elsewhere. However, there are a number of features displayed by one or more of the overseas funding systems which merit consideration in Hong Kong.

Even where there is not a centralist model (like France's), many jurisdictions provide clear articulation of Government's arts and cultural (and educational and social) policy priorities, and, through different mechanisms, hold funded major performing arts organisations accountable for aligning with these priorities as a condition of grant-aid.

In most jurisdictions reviewed there is a strong sense of the inherent value of arts and culture – the preservation of cultural heritage and the support of cultural innovation are regarded (by Government) as public goods which merit public funding. While there may be instrumental values placed on the arts – their contribution to tourism, economic development or other Government agendas – there is also a recognition that the arts matter in their own right, both because they express national culture and identity and because freedom of creative expression is valued.

Australia is unusual in the degree to which it has formalised the definition of 'major performing arts' and constructed a dedicated funding mechanism linked to this. In varying ways, other countries have identified national or major organisations, but not with precise inclusive/ exclusive criteria. In both Australia and Scotland the expectations which Government has of its major performing arts organisations have been clearly specified including, in Australia, the broad strategic role which is agreed for each company, and upon which its funding level is partly based.

No jurisdiction has a satisfactory entry and exit system for major status. For most, the issue is side-stepped by the lack of a formal definition of 'major' or – in the case of France – by the directive nature of Government's involvement and control.

In several jurisdictions there appears to be a growing trend to allow, and require, major performing arts organisations to conduct their own artistic (and other) evaluation processes, and also for Government to establish clearer frameworks for such self-assessments and, in some cases, to supplement self-assessment with external peer assessment and/ or periodic in-depth reviews of the organisations.

The determination of current funding levels for each organisation is rarely based on close analysis and review of the organisation's cost-base. More frequently, historical precedent has been a key determinant (as is largely the case for the MPAOs in Hong Kong), supplemented by occasional boosts to funding linked with Government's current budget position and policy initiatives.

Performing arts organisations have been encouraged to build alternative income streams. Government's role in this has included professional development interventions (to enhance marketing, fundraising and other skills), board development programs, match-funding schemes, and the establishment of organisations dedicated to nurturing links between arts and business. The ways in which performing arts organisations have built their non-government income streams in diverse jurisdictions suggests that there may be untapped opportunities in Hong Kong, and that exploiting these involves a long-term journey, not a short-term fix.

In several jurisdictions, the clarity and detail of funding agreements, the guidelines for arts organisations' business and marketing planning, the guidelines for artistic assessment, and other aspects of the funding ecology are sophisticated.

A number of other characteristics of the jurisdictions reviewed merit consideration:

- In several jurisdictions there are higher levels of earned income through box office and fees than occurs in Hong Kong.
- There are a number of examples of sector-wide research and market research initiated by or supported by Government agencies, e.g. monitoring public perceptions of the arts.
- There is a trend to increasing clarity of reporting procedures, with the recent introduction of online data gathering.
- In some jurisdictions there is a commitment to transparency. This occurs in two regards: first, a willingness to share data and report back to the arts sector, partly as a means of incrementally strengthening management capabilities within the sector, partly to enhance Government's knowledge of the sector; second, a commitment to establishing clear assessment criteria, and providing feedback to grant applicants where requested.

- Multi-year funding is commonly applied not only to major organisations but to a range of other performing arts organisations.
- There are well-established peer assessment processes in some jurisdictions – but continuing discussion as to what constitutes the best method of assessment.

In the US, the UK and Australia there are debates taking place about the merits of the current (and historical) funding structures, and their impact on the health and development of arts organisations. A particular focus has been the issue of enhancing the sustainability or ‘resilience’ of arts organisations. An example is the Mission Models Money (MMM) initiative in the UK. MMM is focused on *‘advancing new approaches and new solutions to organisational and financial sustainability in the non profit distributing arts and cultural sector’*. The name of the organisation (Mission Models Money) *‘encapsulates the fixed relationship between mission (programmes), model (organisational capacity) and money (capital structure) with any change in one inevitably having an impact – planned or unplanned – on others’*.

In Autumn 2010, MMM published a draft consultation paper, *Capital Matters – How to Build Financial Resilience in the UK’s Arts and Culture sector*.⁶ The report proposes a new policy and support framework for building resilience in the UK’s arts and cultural sector, promoting a shift from a ‘subsidy’ to ‘investment’ mindset with organisations focusing on how their core assets (both tangible and intangible) can best be developed and used for leverage.

Hong Kong has the potential to learn from the acknowledged limitations of funding systems overseas as well as from the observation of good practice. The Government could go beyond traditional funding structures to less charted territory in its support for a healthy performing arts sector.

Table 1 below provides an overview of some key characteristics of funding arrangements in overseas jurisdictions.

⁶ downloaded from <http://www.scribd.com/doc/37991665/Capital-Matters-Consultation-Draft> 4/12/10

Table 1: Comparison of Jurisdictions – Funding Arrangements and Funding Levels

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Social economic information										
GDP	USD 1,665 billion	USD 1,015 billion	USD 860 billion	NY ⁷ : USD 1,264bil SF: USD 310 bil	USD 127 billion ⁸	USD 2,857 billion	USD 160 billion	USD 479 billion	USD 182 billion	USD 215 billion
Population	51.3 million	21 million	48.6 million	NY: 7 million SF: 1 million	2.7 million	62.8 million	5 million	9.2 million	5 million	7.2 million
GDP Per Capita⁹	USD 35,165	USD 42,279	USD 17,078	USD 46,436	USD 39,599	USD 41,051	USD 35,165	USD 43,654	USD 36,537	USD 30,863
On Institutional Arrangement for Funding										
Institutional arrangements of funding agency	Arts Council England at arms-length with supplementary county and local government funding	Australia Council at arms-length from Government , with supplementary State and local level	Three channels: national Government, local government and Arts Council Korea	The NY City Department of Cultural Affairs is an arm of the City Government. The SF Arts Commission is also part of the City Government. Federal level	The Canada Council for the Arts as national agency, Ontario Arts Council, and Toronto Arts Council at arms-length	Ministry of Culture and Communication as a centralized funding agency nationwide	Direct Government funding for majors. Others funded via Creative Scotland at arms-length	Multi-tier: Swedish Arts Council as a statutory body under the Ministry of Culture plus other local government support	Ministry of Information, Communication and the Arts and National Arts Council	The Home Affairs Bureau and Arts Development Council

⁷ Referring to the Metropolitan region of San Francisco (include Oakland and Fremont) and New York (include Jersey and Long Island) , data from the US Bureau of

Economic Analysis http://www.bea.gov/newsreleases/regional/gdp_metro/gdp_metro_newsrelease.htm

⁸ Year 2005, http://www.toronto.ca/invest-in-toronto/tor_overview.htm

⁹ <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Public sector funding level	£594 million (2008 / 2009)	AUD 352 million (2007/2008)	KRW 331 billion (2008)	NY: USD 96 million SF: USD 6 million (2010)	CAD 684 million (2006/2007)	€924 million (2009)	£187 million (2005)	SEK 2,784 million (2007)	SGD 128 million (2010)	HKD 1,452 million (2009/2010)
Involvement of private sector	In 2009/10 financial year, over £650 million was invested in arts and culture ¹⁰ . Match-funding scheme was operated for over 20 years from 1984	In 2009, donations and sponsorship totalled about AUD 200 million ¹¹	Private support for theatre venues is high – but donations and sponsorship for performing arts groups is relatively modest	Mostly through box office and donations	Tax incentives and endowment incentive programmes	Not known	Matching fund scheme since 2007. Scotland previously eligible for same UK Government match-funding scheme as England	Not known	Not known	Support is notable for Hong Kong Philharmonic Orchestra and the HK Arts Festival – but relatively low for others
Personal income tax ¹² & corporate tax ¹³ (highest marginal tax rate)	Personal: 40% Corporate: 28%	Personal: 45% Corporate: 30%	Personal: 35% Corporate: 24%	Personal: 35% Corporate: 40%	Personal: 29% Corporate: 33%	Personal: 40% Corporate: 33%	Personal: 40% Corporate: 28%	Personal: 57% Corporate: 26%	Personal: 20% Corporate: 18%	Personal: 15% Corporate: 17%

¹⁰ <http://benchmarking-tool.artsandbusiness.org.uk/>

¹¹ <http://www.abaf.org.au/index.php?newsID=2073>

¹² <http://data.worldbank.org/indicator/GB.TAX.IMAR.ZS?display=default>

¹³ <http://data.worldbank.org/indicator/GB.TAX.CMAR.ZS?display=default>

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Funding system										
Funding duration for key or major organisations	3 year forward funding model	3 year rolling funding model	Uncertain	Multi-year up to 3 years and no need to reapply for NY.	Uncertain	3 years and renewable	Uncertain	Uncertain	2 years for "major"	1 year
Concept of Major	No formal definition of a "major" but a list of regularly funded organisations, plus designated national companies	Yes, a list of "Major Performing Arts Organizations"	No formal definition of a "major"	No definition of a "major"	No formal definition of a "major", but companies of significance	No formal definition of a "major"	There are 'national' companies – equivalent to majors	No formal definition of a "major", but recognized companies of significance	There is a stratified funding system	The Big 9
Determining funding level	Based on historic funding level	Formula taken into account of cost-base and purpose of the company	Historic funding	Based on peer review results	Determined by artistic achievement, contribution to art form and community	Based on precedent, quality of work,	Based on quality of work and cost base	Not known	30% maximum of the organizations' projected qualifying costs	By historic funding level with adjustment
Evaluation of artistic quality	Yes – and encouraging self-assessment	Self-assessment for the major organisations and a mix of mechanisms for the others	Yes	Yes	Yes	Yes	Yes	Not known	Yes	Not for major organisations

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Peer assessment	Yes	Not for majors but for next rank of 'key organisations	Uncertain	Yes	Yes	No	Yes	Not known	Yes	Not for major organisations

Conclusions

A key objective for the current Study is to develop a funding mechanism which strengthens the performing arts in Hong Kong, learning from best practice and experiences overseas and recognising the particular cultural and other environments within which the arts operate in Hong Kong. The consultants propose that a healthy performing arts sector is one which displays the following characteristics:

Ecology

- Has a balance of diverse and strong organisations of different scales.
- Has good communication and interaction between different parts of the sector.
- Has vigorous engagement from public participation through to professional practice, and from education and training through to marketing and distribution.

Artistic

- Displays artistic vibrancy at the level of individual companies and the sector as a whole.
- Displays evolution of the artform – a respect for cultural heritage balanced by a high value placed on innovation, whether through new work or reinterpretation/ fresh approaches to the existing repertoire.
- Nurtures new artforms and inter-disciplinary work.
- Respects experimentation and honours ‘the right to fail’ in pursuing new ideas or new audiences.

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Market

- Develops a shared understanding of the sector by all those engaged with it – artists and companies, funders and public.
- Encourages audience loyalty, but also generates new demand for the work including young audiences.
- Values market awareness and a high level of marketing professionalism.
- Responds to impacts of new technologies and producer-consumer engagement facilitated by these.

Finance and Funding

- Enjoys the support of a diverse range of communities that engage with it.
- Has organisations which demonstrate financial health and sustainability.
- Evolves mixed funding and revenue streams.

Management, People and Resources

- Is underpinned by accessible and affordable rehearsal and performance venues.
- Addresses artistic, management and board succession planning.
- Manifests rigorous planning.
- Values knowledge and skills sharing, and professional development.
- Produces strong leaders recognised within their sector and in the community at large.

Summary of Recommendations

The Report concludes with analysis, commentary and recommendations covering a range of dimensions of Hong Kong's future funding mechanism for the performing arts:

- Providing direction to the sector;
- The concept of major organisations;
- Encouraging an active ecology;
- Funding duration and processes;
- Determining funding levels;
- Governance and management arrangements;
- Funding agency structures; and
- Government initiatives in arts development beyond funding provision.

The following is a summary of the recommendations only.

In relation to Government providing clearer direction it is recommended that:

1. A performing arts sector plan should be developed during 2012, with the purpose of clarifying Government's priorities for strengthening the performing arts, facilitating cooperation and providing a framework for clarifying the role and contribution of individual arts organizations and discourage unnecessary duplication. It would be desirable for a performing arts sector plan to be integrated with a comprehensive plan for the creative industries as a whole, to be undertaken in cooperation with the Commerce and Economic Development Bureau.

In relation to the concept of major status, it is recommended that:

2. The concept of MPAOs be retained.
3. A clear description of the criteria for inclusion within the MPAO group be adopted.

4. Entry into MPAO status be available to HKADC multi-year funded organisations and to Springboard Grant recipients on a selective basis and preceded by a structured development program (see ‘encouraging an active ecology below’)¹⁴.
5. Linkage between the MPAOs and smaller companies and independent artists be encouraged and specified through funding agreements. Such linkages may include co-productions, co-commissioning of work, secondments of artists and other personnel between the companies, mentoring or other activities.
6. Government invest in organisational and artistic capacity building amongst the MPAOs.
7. There should be direct links between the agreed funding level for each MPAO and its purpose and performance. Funding levels should reflect the cost-drivers and the expected role of each company; and financial incentives and penalties should encourage strong artistic and organisational performance.
8. In the event of extended underperformance, Government may require leadership changes amongst executive staff or the board of a MPAO. In the event that a company were unwilling or unable to effect necessary changes, Government should retain the right to remove the company’s MPAO status.
9. Following the implementation of the other adopted recommendations from this Report, a new category of ‘flagship organisation’ be further considered.¹⁵ It is suggested that this occurs approximately five years after inception of the new funding mechanism. Designation as a flagship organisation would be through a selective, and subsequent developmental, process.
10. A detailed review of the performance of each major organisation occur every six years. Such a review will address artistic standards, innovation, audience development, management capabilities, fundraising/ development and governance, amongst other elements. The review may be undertaken by a small panel including two members of the Advisory Committee on Arts Development and two independent experts – one of whom will be from overseas.¹⁶ The panel will be served by a Government officer.
11. Funding agreements should specify Government’s authority to require changes in executive leadership or the board composition of a MPAO in the event of extended under-performance or non-compliance.

¹⁴ The ‘Springboard’ grant program was being introduced during the course of this study, and determination of successful first round applicants was pending when the Final Report was being prepared.

¹⁵ Flagship organisations would be a small group of companies from within the MPAOs, with enhanced funding and obligations

¹⁶ It is proposed that such an ‘expert’ should have in-depth experience of company evaluation and review – for example an art-form officer or director from an overseas funding agency

In the case of HKADC multi-year funded or Springboard Grant receiving organisations wishing to be considered for admission into major status a clear process will need to be agreed. It is recommended that:

12. The proposal to admit an HKADC-funded or Springboard Grant-receiving organisation into major status may be initiated by HAB, HKADC or individual arts organisations which meet Government's stated threshold criteria.
13. Threshold criteria should include a minimum of six years' of biennial/ triennial funding from HKADC, formal support from the Council for the proposed transition to major status, and a balance sheet which demonstrates a positive accumulated financial position (i.e. no net deficit).
14. With HAB support – possibly including the engagement of specialist assistance – eligible HKADC-funded organisations should prepare an outline development plan indicating how the organisation intends to develop artistically, organisationally and financially, in order to meet the demands which would be placed upon it as a major organisation. This plan would be jointly evaluated by HAB and HKADC – in consultation with the arts organisation.
15. If it is agreed by HAB and HKADC that the organisation is suitable for admission to major status, a more detailed development program will be prepared and signed off by HAB, HKADC and the arts organisation. This will include the confirmation of Key Performance Indicators (KPI) for the arts organisation during an initial period of operation as a MPAO.
16. The development program will be implemented over an agreed period – likely to be between six and eighteen months.
17. Initially the organisation would be admitted into major status for a time-limited, probationary period (perhaps three years). Subject to satisfactory progress, the organisation would be formally transferred from HKADC to HAB.

In relation to professional development it is recommended that:

18. Common training/ professional development support be provided for all the MPAOs in the areas of business planning, marketing planning and fundraising/ development. The latter, at least, would require participation by board members during a part of the program.
19. Through a process of self-assessment and independent advice, a skills audit of each of the MPAOs be undertaken with a view to identifying areas where customised

professional development may strengthen the operations of the organisation – this may be in managerial, technical or creative areas.

20. HAB provides resources to ensure that training and professional development programs are affordable for the MPAOs; the MPAOs, in turn, be required to budget at reasonable levels for training and professional development (e.g. 1% - 2% of personnel costs).
21. Progress in capacity-building within each of the MPAOs be tracked annually through the routine reporting and funding acquittal processes.
22. The strengths and development plans of the MPAOs in relation to education activities, audience development, commissioning and artistic development be supported and monitored through annual self-assessment and through the periodic independent performance reviews recommended above.

In relation to the administration of funding agreements, it is recommended that:

23. MPAOs should benefit from three-year funding agreements, renewable based on performance and future plans. Major organisations should also receive targeted support for artistic and organisational development.
24. Funding agreements with companies be aligned to coincide with the funding and planning periods recommended above, so that all major organisations have fixed triennial agreements. It may be helpful to introduce this change with the offer of one-off four-year agreements for several of the nine MPAOs, so that HAB is not burdened with the renewal process attached to all nine at the same time. This would also result in a staggering of the periodic in-depth reviews of the companies. This could be achieved by selecting – by lot – four year agreements for some and three year agreements for others during the initial implementation phase.
25. In the medium term (six to nine years), consideration be given to a shift either to rolling triennial agreements rather than fixed agreements or to six-year agreements with substantive progress reviews at the three-year point. Companies would then have a minimum three year funding certainty at all times, other than if they are put 'on notice' for unsatisfactory performance.
26. Government steps up the overall funding allocation for major and prospective MPAOs through the establishment of a contestable fund which would facilitate continuing organisational development of the MPAOs and selected HKADC-funded clients, and support other specific Government priorities – which may include artform development (enhancements in artistic production standards), audience development, international market development, arts-education linkages or other elements.

This would provide a clear incentive for major organisations to address Government priorities, and provide HAB and the Advisory Committee on Arts Development with

leverage to encourage artistic and organisational change and development. Contestable funding would be supplementary to the baseline (triennial) funding agreed with individual companies, and would be subject to a competitive process, with applications submitted in response to priorities clearly highlighted by Government. Limits should be placed on the number of contestable funding awards which any single organisation is eligible to receive in a multi-year period. Major organisations would not be eligible to receive contestable funding awards for delivery of outputs already contained in their triennial funding agreement.

In relation to evaluation and assessment processes it is recommended that:

27. With guidance on good practice from Government, the MPAOs should establish artistic self-assessment and evaluation procedures, including inputs from respected independent peers of the companies' choosing. Summary results from such procedures should form part of the annual reporting process to Government.
28. During the final year of each organisation's funding triennium, an HAB-led artistic assessment and evaluation process should occur, undertaken by a small panel (four to five) including at least one peer assessor jointly agreed by HAB and the MPAO. The panel should also include a balance of artistically knowledgeable peers and individuals with business experience – but will not normally require individuals from beyond Hong Kong unless it is demonstrable that there are no suitable individuals within the SAR.
29. In light of the recommendation that an in-depth review of all aspects of the MPAO's work occur on a six-yearly basis, it should not prove necessary to undertake a separate artistic assessment and evaluation at these times. There would therefore be an artistic evaluation every three years, with this being expanded into a fuller review of the organisation every alternative triennium.
30. The selection of external advisors and peer assessors should be a transparent process, with clear terms of reference and full disclosure of actual or potential perceived conflicts of interest. In a number of other jurisdictions the role of advisor or external assessor is unpaid, and is taken on as a service to the industry. However, the advantages and disadvantages of this arrangement in a Hong Kong context bear further consideration.
31. Eligibility for any appeal against decisions on funding should be confined to alleged breaches of Government's stated application and assessment procedures, or to relevant and material changes in the arts organisation's circumstances since the time of application.

In relation to MPAOs' planning processes it is recommended that:

32. MPAOs be required to prepare and maintain three-year strategic plans, supported by annual operational/ business plans which indicate how the strategies will be implemented. Such plans will be rolled forward annually, with a thorough review/ redrafting every three years.
33. MPAOs be required to develop three-year marketing and communications plans (amplifying on these matters within the strategic plan) and fundraising/ development plans.
34. Guidelines on the form of such planning documentation be provided by Government. The purpose in requiring longer-term planning is to encourage a more business-like approach within the funded organisations, increase transparency, and enhance their sustainability, including through increasing earned income.
35. During the establishment phase for a new funding system, Government provide financial and advisory support for the development of these planning processes within major organisations.
36. The application and reporting process for MPAOs should include the following characteristics:
 - The application process to comprise a short application form accompanied by three-year financial forecasts (in a generic format), a three year business plan, a marketing plan, a fundraising plan and an artistic and education program plan.
 - Recent artistic self-assessments and peer assessments should accompany the application, with the organisation's brief comments on how it has responded to or learned from these.
 - Each MPAO's application should also propose a small range of KPIs by which the company believes its artistic and organisational progress should be measured, and the targets and implementation/ tracking processes for these. Confirmation of the KPIs will be through discussion between HAB and each organisation.
 - HAB should review the initial application material and convene a meeting with the Chair and Executive staff of the organisation to clarify the MPAO's proposals and discuss any amendments required.
 - The funding agreement or contract to be signed by the Chair and the CEO of the subvented organisation. This ensures that the terms of the agreement have been understood and accepted by the board, and by the Officer with key responsibility for implementation.

- Brief annual progress reports are submitted in a format clearly prescribed by Government (to ensure brevity and efficiency), addressing artistic progress, market development and organisational development. These (and some of the KPIs) would cover activity undertaken, assessed impact and capacity-building of the organisation.
- An annual meeting between Government funding officers and the Chair and executive staff of the organisation; and at least half-yearly meetings between funding officers and executive staff.
- Harmonisation between some elements of the reporting process for major organisations and that for other organisations (including those applying to HKADC), to ease transition between the tiers of major organisation and annually funded organisation.
- At a later stage, a move to online submission, including a financial template, structured to ease comparison between one period and the next or between individual companies and agreed benchmarks.
- Government to consider also the introduction of an online data reporting mechanism in cooperation with HKADC in order to collate data from multiple companies and provide industry feedback on trends, on a non-attributed basis. This would align with the online application process recommended above.

With regard to the determination of funding levels, it is recommended that:

37. Baseline funding levels be established with reference to the cost-drivers, expectations and future income targets for individual companies.
38. Cost drivers be agreed through analysis undertaken in consultation with the selected MPAOs; expectations be linked to the obligations placed upon major organisations, and to the outputs (performance, touring, education and other) agreed with individual companies; and income targets be established with reference to relevant overseas benchmarks, and to the historical income levels of the specific major organisations.
39. The move to new baseline funding levels be phased in over several years, to enable the companies to effect necessary organisational development and adjustment.
40. Changes to future funding levels (beyond the initial baseline agreed) be made in light of inflationary impacts and changes in outputs agreed – notwithstanding Government's right to require 'efficiency dividends' through improved working practices. The overall principle informing funding level decisions will be transparency – that is, that the reasoning underpinning the specific dollar figure can be clearly identified.

In relation to governance and board effectiveness it is recommended that:

41. Government require all MPAOs to develop board job descriptions, codes of conduct, conflict of interest policies and board charters, reflecting best practice overseas.
42. Boards be required to develop and maintain succession plans for the board and executive staff of their organisations.
43. Government encourage a culture of continuous learning and improvement in the management and governance of major organisations through monitoring the organisations' investment in training and development.
44. All MPAOs be responsible for their own board recruitment, removing the power of Government to appoint several board members in the case of those MPAOs where this currently applies.

In relation to Government's structural arrangements underpinning the performing arts funding mechanism, it is recommended that:

45. For the short term a dedicated unit be established with responsibility for administration of the funding mechanism for MPAOs, and for implementation or oversight of other industry development and capacity-building recommendations in this Report. Such a unit would include (but not be limited to) staff with direct arts management experience, and would be supported by the Advisory Committee on Arts Development.
46. The tenure of staff within the unit be considered carefully, to avoid the risk of losing valuable industry knowledge and disrupting relationships and communications with the MPAOs. The closer interaction between funder and funded, the introduction of in-depth evaluation processes and the partnership-working envisaged with MPAOs will each make increased demands on Government personnel. They too may need some professional development support to implement the proposed funding mechanism effectively.
47. Close liaison occur between the proposed unit and HKADC in order to identify and nurture arts companies with the potential to become major organisations, and to harmonise application and reporting processes as far as possible. Regular coordination meetings should be held between the agencies.
48. In light of the new funding mechanism adopted and the launch of WKCD, within the next three years a review be conducted of Government agencies and structures in relation to performing arts funding and delivery to identify the most appropriate alignment of resources and longer-term arrangements and the roles for HAB, LCSD, HKADC, WKCD and other agencies. Amongst other issues such a review should consider:

- The parameters of LCSD's future remit as a venue operator and programmer, as well as its function as a funder through the Venue Partnership Scheme;
- The advantages and disadvantages of having an arms length funding agency for all performing arts organisation funding and, in light of this; and
- The future scope of HKADC's work.

In relation to aspects of the performing arts ecology beyond Government subvention it is recommended that:

49. Government considers the establishment of a match-funding scheme to encourage first-time sponsors/ supporters/ donors/ financiers of the arts, and to encourage existing sponsors/ donors to increase their sponsorship levels. This should have a low eligibility threshold to encourage take-up, but also be capped to prevent resources being monopolised by a small number of companies. New sponsors might be matched dollar for dollar, with increases in support from existing sponsors being matched one dollar for two.
50. Government explore the establishment of an agency which supports the development of arts-business partnerships, or, more broadly, relationships between the arts and the private sector including all aspects of partnerships through advocacy, training and highlighting good practice. Such an agency could be established in partnership with corporate leaders – and may be responsible for administration of the match-funding scheme outlined above.
51. Government consider establishing annual business partnership and philanthropy awards to celebrate best practice and recognise achievement.
52. For a limited period (three to five years) MPAOs be eligible for part-funding of development/ fund-raising staff whilst this capability is built up within the performing arts sector.
53. Government explore with West Kowloon Cultural District Authority (WKCDA) the establishment of a SAR-wide arts marketing consortium or service agency. Such an agency would provide training, database management services, joint purchasing of marketing supplies and manage shared (multi-organisation) audience development initiatives.
54. Government review current arrangements relating to the Urbtix system to encourage appropriate data-sharing with producing companies, and encourage similar data-sharing procedures on the part of WKCDA.

表演藝術資助機制顧問研究

摘要

2012 年

前言

Positive Solutions 及 GHK 公司（「顧問」）獲香港特別行政區政府民政事務局委託，就香港表演藝團資助機制進行研究（「本研究」）。

這項研究是跟進表演藝術委員會的報告（2006年）。在眾多議題中，委員會提出有需要在釐定主要藝團的資助水平時，建立更一致的機制，並建議制訂「一套共通的評估機制和準則，以評估這些藝團的表現」。

西九文化區的未來發展亦是影響本研究的另一項因素。這項大型文化基建項目會提供十多個全新的表演藝術場地，本地和國際間均對其表演節目的種類及質素有極高的期望。

本研究概述了香港表演藝術界的情況及現有的資助安排，並審視多個海外的藝團資助機制。顧問繼而草擬了一份有關資助機制的討論文件，提出初步建議。這份討論文件已向藝團和其他持分者傳閱並收集他們的意見。最終報告已經考慮他們的意見。

本研究集中探討本港九個主要表演藝團（「主要藝團」）的資助機制，有關藝團包括：

- 香港管弦樂團；
- 香港中樂團；
- 香港小交響樂團；
- 香港芭蕾舞團；
- 香港舞蹈團；
- 城市當代舞蹈團；
- 香港話劇團；

- 中英劇團；以及
- 進念二十面體。

主要藝團在香港不同類型的場地演出，上演的作品包括古典音樂以至實驗劇場等不同領域的作品。主要藝團的作品涵蓋傳統及現代戲劇、舞蹈和音樂，但並不包括中國戲劇及西方歌劇。大部分主要藝團於七十年代末至八十年代初由政府或由藝術家組成的獨立組織發起成立。

其實各大藝團的工作並非獨自運作，他們是藝術生態環境的一份子，當中的關係環環緊扣。雖然政府資助是主要藝團持續發展的關鍵，但資助水平只是影響其營運的眾多因素之一。政府可推出針對業界發展的其他措施，以配合其對主要藝團以及其他中小型藝團所投入的資源。這些措施可包括促進藝團及藝術從業員的專業發展、提供各項支援及諮詢服務或鼓勵私營界別對藝術界的支持等。

藝團的收入來源包括：

- 票房收入及服務收費（如收費的工作坊、委約演出、廣播及國際巡迴表演）、銷售文化產品（如唱片）；
- 贊助商及個別人士的捐助；
- 政府資助；
- 附屬活動的收入，如售賣商品、培訓服務、零售、餐飲、租賃（如有相關設施／資產）；
- 以及
- 儲備金的利息或其他收入。

在國際上，近期討論關注到政府資助未能應付與日俱增的藝術發展成本，亦有意見認為多元化的資助及資金來源更能維持藝團的持續發展，同時保護和促進多元的藝術發展，因而引起有關藝術資助新模式及新收入來源的探討。香港的公共財政穩健，而政府須處理的問題是研究如何鼓勵受資助藝團增加財政獨立性及採用企業的模式營運，即如何在不妨礙藝術質素及創意的前提下，減低藝團對資助的倚賴。

香港的藝術政策及資助

政府政策包含下列四大元素：

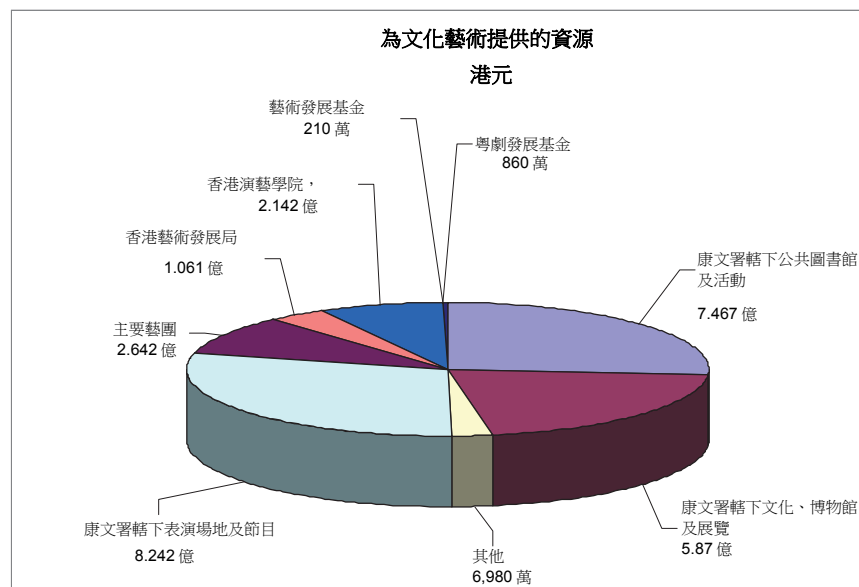
- 尊重創作及表達自由；
- 提供參與文化藝術的機會；
- 鼓勵多元及均衡發展；以及
- 為營造一個有利培養文化藝術的環境提供支援。

行政長官在 2008/09 年度的《施政報告》提出更多明確的方針：

為配合西九文化區落實發展，我們需要持續積極發展文化軟件，包括向社會推廣文化活動，開拓文化消費市場。政府會鼓勵文化演藝團體到全港各區演出，將文化活動帶入社區——我們會繼續支援藝術工作者的創作和海外交流，鼓勵大專學院和專業藝術團體培訓藝術服務中介人才，加強培養廣大的觀眾群，成就香港作為世界級文化藝術之都的願景。

下文圖 1 概述政府在 2009/10 年度在藝術文化方面投入的資源。

圖 1：2009/10 年度政府為藝術及演藝活動提供的資助



本港現時約有 1,000 個表演藝團¹，當中近 40%為戲曲團體，音樂、戲劇及舞蹈分別佔 31%、17%及 9%，其餘為綜藝節目的表演或製作藝團。藝團可分為政府資助團體、專業團體、獨立運作的業餘／半專業團體及小型團體。

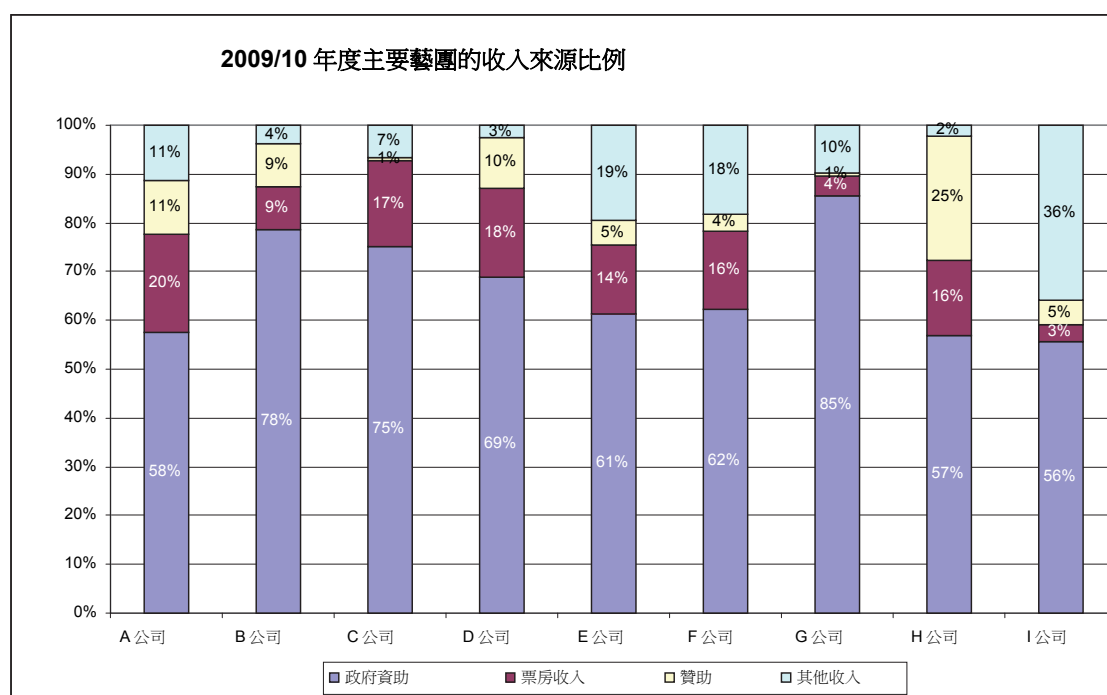
主要藝團在 2009/10 年度共演出 662 場，其中 552 場在香港上演，36 場在內地上演，其餘 74 場則在海外上演。大部分主要演藝團體演出 50 至 70 場，最少為 41 場，最多為 194 場。

為支持藝術人員的專業發展或為公眾提供參與藝術的機會，所有主要藝團均有舉行工作坊及教育活動。

¹香港藝術發展局於 2009 年編製的「香港藝術界年度調查報告 2007/2008」。

由於主要藝團的規模及營運模式各有不同，以絕對值比較其收入水平並無意義。因此，下表顯示藝團各收入來源佔整體收入的百分比。2009/10 年度政府資助佔藝團總收入的 56%至 85%，其餘為票房收入、服務收費及其他收入。

圖 2：2009/10 年度各收入來源比例



於 2010 年 3 月，五個主要藝團各自的資產／儲備淨值超過 1,000 萬元，其餘三個藝團的資產淨值每個介乎 400 萬至 1,000 萬元之間。另有一個藝團錄有些微赤字（少於 5 萬元）。

主要藝團的優勢與面對的問題

顧問與各受資助藝團面談後，整理出主要藝團的優勢與面對的問題、機遇和考驗，概述如下。

共有的優勢包括：

- － 定期獲得資助，獲認同為主要藝團；

- 主要藝團地位獨特，不用面對直接競爭；
- 專業人員態度積極，竭誠投入工作；
- 董事會的成員大多經驗豐富，且樂於提供支援；
- 大多已與內地建立聯繫和關係；以及
- 部分藝團已運作多年（如香港管弦樂團早於 1895 年成立）。

共同面對的問題如下：

- 每年均會獲得資助而毋須制定長遠的多年發展計劃；
- 與其他收入來源相比，政府資助所佔比例偏高；
- 推廣計劃以短期及售票為主；
- 可持有的儲備受到限制；
- 「場地伙伴計劃」存在限制 — 有觀點認為基於公正的考慮，政府避免作出按表現挑選夥伴藝團的決定；
- 觀眾資料庫不全，城市電腦售票網未能提供相關資料；
- 與其他藝團在節目規劃上有欠協調；
- 與其他行業相比，藝團因預算所限無法吸引人才；而部分主要藝團的薪酬偏低；以及
- 缺乏專業的藝評（不論是來自同業、傳媒或資助者），評估以容易量化的指標為主。

共享的機遇包括：

- 藝術教育及外展活動有所增加（如上文所述，部分主要藝團已有藝術教育計劃）；
- 委約製作新作品有所增加；
- 觀眾及藝團收入有所增長；
- 領導人才的培訓；
- 在國際巡迴演出，於珠江三角洲及國內其他地區推廣香港；

- 因西九文化區發展計劃建立更理想的場地關係／夥伴合作計劃；以及
- 香港及內地經濟蓬勃發展。

共同面對的**挑戰**包括：

- 國際巡迴演出成本高昂，難以籌募經費；
- 缺乏本地培訓的人才；
- 可持有的財政儲備受到限制²；
- 有意見認為部分藝團未能與時並進及並未適應不斷轉變的市場環境；以及
- 內地藝團及製作人員可能進入香港市場，加劇競爭。

表演藝術界的優勢與面對的問題

政府對表演藝術界的參與及資助

藝團及當局的持份者皆明白現行的資助機制是歷年逐步建立的，缺乏一個說明就政府為何參與及資助藝術的總體政策。大部分受訪藝團表示，雖然未必需要制定一套規範性的「文化政策」，但希望政府能更清楚闡明其文化發展目標和對藝團的期望。

隨著機制的演變，政府已在不同層面提供資源，當中大部分通過民政事務局撥至主要藝團，以及通過康樂及文化事務署（「康文署」）投放於香港多個大型社區藝術及娛樂場地，另有較小部分則通過香港藝術發展局（「藝發局」）撥予中小型藝團。目前並沒有一套資源分配的全面

²澳洲的資助機構建議把主要藝團的最低儲備目標定為 20%。

計劃，以訂明適用於不同發展階段的藝術人員及藝團的分級資助架構，又或針對特定藝術形式的資源分配計劃。

與其他地區相比，本港表演藝術界十分倚賴政府資助，場租方面成本較低，而票價一貫低廉以吸引觀眾，這些均為表演藝術界的特點。企業對藝術及獨立藝術家的資助非常有限，有人歸因於低稅率制度，但這可能亦涉及社會觀念等因素。

價值鏈

在教育及培訓方面，有意見認為表演藝術界有優秀的技術及幕後支援人員，他們大部分都來自香港演藝學院，惟對該校的質素卻意見不一。有人非常讚賞，例如：相對於歐洲，該校舞蹈員的質素良好，但亦有部分藝團表示該校優秀的學生傾向到海外演出，其他則會選擇從事薪酬較高的教學工作。

有意見認為表演藝術界的一個不足之處是缺乏具備藝術行政的各類技能及專業知識的人才，故香港大學近期決定推出「文化領航學程」。若干資深藝術行政人員受聘於康文署，康文署亦於2010/11年度與20個「場地伙伴」合作推行「藝術行政人員培訓計劃」。

研究發現部分藝團愈加著重委約本地及區內藝術人員製作新作品。道具、服裝及場景等製作成本雖然皆屬可負擔水平。惟業內缺乏商業及獨立的製作人，為表演藝術界的另一不足之處。

有意見關注到即使有優秀的作品，但香港人很少觀賞表演藝術，而其他娛樂及活動亦增加對觀眾的競爭。各藝團（包括藝術節的製作人）在節目編排及宣傳方面的協調和合作不足，亦令問題惡化。

部分藝團提出對城市電腦售票網系統的關注，尤其售票網統無法協助藝團取得觀眾資料，以了解觀眾的年齡分佈、所屬地區及觀賞次數，從而限制藝團進行針對性的市場推廣。³

西九文化區的影響

所有受訪藝團均認為必須強化藝團，並配合全面的藝術教育與觀眾拓展計劃，方能把握西九文化區所帶來的機遇。

儘管藝團與香港政府同樣希望將香港打造成為文化及創意樞紐，但認為達成這項目需要時間，所以傾向以有機的方式發展西九文化區的硬件（設施）及軟件（藝團及節目活動）。主要藝團亦有提出西九文化區對康文署現有場地的影響、西九場地的管理模式，以及未來場地的預約及節目安排等要題。

對現有資助機制的看法

以下概述受訪藝團對現有機制的意見。現有機制為主要藝團提供穩定及可靠的財政來源。而目前機制不足之處包括：

³ 康文署關注個人資料的私隱問題，正研究有關事宜。

現有結構及規則的限制

現有機制缺乏流動性，新成員難以加入成為主要藝團。有意見認為主要藝團缺乏誘因確保在藝術表現、公眾參與及觀眾拓展方面均達到其作為主要藝團所需負起的責任。各主要藝團在規模、目標及藝術作品的類別方面差別甚大，令人有感成為主要藝團的理據並不清晰。

表現評估的限制

有意見認為簡單及可以量化的標準和成果對於受資助藝團的發展可能並不合適。這方法並不可以作出劃一的表現比較，故此，有需要因應不同藝術形式的特徵來訂立評估方法。目前藝團所遞交的自我評估報告難以互相比較，部分藝團的工作看似較其他藝團為多。然而政府目前沒有制定一套清晰的主要表現指標以及檢視表現的機制。

有意見認為同業評估在香港難以推行，因為本地表演藝術界的規模小，很難獲得獨立而觀點獨到的藝術評論。

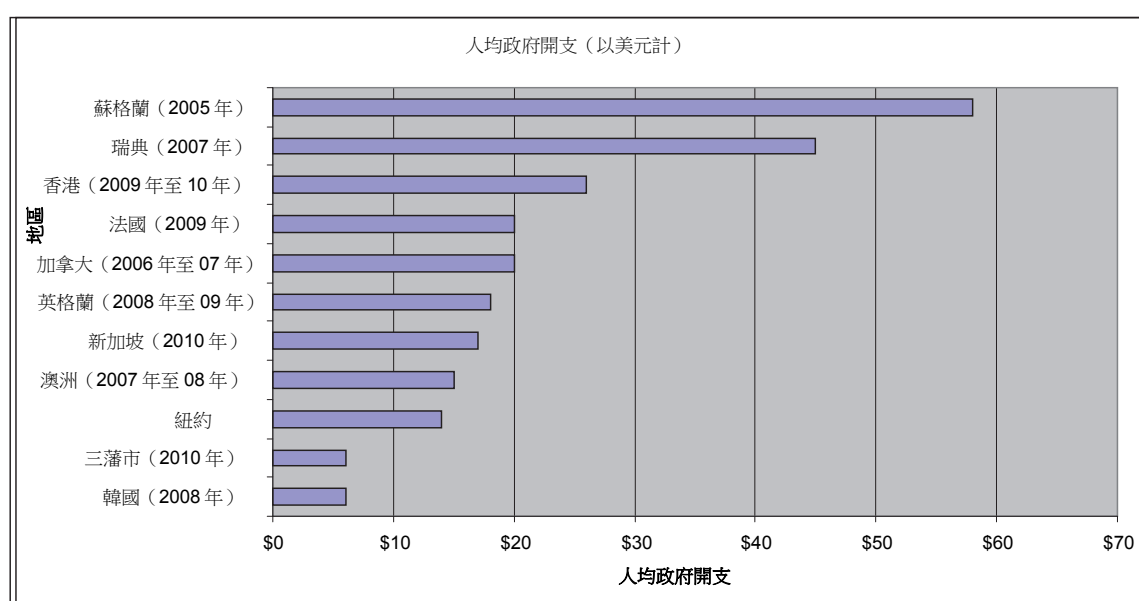
對於未來的資助機制，有意見表示期望資助可以更清晰地與藝團的願景與使命掛鉤，政府亦應與各藝團商討及訂立明確的表現要求。藝團的表現亦應與政府的政策要求配合以取得政府支持。

海外的表演藝術界及資助機制

本研究概述了英格蘭、澳洲及韓國的表演藝術界及資助安排，並簡述新加坡、蘇格蘭、法國、瑞典、美國及加拿大的情況。選擇這些地區旨在反映在不同政治和文化背景與地域的情況。

圖 3 顯示所選地區政府於表演藝術方面的人均開支（以美元計）。

圖 3：政府於表演藝術方面的人均開支

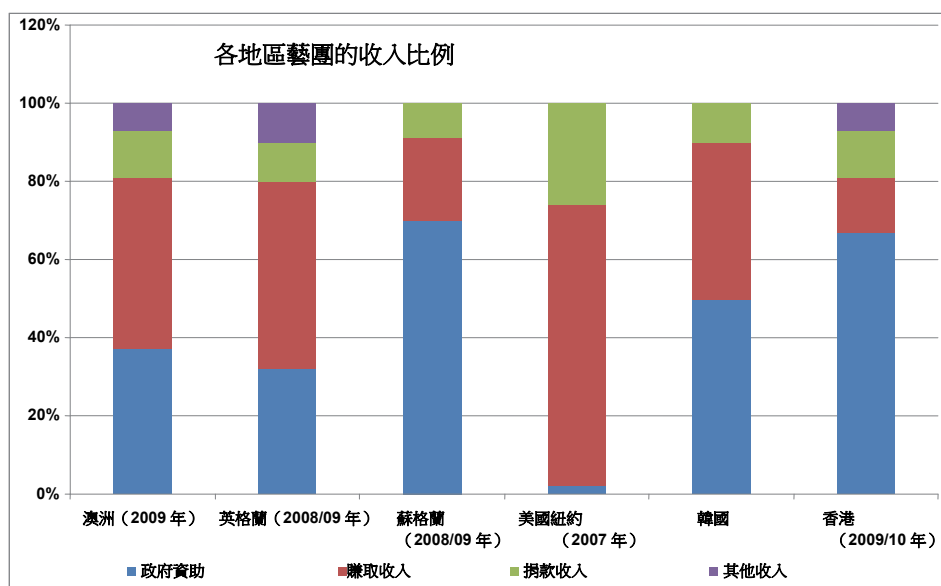


若以人均政府開支來計算，香港名列第三，僅次於瑞典及蘇格蘭之後，惟各地區⁴可能存在定義上的差異，故相關數據只供參考。應留意其中五個地區在表演藝術方面的人均政府開支介乎 15 與 20 美元之間，而兩個超出此水平的國家（蘇格蘭及瑞典）都並非人口稠密的國家，成本因服務分散於各社區而相對較高。

圖 4 顯示香港及其他地區的主要藝團所獲政府資助及其他各類收入佔總收入的比例。

⁴ 人均政府開支數字未因應各地區生活指數的差異而調整。

圖 4：各地區主要藝團的收入水平⁵



為香港制定未來資助機制時應考慮以下要點：

- 資助制度會不斷需要更新，例如英格蘭及蘇格蘭最近便對現有機制作出全面改革，韓國亦不斷修訂其制度，沒有一個制度是一成不變的。
- 政府架構中不同層級的部門可透過共同資助藝團，或各自支持藝術界的某些範疇，為藝術界提供支援。這能減低藝團對單一資助機構的倚賴，從而降低風險。
- 大部分海外個案透過獨立於政府的資助機構發放政府資助。其中例外的是法國，當地文化部與受資助團體關係密切，其權力甚至包括委任國家級藝團的藝術總監。
- 多間海外的藝術資助機構均銳意多方面參與表演藝術界的工作，包括提供駐場設施和表演場地、拓展觀眾、舉辦藝術節、擔任製作人，以及提升藝團管理層及其董事會的技能及能力。

⁵賺取收入指藝團演出及舉行工作坊的票房收入和收費；捐款收入指慈善捐贈及贊助（私人資助）；其他收入指附屬活動的收入(如物業的租金)。

- 大部分參考國家皆有相當多元化及蓬勃的表演藝術界。舉例而言，澳洲共有 700 多個藝團（當中約 350 個為非牟利組織），英國則有近 900 個受資助的非牟利藝團。在這些國家，主要或國家級藝團雖只屬少數，但其地位超然。
- 除音樂、戲劇及舞蹈外，所研究的藝術界別亦包括形體劇場、歌劇、音樂劇、馬戲及默劇。

各地區（包括香港）有其獨特的經濟、歷史、文化及政治發展，對其文化藝術的資助機制有著不同程度的影響，因此，完全仿效其他地方的制度並不合適。不過，當中有不少海外經驗值得香港借鑑。

就算不採用像法國一樣的中央管理的模式，不少海外地區政府也清楚闡明文化藝術政策（以及教育和社會政策）的工作重點，並通過不同機制，讓藝團承擔這些工作為提供資助的條件之一。

研究涵蓋的大部分海外地區均十分重視文化藝術的內在價值，當地政府視文化遺產的傳承及支持文化創新為公共產物，值得以公帑資助，也因為文化藝術具有實際價值，例如推動旅遊、經濟發展或支持其他政府政策，同時亦能表現一個國家的文化和身份，也展現其對表達及創作自由的重視。

澳洲有別於其他海外地區，它不但正式為「主要藝團」定下標準，更制定專有的資助機制。雖然其他國家也會以不同方式區分國家級或主要藝團，但並沒有明確訂出納入或剔出此類別的標準。在澳洲及蘇格蘭，政府皆清楚訂明對主要藝團的期望，例如澳洲政府會與各受資助藝團協定其擔當的策略角色，並將之視為釐定資助水平的因素之一。

不過，各海外地區皆沒有一套主要藝團正式的進出機制。大部分的政府因為欠缺「主要藝團」的定義而沒有處理這個問題，或透過政府的參與及控制處理（即法國的情況）。

數個海外地區似乎出現了一個趨勢，它們容許並規定主要藝團自行評估藝術（及其他方面）的表現。同時政府亦為藝團建立更清晰的自我評估框架，有時更加入外間的同業評估及／或定期與藝團進行深入檢討。

藝團的資助水平甚少會透過詳細分析及審視藝團的成本來釐定，一般會以過往先例為依歸（香港大部分主要藝團便是如此），偶爾亦會因應政府當時的預算及政策而獲額外資助。

政府鼓勵藝團開拓其他收入來源，並採取不同的策略，包括介入藝團的專業發展（加強藝團的市場推廣、籌款及其他技能）、董事會的培訓計劃、配對資助計劃，以及成立專責的組織推動藝術界與商界的聯繫。海外藝團開拓非政府資助之收入來源方式及經驗顯示，香港仍有發掘這些收入來源的空間，惟這項工作相當漫長，並不可能在短期之內見成效。

在數個海外地區，與藝團簽訂的資助協議、有關藝團營運和市場推廣策劃的指引，以及藝術評估的指引均是非常詳細及清晰的，資助機制的其他範疇也相當成熟周詳。

其他值得參考的經驗包括：

- 有些海外地區的藝團通過票房及不同收費活動賺取的收入水平比本地藝團高。
- 政府單位主動或協助進行表演藝術界的行業研究及市場研究，例如了解公眾對藝術的看法。
- 藝團的匯報程序日益清晰，近年更引入網上資料收集。

- 部分海外地區致力保持高透明度，當中主要涉及兩大範疇：第一，政府與業界分享所收集的資料及匯報行業的最新動向，逐步提升業界的管理能力，同時亦加深政府對業界的認識；第二，制定清晰評估準則，並回應資助申請人的提問。
- 除主要藝團外，各類藝團亦可獲得多年的資助。
- 部分海外地區擁有完善的同業評估程序，但仍不斷討論如何制定最佳的評估方法。

在美國、英國及澳洲等地，現正就目前（及過往的）資助架構的可取之處，以及其對當地藝團的健康發展之影響進行討論。討論著重如何提升藝團的可持續發展或強化藝團，英國 Mission Models Money (MMM) 的計劃便是其中一例。MMM 旨在讓非牟利文化藝術界以嶄新的方法和解決方案來維持組織和財務方面的可持續性。這個機構的名稱道出了任務（節目內容）、模式（組織能力）與金錢（資本結構）之間的固定關係，任何一方的變動均無可避免會影響其他兩方面，不論是有計劃與否。

MMM於 2012年秋天發表了一份諮詢文件《資本事宜－英國文化藝術界如何提高財務靈活性》(*Capital Matters – How to Build Financial Resilience in the UK's Arts and Culture Sector*)⁶，提出新的政策及支援框架，以提高英國文化藝術界的財務靈活性，鼓勵藝團從「倚賴資助」轉向「投資」的思維，專注發展和善用其有形及無形的資產，為藝團增值。

海外資助制度的限制及良好做法皆值得香港借鑑。政府可突破傳統的資助架構，探求新方法來推動表演藝術界的健康發展。

下文表一概述海外資助制度的主要特徵。

⁶從 <http://www.scribd.com/doc/37991665/Capital-Matters-Consultation-Draft> 下載，2010 年 12 月 4 日。

表一：各地區資助安排與資助水平的比較

地區	英格蘭	澳洲	南韓	美國 (三藩市及紐約)	加拿大 (多倫多)	法國	蘇格蘭	瑞典	新加坡	香港
社會經濟概況										
國內生產總值 (美元)	1.665 兆	1.015 兆	8,600 億	紐約 ⁷ ： 1,264 兆 三藩市： 3,100 億	1,270 億 ⁸	2.857 兆	1,600 億	4,790 億	1,820 億	2,150 億
總人口	5,130 萬	2,100 萬	4,860 萬	紐約：700 萬 三藩市：100 萬	270 萬	6,280 萬	500 萬	920 萬	500 萬	720 萬
人均國內生產 總值 ⁹ (美元)	35,165 元	42,279 元	17,078 元	46,436 元	39,599 元	41,051 元	35,165 元	43,654 元	36,537 元	30,863 元
資助的架構安排										
資助機構 的架構安排	英格蘭藝術委員會為獨立於政府的主要資助機構，而地方及郡政府亦有提供資助	澳洲藝術理事會為獨立於政府的主要資助機構，州及地方政府亦有提供資助	主要通過三個資助層級：國家政府、地方政府以及韓國藝術委員會	紐約市文化事務局是市政府單位。三藩市的藝術委員會亦是市政府單位。聯邦政府甚少提供資助	加拿大藝術協會是國家機構。而安大略藝術協會以及多倫多藝術協會則為獨立機構	文化及通訊部統一為全國藝術提供資助	主要藝團由政府直接撥款資助；其餘則由獨立於政府的「創意蘇格蘭」(Creative Scotland) 資助	資助來源分為多個政府層級：瑞典藝術理事會為文化部轄下的法定機構，地方政府亦有提供資助	由資訊、傳播及藝術部以及新加坡藝術理事會共同負責	由民政事務局以及香港藝術發展局負責
公共機構提供的資助水平	5.94 億英鎊 (08-09 年度)	3.52 億澳元 (07-08 年度)	3,310 億韓元 (2008 年)	紐約：9,600 萬美元 三藩市：600 萬美元 (2010 年)	6.84 億加元 (06-07 年度)	9.24 億歐羅 (2009 年)	1.87 億英鎊 (2005 年)	27.84 億瑞典克郎 (2007 年)	1.28 億坡幣 (2010 年)	14.52 億港元 (2009/2010 年度)

7 三藩市都會區包括灣區其他城市(星崙市及費利蒙市)；紐約都會區亦包括新澤西及長島；所有數據來自美國商務部經濟分析局

http://www.bea.gov/newsreleases/regional/gdp_metro/gdp_metro_newsrelease.htm

8 <http://www.toronto.ca/invest-in-toronto/tor-overview.htm>

9 <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

地區	英格蘭	澳洲	南韓	美國 (三藩市及紐約)	加拿大 (多倫多)	法國	蘇格蘭	瑞典	新加坡	香港
私人界別的參與	在 2009/10 財政年度裡，有超過 6.5 億英鎊是與文化和藝術有關的投資 ¹⁰ 。贊助金配對計劃由 1984 年起已經運作超過 20 年。	在 2009 年，捐款及贊助金總值超過 2 億澳元 ¹¹	私人界別給予戲劇場地的財務支持較高；但給予藝團的捐款及贊助則相對較少	主要透過票房及捐款	稅務優惠和捐款優惠計劃	未知	蘇格蘭自 2007 年起推行的贊助金額配對計劃。在 2007 年以前，蘇格蘭亦沿用與英格蘭同一個贊助資金配對計劃。	未知	未知	香港管弦樂團和其他藝團從私人界別取得相對較多的資助
個人入息稅 ¹² 及公司利得稅 ¹³ 的最高稅率	個人：40% 公司：28%	個人：45% 公司：30%	個人：35% 公司：24%	個人：35% 公司：40%	個人：29% 公司：33%	個人：40% 公司：33%	個人：40% 公司：28%	個人：57% 公司：26%	個人：20% 公司：18%	個人：15% 公司：17%
資助制度										
主要或重點藝團的資助期	未來三年的撥款模式	三年為期並逐年延展的撥款模式	不確定	資助期以三年為上限，紐約藝團毋須在資助期過後重新申請	不確定	三年資助期，並可申請續期	不確定	不確定	主要藝團的資助期為兩年	一年
主要藝團的概念	並無正式定義主要藝團；但有經常受資助的藝團和指定的國家級藝團名單	有正式列明屬於「主要表演藝團」的名單	並無正式定義	並無正式定義	並無正式定義；但有重點藝團	並無正式定義	有「國家藝團」，地位等同「主要藝團」	並無正式定義，但有受認同的重點藝團	有不同層級的資助系統	主要藝團
釐定資助水平的方法	參考過往的資助水平	參考藝團的目的和營運成本	參考過往的資助水平	參考同業評估的結果	參考藝術成就、對藝術及社會的貢獻	參考過往的資助水平和藝術作品的水平	參考藝術作品的水平和營運成本	未知	不超過藝團的合理成本預算的 30%	根據以過往資助額再加以調整

¹⁰ <http://benchmarking-tool.artsandbusiness.org.uk/>

¹¹ <http://www.abaf.org.au/index.php?newsID=2073>

¹² <http://data.worldbank.org/indicator/GB.TAX.IMAR.ZS?display=default>

¹³ <http://data.worldbank.org/indicator/GB.TAX.CMAR.ZS?display=default>

地區	英格蘭	澳洲	南韓	美國 (三藩市及紐約)	加拿大 (多倫多)	法國	蘇格蘭	瑞典	新加坡	香港
藝術水平評估	有相關的評估機制，並鼓勵藝團進行自我評估	主要藝團會進行自我評估；其他藝團則有各種不同的機制	有	有	有	有	有	未知	有	對於主要藝團並無相關的評估機制
同業評估	有	對於主要藝團並無同業評估的機制，但對於下一級的「重點藝團」則有	不確定	有	有	無	有	未知	有	對於主要藝團並無同業評估

總結

本研究的主要目的是借鑑海外的最佳做法和經驗，並考慮到本港藝團運作的獨特文化及客觀環境，從而制定一套強化本港表演藝術界的資助機制。顧問認為健全的表演藝術界應具備下列特點：

生態環境

- 擁有不同性質與規模、且發展良好的藝團。
- 不同界別的業內人士能維持良好的溝通和互動關係。
- 透過專業實踐、教育培訓以及至市場推廣與營銷的各個範疇，讓公眾積極參與。

藝術性

- 個別藝團以至整個界別均展現藝術活力。
- 藝術形式不斷演變，尊重文化傳統之同時，亦透過推出新作品、重新演繹或改編現有劇目等方式推動創新。
- 孕育新的藝術形式及跨領域的作品。
- 在嘗試新意念或拓展觀眾群時，要明白藝術創新未必一定會成功。

市場

- 為所有參與藝術界的人士建立共識，包括藝術人員、藝團、資助者和公眾人士。
- 鞏固現有觀眾群，並吸引新觀眾（包括年輕觀眾）參與。
- 重視市場推廣及專業的市場推廣技巧。
- 應用新科技，促進製作者與觀眾之間的互動。

財務及資助

- 取得多類藝術參與者的支持。
- 有財務狀況穩健及可持續的藝團。
- 開拓不同的資助及收入來源。

管理、人才及資源

- 有可供使用及租金相宜的排練場地及表演場地。
- 重視藝術和管理人員以及董事會成員的傳承與繼任安排。
- 嚴格執行各項策劃。
- 重視知識及技能的分享及專業發展。
- 孕育於業界及社會具認受性的領袖人物。

建議摘要

本報告總結對香港未來的表演藝團資助機制的各個範疇作出分析、評論及建議。所研究的範疇包括：

- 為業界提供方向；
- 主要藝團的概念；
- 營造充滿活力的生態環境；
- 資助年期及程序；
- 釐定資助水平；
- 管治及管理安排；
- 資助機構的組織架構；以及
- 政府在資助以外的藝術發展措施。

以下僅為建議摘要，詳見正文。

就政府提供更清晰的方向而言，顧問建議：

1. 應於 2012 年制定表演藝術界的發展計劃，闡明政府促進表演藝術發展的目標，推動業內人士的合作，並制定框架令個別藝團的定位及工作更清晰，以避免不必要的重疊。顧問建議把此計劃與創意產業的整體計劃整合，並由負責當局與商務及經濟發展局合作進行此項工作。

就主要藝團的概念而言，顧問建議：

2. 維持主要藝團的概念。
3. 清楚闡明成為主要藝團的準則。
4. 獲藝發局多年資助的藝團及參與躍進資助計劃的團體，在經過篩選及根據相關發展計劃後，可晉升為主要藝團（見下文「營造充滿活力的環境」）¹⁴。
5. 於資助協議中鼓勵及列明主要藝團與小型藝團及獨立藝術家的合作安排，例如共同製作、共同委約製作、互相借調藝術及其他人員、推行師友計劃或其他活動。
6. 政府投入資源加強主要藝團在組織營運及促進藝術發展的能力。
7. 主要藝團的資助水平應與其目標及表現直接掛鈎。資助水平應反映個別藝團的成本結構及預期的責任，並透過財政賞罰措施鼓勵藝團提高藝術及組織方面的表現。
8. 若藝團表現持續欠佳，政府可要求撤換其行政人員或董事會成員。若藝團不願意或無法作出變動，政府應保留撤銷主要藝團身份的權力。

¹⁴ 躍進資助計劃於本研究進行期間推行，在撰寫報告書時首輪申請尚未完成審批。

9. 落實本報告其他建議後，可考慮增設「旗艦藝團¹⁵」之類別。顧問建議在新資助機制實施約五年後增設此類別，並透過篩選及相關發展的程序指定一些藝團成為旗艦藝團。
10. 每六年詳細審視各主要藝團的表現，檢討其藝術水平、創新能力、觀眾拓展的成效、管理能力、籌款／贊助及管治等方面的表現。檢討可由一個評審小組負責，成員可包括來自藝術發展諮詢委員會的兩名成員和兩名獨立專家（其中一名為海外專家）¹⁶以及由一位政府官員提供秘書處服務。
11. 資助協議須訂明，若主要藝團的表現持續欠佳或出現違規的情況下，政府有權撤換其行政人員或董事會成員。

就着獲藝發局多年資助或參與躍進資助計劃的藝團欲加入為主要藝團，須先制定一套清晰的申請程序。顧問建議：

12. 就着現正獲藝發局或躍進資助計劃資助的藝團加入為主要藝團的程序可由民政事務局或藝發局啟動，或由符合政府所訂定之基本要求的獨立藝團提出。
13. 基本要求應包括：藝團必須已獲藝發局資助最少六年（兩年／三年資助計劃）、正式獲藝發局支持成為主要藝團，以及累積擁有穩健的財政（即財務報表沒有出現赤字）。
14. 在民政事務局的支持下，或可包括專家的協助下，合資格的藝發局藝團應編製一套發展計劃大綱，說明藝團在藝術、組織架構及財務方面的發展計劃，如何能達到外界對主要藝團的要求。民政事務局將與藝發局共同評審該計劃大綱，並與藝團商討有關事宜。
15. 若民政事務局及藝發局同意某藝團適合獲晉升成為主要藝團，藝團須編製更詳盡的發展計劃，並由民政事務局、藝發局及該藝團簽核。計劃須訂明藝團成為主要藝團後，在運作初期的主要表現指標。

¹⁵ 旗艦藝團由主要藝團中選出少數藝團組成，它們可獲得更多資助及需肩負更多責任。

¹⁶ 建議有關「專家」應在評估及檢討藝團方面擁有豐富的經驗，例如於海外資助機構負責某個藝術形式的主任或總監。

16. 發展計劃須於雙方同意的期間內（應在六至十八個月內）逐步落實。
17. 剛成為主要藝團的藝團須通過一段考核期（如三年），若進度令人滿意，該團則正式由藝發局轉交至民政事務局跟進。

有關藝團的專業發展，顧問建議：

18. 所有主要藝團可獲得共同的培訓／專業發展支援，涵蓋業務策劃、市場推廣策劃、籌款／贊助等範疇，並會要求藝團董事參與部分籌款／贊助的培訓計劃。
19. 通過藝團自我評估及取得獨立建議來審核各主要藝團的技能，確認一些度身訂制的專業培訓計劃，加強藝團的營運能力，當中可包括管理、技術或創意等方面的技能提升。
20. 民政事務局提供資源，以確保主要藝團有能力負擔培訓及專業發展計劃，而主要藝團則須就培訓及專業發展制定合理預算（如佔員工成本的 1%至 2%）。
21. 每年通過定期匯報及批出資助的程序，跟進主要藝團提升能力的進度。
22. 通過每年進行的自我評估及上文建議的定期獨立表現檢討，支援及檢視主要藝團在教育活動、觀眾拓展、委約製作及藝術發展方面的優勢和發展計劃。

在管理資助協議方面，顧問建議：

23. 應與主要藝團訂立為期三年的資助協議，並視乎表現及未來發展計劃續約。主要藝團亦應獲特定支援以助藝術及組織的發展。
24. 各藝團的資助協議應配合上述建議的資助及策劃期，務求令各大藝團均享有三年定期資助協議。措施實施的初期，可先向主要藝團中的某些藝團訂下一次性的四年資助協議，其餘的藝團則訂下三年的資助協議。這樣民政事務局可避免同時處理所有主要藝團的續約工作，並可輪流與各藝團進行深入的檢討。

25. 中期而言（六至九年後），資助辦法可由固定年期資助轉為以三年為期並逐年延申的資助協議，或轉用為期六年的固定資助協議，並在資助期中（第三年）進行一次深入的檢討。

除非個別藝團因表現持續欠佳而要特別處理，否則所有藝團均肯定享有至少三年的資助。

26. 政府撥出一筆讓現有及有機會成為主要藝團的團體競爭的撥款，推動主要藝團及某些由藝發局資助的團體持續發展，並配合政府其他的重點工作，當中可包括發展藝術形式（例如提高藝術製作水平）、拓展觀眾群、開拓國際市場、增強藝術與教育的聯繫及其他相關的工作。

這項措施可鼓勵主要藝團回應政府的工作重點，並協助民政事務局及藝術發展諮詢委員會推動藝團不斷提升本身的藝術水平及作出組織的改動和發展。這筆可供競爭的撥款可視為基本（三年）資助以外的額外資助。有意競逐資金的藝團需遞交申請，並在申請中清楚回應政府訂下的重點工作。每個藝團在一定年期內獲得的資金應設有上限。若主要藝團計劃運用此筆撥款進行的工作目標已包括在其三年資助協議內，將不會獲批資助。

在評估及檢討表現的程序方面，顧問建議：

27. 根據政府提供的指引，主要藝團應制定自我評估及檢討藝術表現的程序，包括由藝團物色的獨立及知名業內人士的評估。主要藝團應每年向政府匯報評估結果的概要。

28. 藝團在三年資助期的最後一年，應由民政事務局率領的評審小組負責進行藝術評估，評審小組（四至五人）最少包括一名由民政事務局與主要藝團雙方同意的業內人士，並包括人數相若具備藝術知識的業界人士及具營商經驗的人士。除非香港並無合適的人選，在一般情況下不會需要邀請海外人士出任。

29. 建議在每六年進行全面檢討主要藝團的各工作範疇的表現時，不必額外進行藝術評估。藝術評估應每三年進行一次，並隔次納入每六年進行一次的全面檢討中。

30. 挑選外間顧問及同業評估人員的過程應透明公開，權責分明，並如實披露實際或可能存在的利益衝突。在部分的海外地區，顧問或第三方評估人員視此工作為服務業界而不會收取酬勞。然而，於香港採用這套做法的利弊有待進一步探討。

31. 對於資助決定的上訴，應只適用於違反政府所訂的申請及評估程序，或藝團於申請後出現重大的改變的情況。

有關主要藝團的發展計劃，顧問建議：

32. 主要藝團必須制定及維持一套為期三年的策略發展計劃，並以年度營運／業務計劃詳述如何落實各項策略。有關計劃其後逐年向前推展並作出更新，並每三年進行詳細檢討／重新修訂。

33. 主要藝團必須制定為期三年的市場推廣和公關計劃（並在策略計劃詳述），以及籌款／贊助計劃。

34. 政府應提供擬備這些計劃的詳細指引。要求受資助藝團進行較長期規劃，目的旨在鼓勵藝團參考商業管理技巧來營運、增加透明度，以及透過增加賺取收入等方式支持藝團持續發展。

35. 政府應在新資助機制初成立的階段提供財務支援及諮詢服務，協助主要藝團進行各項規劃程序。

36. 主要藝團的申請及匯報程序應具備下列特點：

- 申請程序應包括填寫一份簡單的申請表，連同三年財政預算（通用格式）、一份三年的業務計劃、一份市場推廣計劃、一份籌款計劃，以及一份藝術發展及教育活動計劃。

- 提交申請表時應同時提交最近期的自我藝術評估及同業評估報告，並簡述藝團對有關評估所作的回應或值得參考之處。
- 主要藝團亦應於申請時，自行建議一些主要表現指標，以有效衡量其藝術水平及組織發展的進度，以及其目標和落實方法／跟進程序。主要表現指標最終由民政事務局與藝團商討落實。
- 民政事務局應審閱遞交的申請資料，並與藝團的主席及行政人員會面，以進一步了解其計劃書內容及商討可改善之處。
- 資助協議或合約須由受資助團體的主席及行政總裁簽署，以確保董事會及負責執行的高級人員了解和接納有關協議條款。
- 藝團應按照政府清楚規定的格式（以確保內容簡潔扼要），遞交簡明的年度進度報告，說明藝團的藝術發展進度、市場拓展及組織發展狀況。報告（及部分主要表現指標）應涵蓋藝團已進行的活動、其活動對行業及社會所作出的影響以及藝團提升組織營運能力的表現。
- 負責撥款事宜的政府官員與藝團主席及行政人員每年應會面一次，有關官員與行政人員則最少每半年會面一次。
- 主要藝團與其他團體（包括正向藝發局申請資助的團體）的匯報程序應統一某些要求，以便藝團由一個級別晉升至另一級別時能容易適應。
- 在措施實施的後期推出網上匯報的程序，包括提供財務報表範本，以便就兩個時期或個別藝團之間及與按協定的指標作出比較。
- 政府亦應考慮與藝發局合作設立網上資料匯報系統，以便收集並整合不同藝團的資料，並以不記名方式匯報表演藝術界的行業趨勢，並配合上文建議的網上匯報程序。

就釐定資助水平方面，顧問建議：

37. 參考個別藝團的成本因素、對個別藝團的期望及未來收入目標等要素來釐定基線撥款水平。
38. 與選定的主要藝團進行商討深入分析並確立其成本因素；對藝團的期望則與藝團的工作及與個別藝團協定的工作指標（表演場數、巡迴演出次數、教育活動的多寡及其他目標）掛鉤；目標收入水平則可參考海外相關的數據及相關主要藝團過往的收入水平而釐定。
39. 在數年間分階段落實資助水平的新基線撥款，讓藝團作出必要的組織發展和調整。
40. 未來的資助水平（在基線資助水平以上的增減）可考慮通脹因素及協定的工作指標來調整，惟政府有權要求藝團通過改變工作做法來提升效率。釐定資助水平的原則應有高透明度，即金額的釐定需有相應的理據支持。

在藝團的管治及董事會效能方面，顧問建議：

41. 政府要求所有主要藝團參考海外的最佳做法，清晰訂立董事會的職能範圍、行為守則、避免利益衝突的政策及董事會章程。
42. 董事會必須制定及持守一套藝團董事會及行政人員的繼任計劃。
43. 政府應通過監察主要藝團在培訓及人員發展方面所投入的資源，提倡藝團不斷學習並在管理及管治方面精益求精。
44. 所有主要藝團自行籌組董事會。倘主要藝團的現任董事會成員有政府委任的成員，政府這方面的權力應撤除。

有關政府部門推行藝團資助機制所採用的組織結構安排，顧問建議：

45. 在短期內應成立一個專責小組負責主要藝團資助機制的行政管理工作，落實就本報告提出的其他行業發展及加強藝團能力的建議，並監管其進度。專責小組成員可包括（但不限於）具備藝術管理經驗的人員，並由藝術發展諮詢委員會提供支援。
46. 專責小組成員的任期應審慎訂定，以免流失成員帶來的相關知識，以及中斷與主要藝團建立的關係及溝通渠道。政府與藝團之間的緊密互動，新引入的深入評估程序，以及預期與主要藝團建立合作夥伴的關係，均會增加政府人手的需求，當中可能需要得到專業發展的支援，方能有效落實建議的新資助機制。
47. 建議中的專責小組應與藝發局緊密聯繫，以發掘及扶植具潛力成為主要藝團的藝團，並盡量統一申請與匯報程序。政府與藝發局之間應定期舉行會議以作出協調。
48. 在採納新資助機制及西九文化區啟用以後，應在三年內檢討負責資助及發展表演藝術的政府單位及相關機構（民政事務局、康文署、藝發局、西九文化區管理局及其他機構）的角色，以善用資源及作出合適的長期安排。在不同的事項中，檢討應優先考慮：
- 康文署日後作為場地營運者、文藝節目策劃者和「場地伙伴計劃」的資助者的角色是否需要調整；
 - 就所有藝團的資助事宜設立獨立於政府的資助機構的利弊；以及
 - 藝發局日後的工作範疇。

對於其有關表演藝術界別而超越政府資助範疇的事宜，顧問建議：

49. 政府應考慮設立配對資助計劃，增加資助藝術發展的首次贊助者／支持者／捐贈者／資助者，並鼓勵現有贊助者／捐贈者加大贊助額度。計劃應設立較低的門檻以鼓勵外界資助，但亦應設有資助上限，防止資源只流向小部分藝團。新贊助者贊助的金額可獲得等額配對，而現有贊助者新增的捐款則可獲得雙倍的配對。

50. 政府應研究是否可成立專責機構負責支援藝術界與商界的合作，或更廣泛的藝術界與私營界別的合作，包括通過各種倡導、培訓及良好做法促成合作關係。政府可與商界領袖攜手設立專責機構，這機構可負責管理上述的配對資助計劃。
51. 政府應考慮設立商界合作夥伴及慈善捐獻的年度獎項，以表揚最佳做法及肯定成就。
52. 政府在指定限期內（三至五年內）提供一些補貼，資助主要藝團聘用的贊助籌款人員的部分薪酬，以協助表演藝術界加強贊助籌款的能力。
53. 政府與西九文化區管理局共同研究成立全港性的藝術推廣聯盟或服務機構，負責提供培訓和資料庫管理服務、聯合採購相關物資及管理共同的（多個藝團的）觀眾拓展措施。
54. 政府應檢討現時有關城市電腦售票網的安排，鼓勵與藝團分享所得的資料，並鼓勵西九文化區管理局採取類似的資料共享安排。

Research Study on a New Funding Mechanism for Performing Arts Groups in Hong Kong

**Final Report
2012**
(English Only)

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1. Introduction

Positive Solutions and GHK (the consultants) were engaged by the Home Affairs Bureau of the Hong Kong Special Administrative Region (SAR) Government to undertake a Study into the Funding Mechanism for Performing Arts Organisations in Hong Kong (the Study). The Consultants are responsible for helping the Government and the Advisory Committee on Arts Development (ACAD) to develop a new funding mechanism for the major performing arts organisations receiving recurrent Government subvention and to advise on matters related to the funding policy for the performing arts.

The current Study was prompted by the Report of the Committee on Performing Arts (2006). Amongst other issues, the Committee identified the need for a more 'level playing field' in determining funding for major performing arts organisations (MPAOs), and recommended the establishment of 'a common assessment mechanism and a common set of criteria to assess these performing arts groups':

The new mechanism and criteria should be established based on the broad principles of advancing arts development of the sector and in the community at large, better accountability for the use of public money and enhancing fairness, openness and transparency. The emphasis of assessment should be extended from 'output' evaluation to 'impact' evaluation, taking into account the tangible and intangible results of the work of each group, such as their capacity for audience building and sponsorship, the effect of their work on the community at large and the contribution of their work to the international image of Hong Kong¹.

A further factor influencing the Study was the forthcoming development of the West Kowloon Cultural District. This major cultural infrastructure project could lead to the opening of more than a dozen new performing arts venues, with high expectations locally and internationally in relation to performance breadth and quality. This raises the question of how the MPAOs can prepare to rise to this challenge, and what the medium and longer-term funding implications might be.

Amongst other elements, the Study is to assist in:

- a. Taking stock of the performing arts scene in Hong Kong including the imminent changes to the existing landscape brought about by the development of the West Kowloon Cultural District (WKCD)
- b. Articulating and differentiating the role of major performing arts groups in this big picture
- c. Identifying what constitutes a sustainable funding model for the major performing arts groups in Hong Kong which will further promote arts development in Hong Kong
- d. Developing the parameters for assessment of the groups, recommending the funding formulae to be adopted, including discussion of optimal rates of subvention if applicable and optimal sizes of Government support, identifying the best funding agency to administer the assessment and distribute the funding
- e. Articulating the relationship between funding for the major performing arts groups and that for the rest of the sector, including funding for the non-major, non-profit making performing arts groups and the need, if any, for

¹ Committee on Performing Arts, Recommendation Report (1) June 2006, p31.

any policy to ensure the vibrancy of the non-subsidised performing arts sector

Some of the key issues and questions raised by the Brief for the Study include:

- Ways in which the particular characteristics of Hong Kong, and of the development of the performing arts in the SAR, may influence the design of a future funding mechanism
- The clarity with which Government expresses its aspirations and expectations for the performing arts and for specific MPAOs currently, or may do in the future
- How a ‘sustainable funding commitment’ may be defined
- Which elements of the current funding system constitute strengths that should be preserved and built upon
- What can be learned from overseas, and what can be transferred into the Hong Kong context
- How artistic and organisational success should be measured
- How specific funding levels should be determined
- How the overall ecology of the performing arts in Hong Kong can be strengthened, and the role of funding within this

These, and other, questions are addressed following the review of the current situation in Hong Kong, and the presentation of selected data from overseas.

The initial stages of this project included the preparation of an overview of the performing arts and current funding arrangements in Hong Kong (sections 3 and 4 below), and an examination of funding mechanisms for the performing arts in a number of overseas jurisdictions (section 5 below). Subsequently, the consultants prepared a Draft Funding Mechanism Discussion Document, including preliminary recommendations. This was circulated to arts organisations and other stakeholders for comment. Feedback was sought through individual interviews, group discussions and in the form of written responses to the Discussion Document. This Final Report takes into account the feedback received.

The Report contains the following sections:

- Contexts
- Arts Policy and Funding in Hong Kong
- The Performing Arts Sector in Hong Kong
- The Performing Arts and Funding Systems Overseas
- Conclusions and Recommendations

2. Contexts

2.1 Why Fund the Arts?

Historically there is a range of reasons for Governments around the world to provide funding and other resources, within a public policy framework, to support arts and culture. Generally, these reasons reflect society’s understanding of the importance of a citizen’s engagement with the arts to the cultural, social and economic well-being of a country or civil society. What is more challenging for Governments, particularly

when faced with growing demands for increased Government support across all aspects of the public service, is the ability to articulate clearly these values and in particular the exact cultural, social and economic benefits different types of investment and support may bring.

In other jurisdictions, the arguments for Government support for the arts include:

1. **Public good:** the role of the arts in contributing to a healthy society and providing the citizenry with an appropriate quality of life. This is implicit in the arts and cultural policies of many Western countries, but it is also explicitly stated as an objective by the Arts Council in South Korea. Beyond the individual 'quality of life' rationale, there are collective, social benefits, with the arts (and sports) stimulating valuable community engagement and interaction.
2. **Economic and social benefits:** during the past two or three decades, the economic, environmental and social impacts of the arts have regularly been cited as reasons for Governments to provide some level of financial support. For example, investment in major festivals and in cultural facilities is justified on the basis of the employment and economic activity these stimulate, including their influence in attracting or retaining corporate talent in a city or region, and their contribution to local area regeneration.
3. **Intrinsic value:** at various times the intrinsic value of the arts has been emphasised as the key reason to provide support. The arts are amongst humankind's highest achievements. They are where we express ourselves beyond the capacity of everyday language. They are one of the distinctive features of our humanity – and therefore should be prized in their own right, not in reference to impacts or short-term political enthusiasms or priorities.

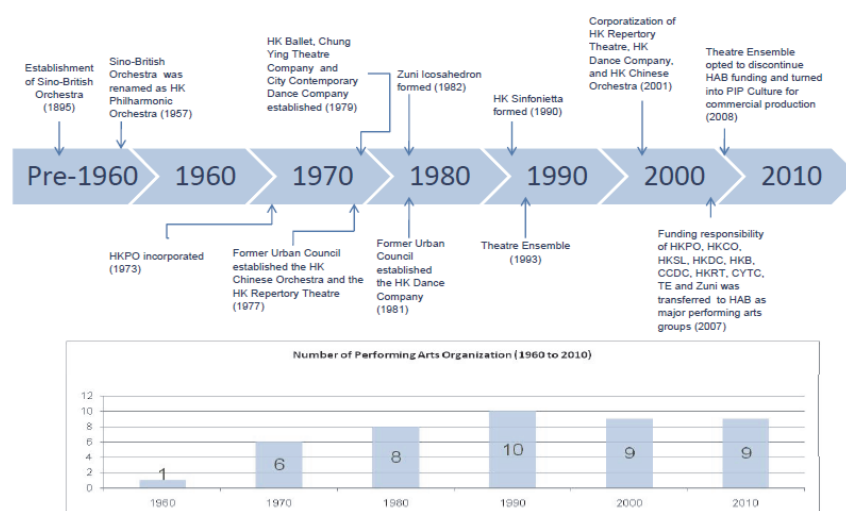
2.2 The Ecology of the Performing Arts

The principal focus of the current Study is the funding mechanism used to support Hong Kong's nine MPAOs. This group of organisations includes:

- The Hong Kong Philharmonic Orchestra (HKPO)
- Hong Kong Chinese Orchestra (HKCO)
- Hong Kong Sinfonietta
- The Hong Kong Ballet (HKB)
- Hong Kong Dance Company (HKDC)
- City Contemporary Dance Company (CCDC)
- Hong Kong Repertory Theatre (HKRT)
- Chung Ying Theatre (Chung Ying)
- Zuni Icosahedron (Zuni)

Most of the MPAOs were established in the late 1970s and early 1980s, either by Government mandate or through the initiative of independent groups of artists.

Chart 1: MPAO Timeline of Establishment



Several of the MPAOs are dedicated to presenting and nurturing Chinese culture; two (the Philharmonic Orchestra and the Ballet) are predominantly focused on the presentation of Western culture – although it is noted that Western classical music has been widely embraced in China, and may be considered a ‘global’ culture. Several organisations embrace both Eastern and Western forms of cultural expression, from the more traditional, such as narrative dramatic theatre, through to more contemporary forms of expression and presentation, incorporating elements of visual and new media. This includes the commissioning of works reflecting the different languages spoken within the HKSAR.

While this group is now funded directly by the Home Affairs Bureau, other funded performing arts organisations are supported through the Arts Development Council. It is partly this separation of funding systems which has given rise to the need for the current study.

The work of the major organisations does not occur in isolation, but within the context of an inter-connected set of relationships – an ecology – which includes, amongst other elements:

- Small and medium sized and independent performing arts organisations
- Commercial producing organisations
- Individual artists
- Venues operated by the Leisure and Cultural Services Department (LCSD) and others
- Arts festivals – especially the Hong Kong Arts Festival – and other presenters
- Arts training institutions, including the Hong Kong Academy for Performing Arts (HKAPA)
- Performing artists and companies touring into Hong Kong
- Interaction with the performing arts sector in mainland China and internationally – including venues, festivals, producing companies, commercial promoters and others
- Arts funding agencies
- Foundations and private sector sponsors of the arts
- The nature of the linkages and interactions between each of the above, and
- Government policies in relation to the arts, education, tourism, economic development and other areas

The objectives and aspirations of each of the key industry players have implications for Hong Kong's MPAOs. Equally, alignment or misalignment between different parts of the performing arts ecology impacts on the health of, and opportunities for, the major organisations. For example:

1. The supply of suitable, skilled artists, technicians and managers depends upon alignment between education and training providers and the needs of the performing arts companies
2. International employment opportunities create competitive pressures locally
3. The programming and ticketing policies of LCSD-operated venues, Hong Kong Arts Festival and others create both opportunities and competition for Hong Kong's MPAOs
4. The arts export policies of other countries, and the ambitions of individual arts organisations, affect the competitive environment in Hong Kong and elsewhere
5. The maturity of private sector support for the arts in Hong Kong, and broader social attitudes to the arts, affect the potential for the MPAOs to increase their income from non-Government sources
6. The changing nature of audiences and of public taste and interest
7. The evolution of new technologies, especially in relation to the creation and distribution of culture

In this environment the level of financial support from the Government is only one in a range of factors which influence the health of the MPAOs, although it is a critical factor in the sustainability of the companies. Government may also have an influence on several of the other factors identified here. To support its investment in the MPAOs and in other smaller performing arts organisations, Government may choose to take initiatives on other aspects of industry development. This may include building the professional capacity of individuals and organisations, establishing support or advisory services of various types, or encouraging greater private sector support for the arts.

Understandably, some arts professionals believe that all their problems will be solved if they have more money. In fact, there are a number of other necessary ingredients for a healthy arts organisation and arts sector. They include:

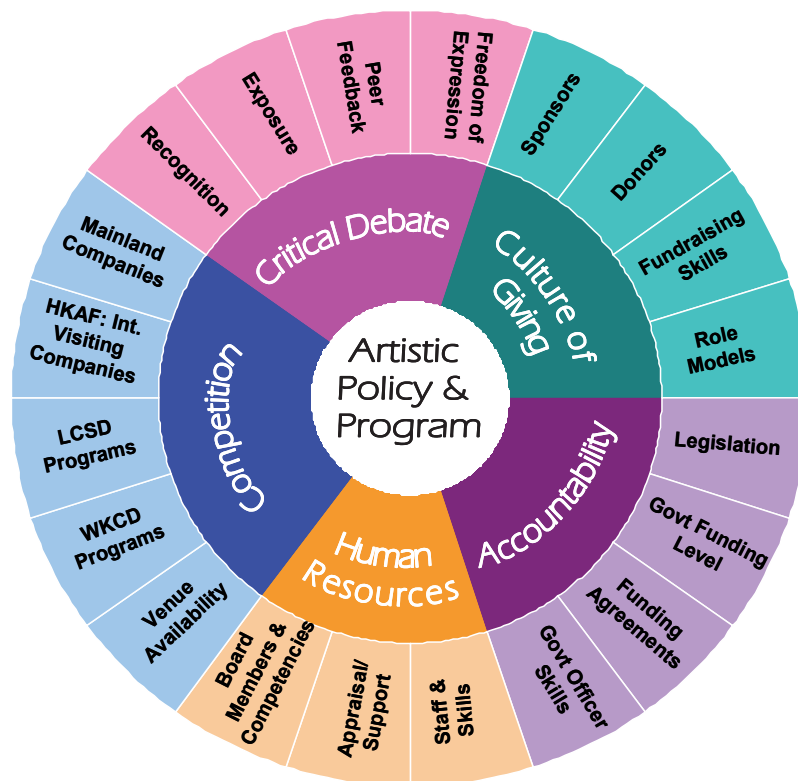
- Quality of artistic leadership
- Availability of talent and training
- Exposure to the world's best artists and to new ideas
- Management and governance capability

The cultural and funding history of the jurisdiction where the work takes place, and the elements of 'ecology' outlined above also influence the artistic vibrancy and financial health of arts organisations.

By no means least of the requirements for generating high quality artistic works are time and space. There is a clear correlation between rehearsal and development time for artistic work, especially new work, and the quality of the result. In recent years the most successful touring companies in other countries have tended therefore to generate fewer works and keep them in repertoire for years – a higher level of up – front investment, but a longer tail for income generation. Space, too, is important. A suitable home base and adequate access to rehearsal space are sought by all performing arts companies – and are a common characteristic of successful companies. Of course, time and space, along with some of the other ingredients above, can be converted into finances. Money buys time and space.

Diagram1 below provides a summary of environmental factors which have an impact upon the artistic success of an organisation:

Diagram 1



2.3 Business Models in the Performing Arts

Performing arts organisations build their income from:

- Earnings from box office and fees for provision of services (e.g. paid workshops, commissioned performances, broadcasts, international touring), sales of cultural products (e.g. CDs)
- Contributed income from sponsors and donors
- Government subvention
- Income from ancillary activities e.g. merchandising, training services, retail, catering, rentals (where they have such facilities/ assets)
- Interest or other earnings from reserves

The ratio of income from these sources for similar types of arts organisation varies from country to country, according to cultural, political and social traditions; and from one organisation to another, according to the nature of their work and their business strategies. For example:

1. In some countries there has been a strong tradition of business support for the arts, whilst in others business support is regarded with a degree of suspicion, on the grounds that it may negatively influence artistic policy and programming
2. To date, mainstream Western classical artforms (such as symphonic music and opera) have proved more attractive to business sponsors than other artforms
3. In some countries individual philanthropy has been a significant income stream, often favouring the large over the small companies

4. Small companies with a strong artistic reputation are in an advantageous position to earn fees from touring (including international touring), because their cost base is relatively low and they are therefore more affordable to venues and festivals seeking new product for their programme
5. Companies with large annual audience figures are in a position to consider merchandising opportunities which would be uneconomic for companies with a smaller existing audience base and a smaller market
6. Only companies which operate a building are able to earn income from hiring space to others, catering, bars and other building-based trading activity.
7. To date there has been limited interest in building the capital asset base of arts organisations, to gain access to other financial resources such as loans and as part of strengthening overall long term sustainability, although this is now changing as described in section 5.10 below

In light of these variables, determining the most appropriate balance between all forms of income including reasonable levels of earned income and Government subvention for an individual company cannot be done by reference to an accepted norm or standard. Benchmarking against companies overseas with similar characteristics can inform target-setting. We address below possible approaches to determining funding levels for Hong Kong's MPAOs.

Regardless of the income mix, companies that receive Government subvention – in Hong Kong and elsewhere – have a tendency to become dependent upon it for the long-term. Once a company has the expectation of continuing support, Government funding (direct or via an agency) becomes built into the baseline of the arts organisation's financial forecasts. Arguably, this discourages entrepreneurship and lateral thinking, and locks many arts organisations into a business model that fails to nurture organisational – and often artistic – innovation. An opposing argument may be made that Government subvention promotes artistic innovation because it frees the company from the pressure to continually programme activities that will maximise earned income. It provides some protection against populism so long as the Government itself does not place constraints on the programme.

Internationally, recent discussion of new arts financing models and new sources of money for the arts has been prompted both by the concern that Government funding cannot keep pace with the increasing costs of arts delivery, but also by a view that plurality of funding and financing sources provides a more sustainable model and protects and stimulates artistic diversity. The debate has become more pressing in those countries where a weakened economy is necessitating cuts in Government spending. We describe these new trends in 5.9 below.

In the UK, for example, arts organisations benefit from a wide range of Government agencies and charitable foundations, and well-developed business support for the arts – a breadth of funding which will be critical for many arts organisations in light of significant reductions in Government subvention resulting from the impact of the global financial crisis on the UK's finances.

Hong Kong's public finances are healthy, but an important issue for the Government will be how to encourage a greater degree of financial independence and entrepreneurship amongst those companies enjoying financial support from Government – how to minimise dependence on subsidy, without hindering the quality and innovation of artistic outputs.

2.4 Distribution

In the music and publishing industries dramatic changes have occurred in recent years, with the digital distribution of music, and online distribution of both e-books and paper books. Moreover, legal and illegal downloading of film and TV content has, for many, become the norm rather than the exception, leading to the closure of many video/ DVD outlets. There are both winners and losers in this major shift in the distribution of cultural products.

There is no evidence yet that the appetite for live performance has been diminished by the increase in access to computer-based and home-based entertainment and cultural consumption. Moreover, while some major performing arts companies and venues internationally have begun to simulcast high definition screen versions of their performances this has not been at the expense of local live audiences. The two-dimensional screen experience is still a distant cousin to the live performance, and even when 3D screen technology becomes more pervasive and more sophisticated it seems unlikely that it will compete with the immediacy of the live performance, and the excitement of a shared audience experience. There are opportunities rather than threats for the performing arts in the spread of these new distribution technologies (see also 5.10 below, A New Entrepreneurship).

A more pressing distribution issue in the Hong Kong performing arts context is the range and availability of performance venues. The Consultancy Study on the Provision of Regional/ District Cultural and Performance Facilities in Hong Kong undertaken by Positive Solutions in 2002 compared the provision of facilities in Hong Kong at that point with the breadth of provision in a selection of other major cities around the world. It was evident that the number and range of performance venues in Hong Kong is very limited and that – even after the development of the West Kowloon Cultural District – arts organisations may face difficulty securing the number of performance days they would prefer.

3. Arts Policy and Funding in Hong Kong

There are a number of ways in which the Hong Kong Government has articulated its broad arts and cultural objectives.

The Culture and Heritage Commission (CHC), established in April 2000, advised the Government on policies and funding priorities for culture and the arts. In April 2003 it submitted its CHC Policy Recommendation Report which was subsequently adopted by the Government as the blueprint for Hong Kong's cultural policy. This policy is aligned with the core values of Hong Kong as a free, diversified and open society. It aims to create an environment which is conducive to artistic expression and creation, and encourages wider participation in cultural activities.

Government policy comprises four major elements:

- Respecting freedom of creation and expression
- Providing opportunities for participation
- Encouraging diversified and balanced development
- Giving support to build an environment that nurtures culture and the arts

The Government does not impose an official definition on culture and the arts, nor does it influence the specific operation of artistic creation or content. Instead, it is

committed to upholding freedom of cultural and artistic creation and expression, while creating an environment that supports the development of culture and the arts.

More specific recent directions were indicated in the Chief Executive's 2008-09 Policy Address:

“To tie in with the West Kowloon Cultural District (WKCD) development, we need to enhance our software by promoting cultural activities in the community and tapping into cultural consumption markets. To bring more cultural activities into local communities, the Government will encourage cultural and performing arts groups to stage performances across the territory. We will continue to support artistic creations and overseas exchanges, encourage tertiary institutions and professional arts groups to nurture intermediaries for arts services, and develop a broad audience base. Our joint efforts will help realise the vision of developing Hong Kong into a world-class arts and culture destination.”

The Government's support for arts and culture is viewed as an important step in achieving the vision of Hong Kong as a sophisticated, world-class location.

A further, recent articulation of cultural policy objectives exists in the Ordinance which established the West Kowloon Cultural District (WKCD)²:

- a) *To facilitate the long-term development of Hong Kong as an international arts and cultural metropolis*
- b) *To uphold and encourage freedom of artistic expression and creativity*
- c) *To enhance and promote excellence, innovation, creativity and diversity in arts and culture*
- d) *To enhance the appreciation of a diverse and pluralistic range of the arts*
- e) *To develop new and experimental works in arts and culture*
- f) *To cultivate and nurture local talents in the arts (including local artists) and local arts groups and arts-related personnel*
- g) *To encourage wider participation by the local community in arts and culture*
- h) *To promote and provide arts education to the local community*
- i) *To facilitate the development of cultural and creative industries*
- j) *To facilitate and enhance cultural exchange and co-operation between the mainland of China, Hong Kong and any other place*
- k) *To facilitate and enhance co-operation between any Government or non-Government body or organisation and providers of the arts, within and outside Hong Kong*
- l) *To encourage community, commercial and corporate support and sponsorship of arts and culture*
- m) *To provide or facilitate the provision of free and accessible open space within the WKCD to the general public*
- n) *To strengthen the position of Hong Kong as a tourist destination*

While these objectives are specific to WKCD, they were formulated by Government and can be taken as an indication of Government's broader cultural aspirations.

² Section 4(2) of Part 2 of the West Kowloon Cultural District Authority Ordinance (2008).

In some jurisdictions there have been attempts to provide clear and directive arts and cultural policies³. In the light of Hong Kong's traditions, and especially the recent restatement of the Government's commitment to freedom of artistic expression, it seems inappropriate to lay down narrow cultural 'directives'.

3.1 Home Affairs Bureau (HAB)

The Bureau is the lead agency with regard to arts and cultural policy, within which its main responsibilities include⁴:

- Formulating policies and programmes on culture and the arts, as well as the protection of intangible heritage
- Overseeing the delivery of policies and programmes on culture and the arts
- Working closely with LCSD, HKAPA, and the HKADC and other arts-related organisations to promote and develop the arts and culture in Hong Kong

HAB lists the following priorities in relation to *performing* arts⁵:

- Strengthening the development of software in the arts and cultural sector, including promoting the participation of the community in arts and cultural activities, and sustaining funding support to the HKADC, the HKAPA, as well as the LCSD to enhance their work in arts support, art promotion, art education and training of arts personnel
- Strengthening the development of a cultural network with the Mainland and other countries
- Reviewing the existing funding mechanism for performing arts
- Working closely with the Cantonese Opera Advisory Committee and the Cantonese Opera Development Fund Advisory Committee in supporting the development of Cantonese opera as an important local art form and a United Nations Educational, Scientific and Cultural Organisation (UNESCO) listed intangible cultural heritage
- Working closely with the HKAPA on a Strategic Position Review of the vision, mission and positioning of the HKAPA to link with the latest development of the culture and arts scene in Hong Kong
- Working closely with the HKADC in facilitating the development of new and budding artists, and other art support areas
- Reviewing the funding criteria for the Arts Development Fund to provide more cost-effective support to artists/ arts groups on outbound cultural exchanges

Funding responsibility for four of the MPAOs was inherited from the former Urban Development Council by LCSD in 2000. Three of the four companies had been established by Government and, prior to their corporatisation in 2001, their staff were Government employees. In 2007 funding responsibility was passed from LCSD to HAB, and a further six companies which had been triennially funded by the Arts Development Council were also transferred to HAB, forming a group of ten, one of which subsequently elected to graduate from the Government funding system.

³ For example, the Creative Nation policy in Australia in 1994 – although this was abandoned with the election of a new Government in 1996. In 2011 the Australian Federal Government is again considering the adoption of a national cultural policy. In the UK, an attempt was made, in 1991/92, to develop a National Arts and Media Strategy, but this was never adopted, despite extensive consultation with the sector.

⁴ From HAB website.

⁵ From HAB website.

3.2 Leisure and Cultural Services Division (LCSD)

LCSD's vision and mission are to provide quality cultural services which are commensurate with Hong Kong's development as Asia's world city. Vision and mission statements are formulated in respect of performing arts, museums and libraries for the effective and quality management of public cultural services.

In relation to the promotion of performing arts activities, including music, dance, theatre, film and Chinese opera, LCSD has the following roles⁶:

- To present and sponsor a year-round balanced programme including two annual arts festivals by visiting and local artists for the enjoyment of the public
- To provide performance opportunities for established and promising local artists and organisations
- To provide and manage venues for performances and rehearsals
- To promote and nurture interest in and appreciation of the performing arts among the public
- To encourage creativity in the performing arts
- To support local professional performing companies
- To provide instrumental music training programmes and other music activities for young people through the Music Office
- To provide free entertainment programmes and organise traditional festival celebrations
- To facilitate cultural exchange programmes

The Department currently manages 15 performance venues, as well as Urban Ticketing System (Urbtix); the territory-wide computerised ticketing system.

LCSD also provides funding support to the Hong Kong Arts Festival Society in the form of an annual subvention.

In order to promote the performing arts to the general public, LCSD organises audience building and educational programmes and schemes such as School Culture Day, Community Cultural Ambassadors Scheme, School Arts Animator Scheme, and the Arts Experience Scheme for Senior Secondary Students. It also organises free performances in the foyer of the Hong Kong Cultural Centre and other major performing arts venues, among other activities.

3.3 Hong Kong Arts Development Council (HKADC)

HKADC, a statutory body established in 1995, is responsible for planning, promoting, and supporting broad development of the arts including literary, performing, and visual arts, as well as film and media arts in Hong Kong. HKADC aims to foster a thriving arts environment and enhance the quality of life of the public, and is also committed to facilitating community-wide participation in the arts and arts education, encouraging arts criticism and raising the standard of arts administration. HAB provides an annual recurrent subvention to HKADC to support individual arts groups through its grant schemes such as One-Year Grant, Multi-Project Grant, Devolved Grant and Project Grant schemes. HKADC has also organised proactive projects to promote arts development in Hong Kong and is committed to forging strategic partnerships with different sectors in the community.

⁶ From HAB website.

HKADC's development strategies are:

- Making use of research findings to exert influence on cultural policy-making
- Providing greater support to the arts community for artistic pursuits
- Establishing platforms to assist arts groups in reaching out
- Encouraging public participation and expanding the audience base; promoting arts education and popularising the arts
- Drawing arts veterans and cultivating new talent to raise professional standards of practice⁷
- Exploring community resources and fostering partnerships to promote arts development
- Strengthening cultural exchanges with Mainland and overseas counterparts

Chart 2 below provides a snapshot of the Government resources devoted to arts and culture in 2009/10⁸:

Chart 2: Government Funding for Arts and Performing Arts 2009/10

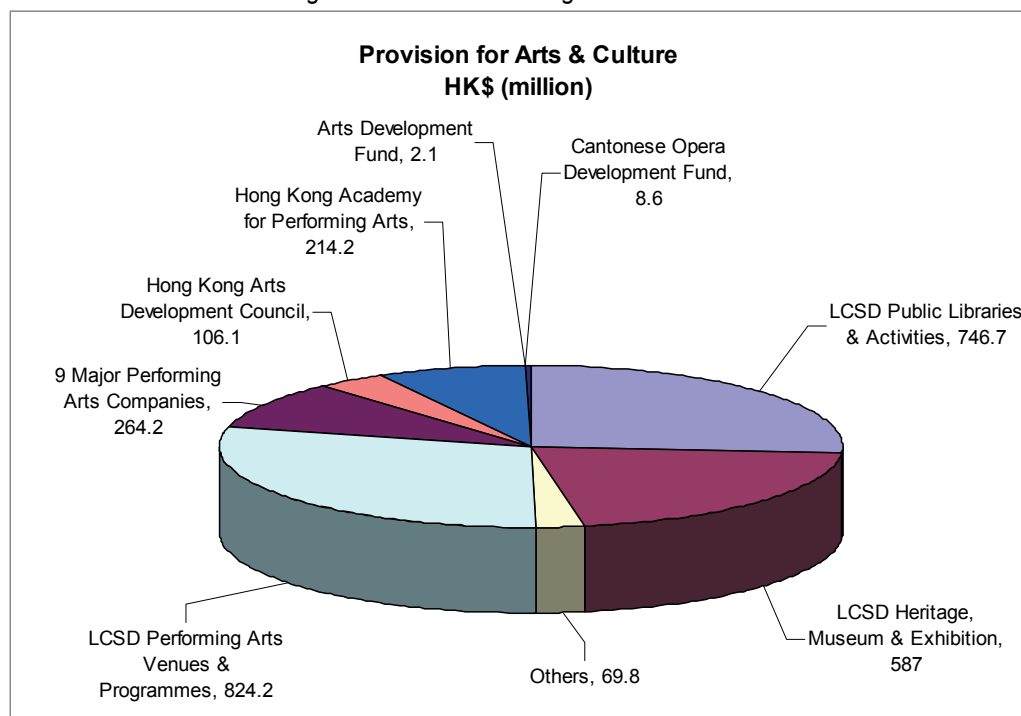
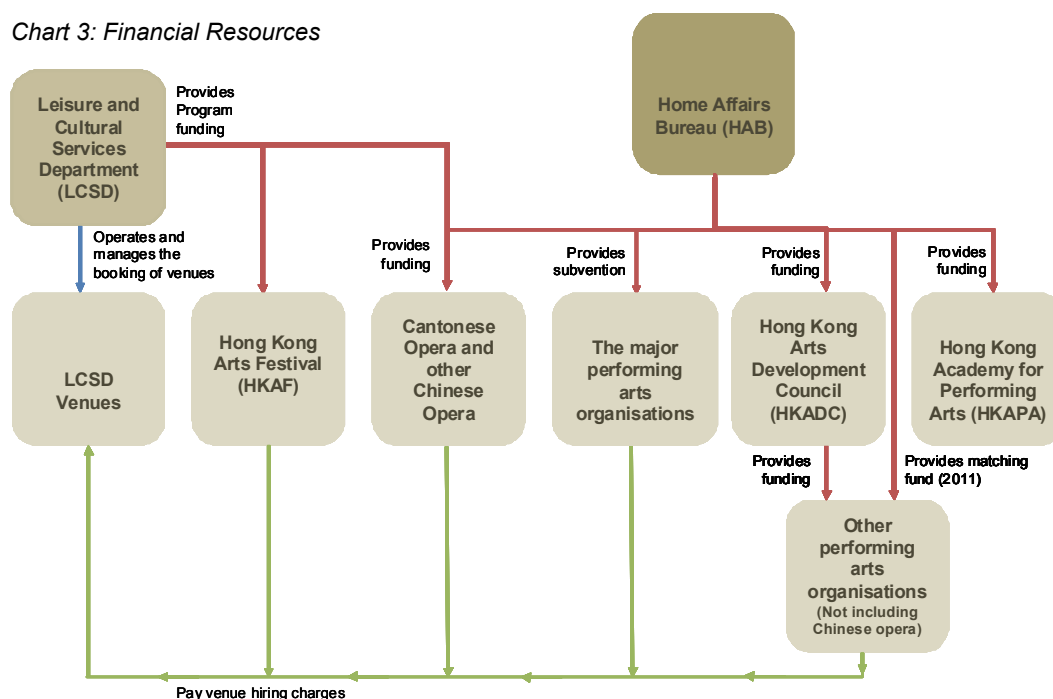


Chart 3 below provides a visualisation of the financial resources flow between a number of the key elements of the performing arts 'ecology' within Hong Kong:

⁷ Professional leadership, development and training programmes to provide local arts organisations and arts practitioners with skills and knowledge.

⁸ The information can be obtained from the Home Affairs Bureau website
http://www.hab.gov.hk/en/policy_responsibilities/arts_culture_recreation_and_sport/arts.htm

Chart 3: Financial Resources



3.4 West Kowloon Cultural District Authority (WKCD)

WKCD is a critical strategic investment for the long-term development of culture and the arts, and the future of Hong Kong. Government policy objectives are directed towards the development of WKCD into a world-class arts and cultural district comprising local, traditional and international elements, with a view to enriching cultural life for the people in Hong Kong and neighbouring areas; creating job opportunities, benefiting the tourism industry, and making Hong Kong an international cultural metropolis.

The WKCD was established under the WKCD Ordinance. The WKCD's major tasks are to develop WKCD into an integrated arts and cultural district that will:

- Provide quality culture, entertainment and tourism programmes with a must-visit appeal to both local residents and visitors from around the world
- Meet the long-term infrastructure needs of Hong Kong's arts and cultural development and foster organic growth and development of culture and creative industries
- Become a cultural hub for attracting and nurturing talents, an impetus to improve quality of life, as well as a cultural gateway to the Pearl River Delta (PRD)

During the course of the current study, WKCD's programming policies and arts relationships were in development. The ways in which the tasks outlined above will be realised are not yet confirmed.

3.5 Hong Kong Jockey Club (HKJC) (Charities) Trust

The HKJC is the city's major non-Government community benefactor, now donating more than \$1 billion a year to charitable and community projects. In 2008/09, the Charities Trust, formed in 1993 to take over the charity responsibilities of the HKJC (Charities) Limited, donated a total of \$1.37 billion to about 100 charities and community projects. The Trust mainly sponsors/ donates to four major categories of activities/ organisations:

- Community services
- Education and training
- Medical and health
- Sports, recreation and culture

To optimise the effectiveness of its donations and better meet agencies' needs, the Charities Trust implemented the Community Project Grant (CPG) funding mode in April 2005. Over 50 non-Governmental organisations that were on the Trust's annual subvention list have been granted funding under the CPG funding mode.

The Trust is currently supporting the Central Police Station project which is intended to transform a collection of historically significant buildings into a centre of heritage, arts and leisure facilities for the local community and overseas visitors.

The Charities Trust is a strong supporter of the arts and culture in Hong Kong. Projects funded range from building hardware such as renovating an old industrial estate into a community arts centre in Shek Kip Mei to supporting software programmes such as the Hong Kong Arts Festival. Other arts and culture related projects include capital improvements and special grants for educational arts projects.

3.6 Arts Education

Arts education is one of the eight Key Learning Areas in school curriculum and is an entitlement for all students. The new senior secondary (NSS) curriculum provides four pathways⁹ for every student to continue their pursuit of the arts. All senior secondary students have at least 135 hours of learning time for aesthetic development. The provision aims to develop their creativity, aesthetic sensitivity and arts appraising ability, and foster in them a life-long interest in the arts through appreciating, creating, performing and reflecting activities. At present, most schools offer structured lessons complemented with co-curricular activities to nurture students' aesthetic sensitivity. In addition to being introduced as an art form, drama has been adopted by schools as a teaching and learning medium, especially in Chinese and English Languages. Moreover, elements of drama are incorporated into the NSS Chinese and English Language curricula to strengthen students' language learning experiences.

To promote the appreciation of performing arts, LCSD partners with local arts groups and artists to organise audience building and arts education activities at schools and within the community. Examples include:

- School Arts Animateur Scheme (SAAS)
- School Culture Day
- Community Cultural Ambassador Scheme
- District Cantonese Opera Parade
- Experience the Arts Scheme for Senior Secondary Students

⁹ The four pathways include: (i) all students have at least 135 hours of the total curriculum time (5% of learning time) in aesthetic development, as an essential component of Other Learning Experiences during the three years of NSS schooling; (ii) Music and Visual Arts are offered as elective subjects; (iii) arts-related Applied Learning courses are offered as electives; and (iv) students use 'arts' as a theme for Independent Inquiry Study in Liberal Studies.

The Music Office, managed by LCSD since 2000, promotes knowledge and appreciation of music in the community, especially among young people, through the provision of instrumental and ensemble training and the organisation of various music activities. The Music Office organises two types of music training programmes for the public: the Instrumental Music Training Scheme (IMTS) and the Outreach Music Interest Courses (OIC). In addition, the Music Office is involved in the organisation of international youth music exchange programmes aimed at fostering musical excellence and exchanges among local young musicians and their counterparts across the world¹⁰.

3.7 Hong Kong Academy for the Performing Arts (HKAPA)

HKAPA was established in 1984 and has since nurtured over 6,000 arts graduates. The Academy is composed of five Schools: Dance, Drama, Film and Television, Music, Theatre and Entertainment Arts, and a Chinese Traditional Theatre Centre. The five schools of the HKAPA have been offering degree programmes since 1992. The Academy is the only local institute that offers a Cantonese Opera programme at post-secondary level. In the 2009/10 financial year, HKAPA received an annual subvention of \$214.2 million (excluding capital works funding) from the HAB.

The Academy – with its well-equipped facilities including the lyric theatre, drama theatre, concert hall, recital hall, dance studio, and theatre studio – is a popular venue amongst local and overseas performing arts groups, including Zuni, HKB, HKDC and HKRT. A new Amphitheatre opened in late 2010.

The Academy conducts a variety of community outreach activities aimed at nurturing and building a bigger local audience and inspiring prospective talented students to further their studies at the Academy. HKAPA students are frequently invited to perform abroad at international festivals and cultural events, for instance, at the World Expo 2010, and are often sponsored by the Government to promote or represent Hong Kong.

Aside from offering priority auditions to HKAPA graduates, the performing arts groups, especially the younger, smaller arts groups, have often been established by HKAPA graduates. In collaboration with major and small to medium sized performing arts groups, the Academy runs internship programmes and experimental workshops for its students to showcase their talents and enhance on-stage performing skills.

4. The Performing Arts Sector

There are approximately 1,000 performing arts organisations in Hong Kong¹¹. Almost 40% are Xiqu organisations, with music comprising 31%, drama 17%, and dance 9%. The rest are organisations that present or produce variety shows. The organisations range from Government-subsidised, professional organisations to independent, amateur/ semi-professional and smaller organisations. It is noted that:

¹⁰ From HAB website. All figures from LCSD website:

www.lcsd.gov.hk/CE/CulturalService/ab/en/home/index.htm Further details of arts education programs can be found at Appendix 16.

¹¹ Hong Kong Annual Arts Survey 2007/2008 prepared by Hong Kong Arts Development Council (2009).

- Within the Xiqu group, there are Chinese Opera groups of different provincial styles, such as the Peking Opera, the Sichuan Opera, and the Kun Opera. The most popular is Cantonese Opera (see below). Programmes produced by practitioners of this particular art form range from operatic songs to a full Chinese opera production
- Music includes both western and Chinese music, vocals and opera. Organisations within this group are mostly amateur or semi-professional
- In terms of drama, most organisations engage in traditional theatre production, for example Hong Kong Repertory Theatre. Others engage in stand-up comedy, musicals, and experimental works
- Dance is the smallest group among the four art forms. It consists of traditional Chinese dance, ballet, and contemporary dance. Hong Kong Dance Company, Hong Kong Ballet and the City Contemporary Dance Company are examples in the field

As mentioned above, most of the nine current MPAOs were established in the late 1970s and early 1980s, either by Government mandate or through the initiative of independent groups of artists. The remaining groups are smaller or emerging performing arts companies that are either semi-professional or amateur, professional companies of a boutique size, or independent producers.

LCSD provides funding support to the Hong Kong Arts Festival Society, a major presenter of local and international programmes. LCSD also directly presents two annual international arts festivals – the International Arts Carnival; and the Autumn Thematic Arts Festival (the New Vision Arts Festival and the World's Cultures Series in alternate years). LCSD is a major 'importer' of overseas performing arts groups.

Cantonese Opera is not represented amongst the MPAOs. It is, however, an artform that is distinctive to Hong Kong and neighbouring areas of Southern China, enduring in its popularity, and apparently able to sustain itself without significant public subsidy. The equivalent of a "troupe" is a "ban" or simply a "combination" of freelance artists and performers. The ban is small, consisting of just the main actor and actress. The name of the ban thus changes frequently depending on the combination of leading actors/ actresses. It is difficult therefore to quantify Cantonese Opera "troupes" or companies in Hong Kong, although there are some very stable combinations of actor and actress in the sector.

In 2008/09 the average ticket yield for the MPA organisations ranged from \$89 for CCDC to \$223 for Hong Kong Ballet¹². Six of the nine companies had average ticket yields of \$150 or below. By comparison, Cantonese Opera has an average ticket price of approximately \$220.

4.1 Performing Arts Programmes

The 2007/08 HKADC annual survey identified 1,916 productions housed at the 13 cultural and performance facilities under the umbrella of LCSD, and four other major arts and cultural facilities including HKAPA, Hong Kong Arts Centre, Hong Kong Fringe Club and Sunbeam Theatre.

The quoted numbers reflected ticketed performances – all non-ticketed performances and activities such as audience building activities or educational activities were

¹² 'Ticket yield' is total annual box office divided by total paying audience – therefore providing an 'average' ticket price.

excluded. Performing arts activities held outside the scope of these 17 venues were also not captured by the survey.

A comprehensive picture of the number of productions and performances in Hong Kong is not readily available. The official statistics provided by the Census and Statistics Department (C&SD) in the *Hong Kong Annual Digest* could perhaps provide the best approximation, as the LCSD is the major venue operator in Hong Kong and much of its seats are sold through Urbtix, where numbers of performances and audiences can be easily captured.

Table 1 shows the number of cultural presentations (including the presenter/ hirers programmes) in ten LCSD venues (excluding the two sports stadiums and Ngau Chi Wan Civic Centre). In 1998 there were 1,888 presentations, but by 2008 this had increased to 3,080 – an increase of 60% – indicating a rising trend of active production and presentation by producing companies and/ or hirers.

Table 1: Cultural Presentations at Selected LCSD Venues by Type of Event (including hirers' presentations)

Type of Events	1998	2003	2008
Concerts and recitals	761	824	1,089
Operas	415	734	896
Plays	486	591	769
Ballet and dance	226	263	326
Total	1,888	2,412	3,080

Source: *The Hong Kong Annual Digest*, 2009

By comparison, a survey on the arts sector in Hong Kong conducted by the HKADC for 2008/09 documented a total of 3,742 performing arts programmes and 6,866 performances presented by 2,061 different units in the year, reaching over 3.12 million attendances.

4.2 Provision of Performing Arts Facilities

Number, Type and Distribution

At present there are 29 performing arts venues in Hong Kong, including:

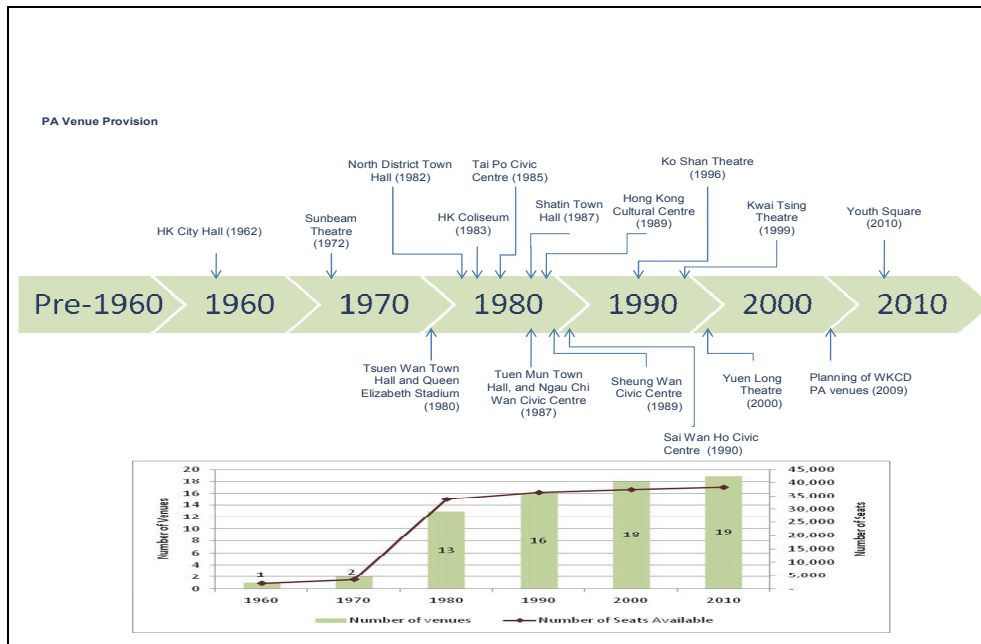
- 16 purpose-built performing arts venues
- 2 sports/ entertainment venues
- 6 performing arts venues in education institutions
- 3 performing arts venues in exhibition centres
- 1 performing arts venue in a community arts centre
- 1 performing arts venue in a youth centre

In addition to these performing arts venues, there are also amphitheatres/ piazzas in major parks that are occasionally used for performances.

There are a total of 58 auditoriums/ performing arts spaces in these venues, providing a total seating capacity of over 75,000. Over half of the seating capacity is provided by five large auditoria (3,000 to 13,500 seats) in four venues.

Chart 4 below shows the chronology of the establishment of performing arts venues in Hong Kong.

Chart 4: Chronology of Performing Arts Venues



These performing arts venues are scattered in many different locations across Hong Kong, the only cluster of performing arts venues is found in Wan Chai. The majority of performing arts venues have good access to public transport.

Sunbeam Theatre is likely to close down when its lease expires in Feb 2012. The operator of Sunbeam Theatre (Hong Kong United Entertainment Co. Ltd.) has no plan to renew the tenancy with the landlord. It is assumed that all other existing venues will remain operational in the future, despite the significant new supply likely as a result of the WKCD development.

The venues used most frequently by the MPAOs include Hong Kong Cultural Centre (186 MPAO performances in 2009/10), Hong Kong City Hall Theatre (146 MPAO performances in 2009/10), and Kwai Tsing Theatre Auditorium (55 MPAO performances in 2009/10).

Venue Management and Funding

Management of performing arts venues ranges from full public ownership and management to full private ownership and management. The Government is the largest owner and operator of cultural facilities in Hong Kong, 15 out of the 29 venues are Government owned and are operated by LCSD. Given its dominant role, LCSD sets standards for hiring charges and subsidies.

The remaining 14 venues include four privately managed venues; five attached to tertiary educational establishments; and three exhibition venues which also accommodate occasional performances. Public funding has been provided to support the development or operation of these non-Government venues, through land grants, provision of supporting facilities and services, subvention and subsidies.

Although there are some examples of privately run venues in Hong Kong, compared with overseas models, the ownership and management of cultural facilities in Hong Kong is less diversified. The involvement of the non-profit and commercial sectors is low in Hong Kong. Excluding those venues that operate under the aegis of an

educational institution, only four are independently run. None of the performing arts venues in Hong Kong are managed by major commercial operators with an international network of performing arts venues; and none of the performing arts venues is operated by performing companies or community organisations.

LCSD implemented the Venue Partnership Scheme (VPS) for its performing arts venues in 2009. The three-year pilot scheme runs from April 2009 to March 2012, and aims to foster partnership between venues and performing arts groups with the primary objectives of building up the venues' artistic image and character, enlarging the audience base, optimising facility usage, encouraging community involvement in the development of the arts, and contributing to the healthy development of the performing arts scene. Some 20 Venue Partners, including individual groups, joint groups and consortia, are currently engaged in organising performing arts activities of varied art forms at 11 LCSD venues.

Utilisation of performing arts venues is generally high. Appendix 1 summarises the utilisation rate of venues in selected years. It is significant that the overall usage rate of public cultural facilities has increased steadily over the last decade, and that public cultural facilities are intensively used (and mainly for cultural use), compared with venues overseas. Many of the venues are operating at above 90% utilisation.

4.3 Planned Provision of Performing Arts Facilities

Two performing arts facilities are under planning/ conversion at present; the Ko Shan Theatre Annex and the Xiqu Activity Centre (Table 2). It is expected that these new venues will be used primarily for Xiqu and other traditional Chinese performances.

Table 2: New Facilities Committed

Venue	Performing Arts Space	Capacity	Anticipated Completion Date
Ko Shan Theatre Annex	Auditorium	about 600 seats	2013
Xiqu Activity Centre (converted from Yau Ma Tei Theatre and Red Brick Building)	Theatre	about 300 seats	2011

The Government-established WKCD is responsible for driving the planning, development and financing of the District. The creation of the WKCD means that the provision of new cultural resources in Hong Kong will be focused in an area of 40 hectares at the southern tip of West Kowloon Reclamation. According to initial plans for the site, there may be 15 performing arts venues and at least three hectares of piazza areas, although the venues are likely to be phased in over a period of ten years or more.

Outside WKCD, there are new facilities at the planning and development stage that will add a further 50,000 seats to the existing supply. These include:

- Sports/ entertainment venues, notably a Multi-Purpose Stadium Complex (MPSC) at Kai Tak which is planned to include: a main stadium with 50,000 seats and a capacity of 35,000 in 'concert mode'; a secondary stadium of 5,000 seats; a main arena of 4,000 seats; and an ancillary arena of 400 seats
- A cross district community cultural centre in Kwun Tong to be planned for completion in 2016/17 with a capacity of more than 1,000

- Multi-purpose performance venues as part of the HKJC's proposed revitalisation of Central Police Station

4.4 The Major Performing Arts Organisations

The works of the MPAOs range from serious classical music to experimental theatrical works, which are presented across a range of Hong Kong venues. While traditional and contemporary drama, dance and music are included, neither Chinese nor Western Opera is represented among the MPAOs.

During 2009/10 the MPAOs provided a total of 662 performances, of which 552 were in Hong Kong, 36 in mainland China and the remaining 74 in overseas locations. Most of the MPAOs delivered between 50 and 70 performances. However, the lowest number of performances was 41 and the highest 194.

Nearly 17% of the companies' total performances were provided in China or overseas, ranging from 7% to 23%; and nearly all the MPAOs performed either in Mainland China or overseas during 2009/10.

Locations visited in China recently, or to be visited in the next financial year, include Beijing, Shanghai, Guangzhou, Shenzhen and Macau. Locations visited overseas recently include South Korea, Japan, Chile, USA, Italy, Germany and Belgium. Several of the companies have expressed a desire to expand their touring into Mainland China and overseas, although the latter would be particularly subject to financial support being available

Several of the MPA organisations wish to enhance their education activities and schools presence. Approaches include, for example, Chung Ying's plan to establish a Chung Ying Education Institute, HKB's aspiration to establish a schools touring arm of the company, HKDC's intended expansion of outreach to schools, HKRT's outreach work and backstage tours and Zuni's further development of their arts-in-education programme. Hong Kong Sinfonietta has an aspiration to move to full-time engagement of its ensemble. Other aims include:

- The development of new repertoire
- Further audience development activity (repertoire development was also seen as an element of audience development)
- Enhancement of the organisations' education programmes
- Moving from part-time engagement of the ensemble to full time (the Sinfonietta)
- The consolidation of the Venue Partnership Scheme (VPS) – also linked to audience development. In some cases this was expressed as a desire to have a strong and continuous association with a single venue – for branding and operational efficiency – and increased access to performance slots
- The desire to reduce dependence upon Government subsidy by increasing independently-generated income

It is worth noting the contribution of the MPA organisations to the overall performance activity in their respective art forms. HKADC's 2007/08 survey mapped productions and performances across a range of art form categories and sub-categories – a summary is provided in Appendix 2. In 2007/08, the three modern dance and ballet MPA organisations contributed 36% of all dance performances given in that year; the three drama MPA organisations gave 24% of all drama performances (identifying Zuni as 'drama'); and the Western music MPA organisations – HKPO and Hong Kong Sinfonietta – accounted for about 22% of total western music performances in 2007/2008.

All the MPA organisations provide workshop and educational activities, either to support professional development for artists or to create opportunities and engagement for the general public. While the dance companies' performance outputs were lower than other MPA organisations, their workshops and schools engagement activities, along with those of Chung Ying, are extremely active and represent an important income source. In 2009/10 all three dance companies delivered over 1,000 workshops or schools performances, and two delivered over 2,000 each. The increase in workshop and schools activity on the part of HKRT in recent years is also significant.

Although the designation of this group as 'major performing arts organisations' might encourage direct comparisons between them, and an assumption that they are all similar organisations, they are a heterogeneous group. Their scale, their patterns of working and their artistic outputs are quite distinctive. Staffing, for example, ranges from 20 to over 120. In the case of the larger, ensemble-based companies the artistic corps ranges (in 2009/10) from 51 (of a total 88 staff) to 89 (of a total 121 staff). In the case of the other organisations the mode of operation calls for a smaller artistic ensemble relative to the production, administrative and marketing/development staff. All but one of the MPAOs has dedicated education personnel, although only five have dedicated development (fundraising) personnel.

Board members of the major performing arts groups include professionals from various backgrounds, in keeping with the requirement stated in the MPAOs' funding agreements to retain a skills-based board. All the major companies have board members from the business, financial and management sectors.

The Hong Kong Philharmonic Orchestra has the largest board, consisting of 20 members, while City Contemporary Dance Company and Chung Ying Theatre Company have nine and ten members respectively. Although there are similar wide variations in the size of arts boards overseas, there has been a trend in recent years towards smaller boards – typically six to nine people – on the basis that this encourages a higher level of commitment from the individual board member.

The Hong Kong Philharmonic Orchestra, Hong Kong Repertory Theatre, Hong Kong Dance Company and Hong Kong Chinese Orchestra each has up to a third of its board members appointed by Government, with the remainder co-opted by the board itself. The other five MPAOs recruit their own board members. All nine MPAOs select the Chair from within the board.

Financial Summaries

The table below provides a snapshot of the balance sheets for each of the MPAOs at March 2010, based on the audited financial accounts supplied by the organisations. Two key ratios which provide a quick indicator of financial health (at that point in time) are the liquidity ratio and the reserves ratio.

The liquidity ratio compares current assets to current liabilities, giving an indication of the organisations' capacity to meet debts as they fall due. Current assets are mainly in the form of cash, and debts owed to the organisation. In broad terms a liquidity ratio of 1.5:1 or above is considered a reasonable minimum in business terms – that is, an organisation has 50% more current assets than current liabilities, and is therefore likely to be in a position to pay its debts as they fall due. In the case of the MPA organisations, at March 2010 the ratio ranged from 0.8:1 (Zuni) to 9.2:1 (HKB). However, most of the organisations displayed a liquidity ratio that was better than the benchmark of 1.5:1.

Table 5: Balance sheet at March 2010¹³

	Hong Kong Repertory Theatre	Chung Ying Theatre	Zuni Icosahedron
	HKD	HKD	HKD
Non-current Asset	263,007	115,184	171,757
Current Asset	12,550,618	6,040,092	640,009
Current Liabilities	2,638,848	1,490,201	834,702
Non-current Liabilities	-	-	-
Net Asset	10,174,777	4,665,075	(22,936)
<i>Liquidity Ratio</i>	4.76	4.05	0.77
<i>Reserve Ratio</i>	26%	29%	-0.13%
	Hong Kong Philharmonic Orchestra	Hong Kong Chinese Orchestra	Hong Kong Sinfonietta
	HKD	HKD	HKD
Non-current Asset	24,626,423	839,081	787,240
Current Asset	19,256,828	19,388,853	14,284,602
Current Liabilities	9,073,041	6,669,694	4,470,199
Non-current Liabilities	-	-	-
Net Asset	12,610,210	13,558,240	10,601,643
<i>Liquidity Ratio</i>	2.12	2.91	3.20
<i>Reserve Ratio</i>	13%	19%	18%
	Hong Kong Dance Company	Hong Kong Ballet	City Contemporary Dance Company
	HKD	HKD	HKD
Non-current Asset	797,674	274,821	118,635
Current Asset	9,035,358	22,756,712	7,009,432
Current Liabilities	3,074,484	2,470,178	3,067,135
Non-current Liabilities	-	470,352	6,630
Net Asset	6,758,548	20,091,003	4,054,302
<i>Liquidity Ratio</i>	2.94	9.21	2.29
<i>Reserve Ratio</i>	17%	18%	16%

The reserves ratio compares accumulated reserves with total current expenditure. The benefits of building reserves include a capacity to withstand short-term downturns in business (e.g. an economic downturn or a bad year in relation to box office or sponsorship); an ability to manage unexpected one-off expenditures; and an ability to invest in new initiatives. No accepted 'benchmark' exists internationally for reserves levels for arts organisations.

HAB discourages the accumulation of excess surpluses (excluding sponsorship and donations) on the grounds that this represents public funding which could be released for other purposes. If at the end of an annual subvention period there is a surplus, the group may keep and carry forward a reserve of not more than 25% of the total expenditure as revealed in the audited annual financial statements for the subvention period to serve as a buffer against contingencies in the subsequent year, and as an incentive to economise its spending in the current year. Amounts exceeding 25% of the total expenditure are either to be returned to the Government or netted off against the amount of the following year's Government subvention. The Company may, however, apply for written approval of the Government to vary this reserve 'ceiling'.

¹³ The presentation and accuracy of performance output figures have been approved by the major performing arts organisations in early 2011.

Five of the MPA organisations had net assets/ reserves of over \$10 million at March 2010 and the other three had net assets of between \$4 million and \$10 million.

Because of the scale and variety of operating modes of the MPAOs, it is not particularly helpful to compare their income levels in absolute terms. In the following chart income sources are displayed, therefore, as a proportion of overall income for each organisation. For reference, the second chart presents the same data in real-dollar terms. It is noted that in 2009/10 Government funding contributed between 56% of total income and 81% of total income, with box office, fees and other income making up the remainder:

Chart 6: *Income Ratios 2009/10*

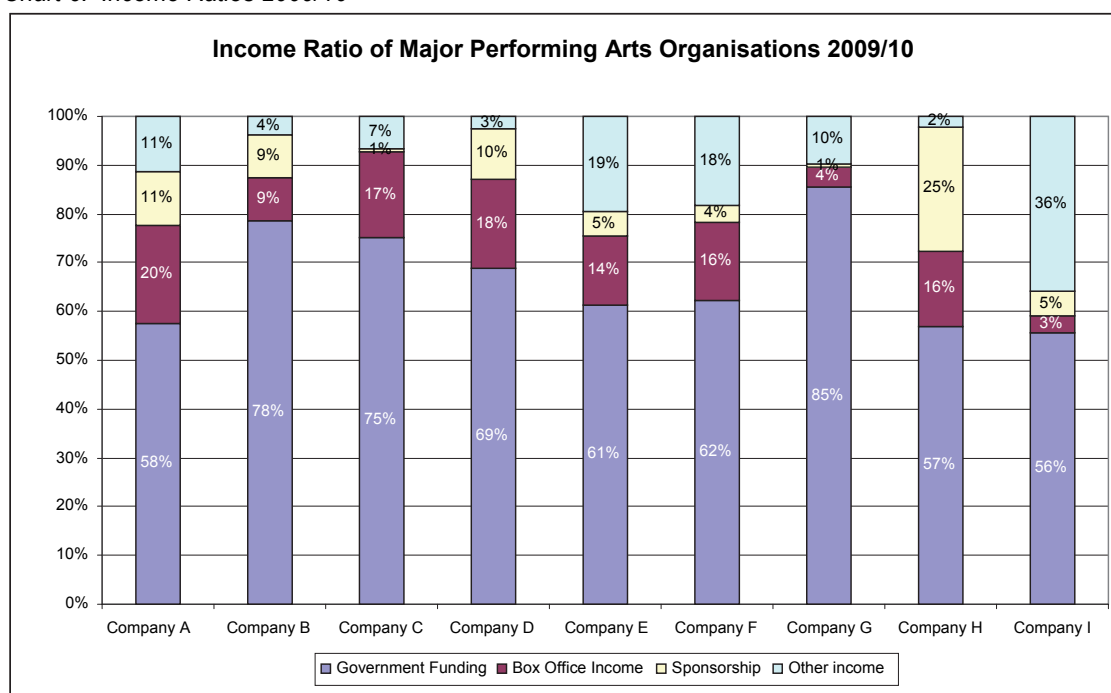
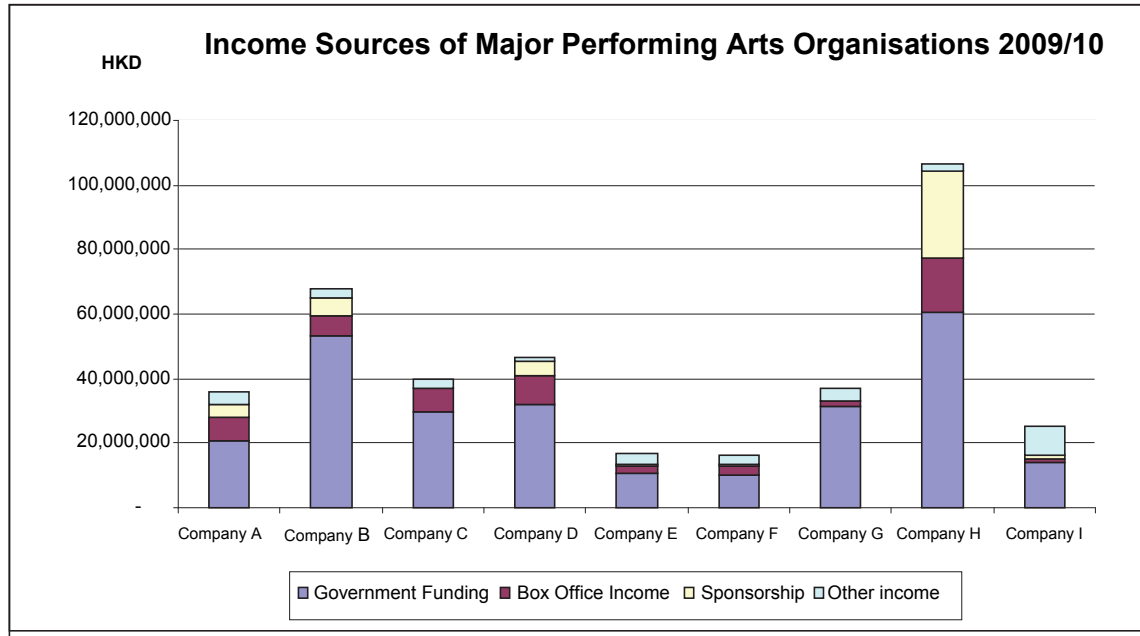


Chart 7: Income Sources 2009/10



Data from a four-year period (2007/08 to anticipated 2010/11) was collected for each of the MPA organisations, to identify any significant variations year on year¹⁴. However, the 2009/10 data reflects the overall ratio of income sources during this period. Amounts are shown in Hong Kong Dollars.

4.5 Strengths and Weaknesses of the Major Performing Arts

The following summarises key common strengths and weaknesses of, opportunities for and challenges to, the MPAOs, as identified during interviews with each company.

Common **strengths** would appear to be:

- Regular funding and recognition as a major organisation
- Being the only one of its kind and hence a lack of direct competition
- Dedicated, professional staff with positive attitudes
- In most cases, supportive and experienced Boards
- In most cases, existing relationships and links with Mainland China
- In some cases, a long operational history (e.g. roots of HKPO stretch back to 1895)

Common **weaknesses** would appear to be:

- History of annual funding, no requirement to prepare long-term, multi-year plans to support development proposals
- High percentage of subvention relative to other income
- Marketing planning is short-term and sales-focused
- Restrictions to the building of reserves
- Limitations of Venue Partnership Scheme – issue of ‘fairness’, a perception that the Government avoids making hard merit-based choices between organisations
- Lack of customer database, including lack of information from Urbtix
- Lack of coordinated programming with other performing arts organisations

¹⁴ The data is not included in the Appendix .

- Limited capacity to attract new staff due to budgets in the sector compared to competing careers; and low salary levels in some of the MPAOs
- Absence of quality professional critique – by peers, press, and funders. Assessment is focused on easily quantifiable output indicators

Common **opportunities** would appear to be:

- Increased arts education and outreach (although several of the MPAOs have developed very active arts education programmes)
- Increased commissioning of new work
- Growing of audiences and income base
- Leadership development
- International touring, promoting image of HK in the Pearl River Delta, China and elsewhere
- Better venue relationships/ partnerships linked to WKCD development
- The health of the HK and Chinese economy

Common **challenges** would appear to be:

- Costs of international touring and how they can be met
- Lack of appropriate talent trained locally including those from HKAPA
- Restrictions to the level of allowable reserves¹⁵
- Several ‘static’ MPA companies – a perception that some of the companies are not adapting to a changing marketplace
- Potential for Mainland China arts organisations and producers to move into the HK market

4.6 Current Strengths and Weaknesses of Performing Arts Sector and its Future Development

We consider the views here in the context of:

- The history of Government engagement with and financing of the sector
- The value chain of the performing arts in Hong Kong from education and training, research and development, creation of work and production, through to issues of distribution and consumption
- The impact of WKCD

Government Engagement With and Financing of the Sector

It is recognised by the arts organisations and Government stakeholders that the current funding system has developed through a series of historical steps, but with no over-arching policy imperative in relation to why Government engages with and supports the arts. Most of the arts organisations interviewed expressed a desire for Government to articulate its cultural aspirations and expectations more clearly – although not necessarily through a prescriptive ‘cultural policy’.

This evolution has led to investment in particular aspects of the performing arts sector – in particular the MPAOs (through HAB); large scale community arts and entertainment venues throughout the HKSAR (through LCSD); with a relatively small amount for small to medium scale organisations funded through the HKADC. There is no holistic plan informing the allocation of resources either through a tiered funding structure for artists and arts organisations at different stages of development, or through plans for specific art forms.

¹⁵ In the case of Australia the funding agencies encourage a minimum 20% reserves target for MPAOs.

The sector is characterised by significant reliance on Government subsidy compared with a number of other jurisdictions, reduced-cost venue hire, and historical policies of setting ticket prices at affordable levels to encourage audience development. Corporate support for the arts and individual patronage is very limited. Some attribute this to the low tax regime, although there may be other attitudinal factors at play.

The Value Chain

In terms of education and training there is a view that the sector has good technical and support staff emerging largely from HKAPA. Views on the quality of performance students were mixed; there were some positive comments, such as the quality of dancers when compared to Europe, but a number of companies expressed concern that top students would go to perform out of the country, while others would opt to teach as the salaries are better.

A key weakness in the sector is perceived to be in different aspects of arts administration – hence the University of Hong Kong’s recent decision to launch a Leadership Academy for the arts sector. A number of people with significant experience in this area are employed by the Government through LCSD. LCSD also introduced an Arts Administrator Trainee Scheme in partnership with its 20 Venue Partners in 2010/11.

In terms of research and development, views were expressed that some of the creative work in Hong Kong is possibly less adventurous in comparison with European countries and can be quite conservative in terms of its form and content, reflecting the atmosphere in which it is being created. However, there is considerable value placed on the Government’s concern with freedom of expression. Although seen as international, with a unique mix of Eastern and Western culture for an Asian city, Hong Kong does not have the multicultural character that can be found in other major world cities such as London and New York, where a wide range of ethnic diversity generates many different forms of cultural and artistic expression.

In terms of the production of work, there appears to be a growing emphasis by some companies on commissioning new work from local and regional artists. Production costs in terms of elements such as props, costumes, and sets are regarded as affordable. However, the lack of commercial and independent producers is regarded as a weakness in the sector.

Many of the comments on the state of the sector were reserved for issues relating to the distribution and consumption of work. There is concern that, although the quality of the product is high, few people in Hong Kong really know about the performing arts and there is considerable competition from other forms of entertainment and activities. This problem is exacerbated by a lack of coordination and cooperation in the sector in relation to programming and marketing between organisations, including festival producers.

Several organisations expressed their concern with the Urbtix system; in particular its inability to access audience information. This prevents organisations from building a good understanding of the demography, geography, and frequency of attendance of audiences, thus limiting their strategic marketing ability¹⁶. Organisations also seek a greater understanding from a policy perspective, of the reasons why Government

¹⁶ It is noted that LCSD has concerns over confidentiality of personal data, and is currently examining this issue.

should invest in importing cultural product from outside Hong Kong as this is perceived to be at the expense of investment in the Territory's own organisations.

The VPS appears to have both strengths and weaknesses from the point of view of the arts organisations. For the major organisations, the Scheme has been an improvement. However, there is concern that this has not gone far enough with venues still having to treat everyone 'equally' when it comes to some aspects of booking and promotional or other related activities. The smaller organisations feel they have been 'locked out' due to preferential treatment of the MPA organisations. In addition, the shortage of, and competition for, facilities in Hong Kong limit the ability of the VPS to develop true partnerships.

The Impact of WKCD

All arts organisations recognise the impact that the development of WKCD will have on the performing arts in Hong Kong, and many wish to ensure that they have a home base within the District – or at least their own office/ rehearsal/ storage spaces and some form of visibility to the public. Several wish to be resident in the core facilities planned, including in some cases having management control of the venues.

Each organisation recognises the investment that will be required in order to take up the opportunities that WKCD will create, both in strengthening the existing organisation and in overall arts education and audience development needed for the successful development of the Cultural District.

Arts organisations, in common with the Hong Kong Government, want to position the Region as a major centre for culture and creative development but recognise that this will take time to achieve. Therefore, a more organic approach to all aspects of development of the WKCD is preferred for both hardware (the facilities) and the software (companies and product). The issue was also raised of the impact of the WKCD on the existing LCSD venues, their management and future venue booking and programming arrangements.

4.7 Views on the Current Funding System

The following summarises the views of arts organisations and other stakeholders interviewed. This includes the MPA organisations, a selection of independent producers and smaller project-funded organisations, HAB, HKADC, FCPA, LCSD and HKAPA.

Current strengths are perceived to be the stability of the system, and security for organisations within the MPA group.

Weaknesses of the current system are perceived to be in the following areas:

Levels of Funding

A number of organisations commented that the levels of funding were not necessarily too low in themselves; however, fluctuation and unpredictability hindered long-term planning.

Relationship and Communication between the HKSAR Government and the Arts Organisations

Beyond the statements of basic principles (e.g. freedom of artistic expression), there is no clear expression of Government cultural policy informing the broad strategic direction for the arts, or expectations of artistic excellence of the arts organisations. The level of funding provided to each organisation is determined mainly on a

baseline approach but not necessarily based on an assessment of what is actually needed to fulfil the mission of the organisation, or on any comparison with similar organisations in other regions and cities. Financial and output comparisons are sometimes made between the MPA organisations themselves, which is inappropriate, given their considerable differences in purpose, style, scale, and art form.

Concern was expressed that the Government is unwilling to 'favour' one organisation over another, but prefers to maintain the status quo in relation to funding levels. This is seen as a barrier to supporting and rewarding excellence and achievement, as funding on the basis of artistic (or other) merit would create 'losers' as well as 'winners'. The perception of caution on the part of Government is felt to contradict the Government's stated objective of positioning Hong Kong as a strong cultural player internationally – an objective which requires targeted support, and therefore an ability to make difficult funding decisions.

Nature of Application Process and Duration of Funding

Having to complete an annual application process is both time consuming for the companies and inhibits long-term, strategic planning. This affects all aspects of forward planning, and makes organising international touring opportunities especially problematic, although the level of Government funding in reality has remained more or less stable over time.

Limitations of Current Structures and Rules

There is a lack of movement and fluidity in the system. It can appear as an 'exclusive club' with no options for new membership. There is also a belief amongst some that there is little incentive for organisations to ensure they fulfil their responsibilities as MPAOs artistically, or in relation to community and audience development.

There appears to be no clear rationale as to why the organisations are considered as MPAOs, since they vary so much in scale, purpose and type of work. But in line with overseas experience, when they come together they can be a powerful voice to Government, leaving the agencies with little influence in enforcing agreements and responsibilities.

There is concern that the historical development of the funding system has led to a 'dependence mentality' within the sector, and that, together with the low ticket prices; this has created an adverse impact on the development of the commercial end of the market.

Limitations of Measurement for Assessment

It is recognised that simple, quantitative measurements and deliverables may not fit the development of the subvented groups. The system is not comparing like-with-like, so there needs to be a more customised approach for assessing each art form. The quality of self-evaluation reports is not comparable, with some groups appearing to deliver more than others. Currently there is no system to either assist or penalise those groups that are seen not to be performing. However, no clear key performance indicators (KPIs) are set and the Government has no systems for monitoring performance.

Peer assessment in Hong Kong is perceived to be difficult to achieve, because the sector is small, and independent critical perspectives are therefore hard to obtain.

4.8 Views on Future Funding System

Any future system should be shaped by an articulation of a cultural policy and greater Government understanding of the role of the arts and performing arts organisations in delivering against that policy. There is a desire for the Government to understand the arts in the same terms as health and education, as a necessary part of any civil society, and demonstrate a willingness and capacity to work in partnership with arts organisations to deliver both services and outcomes for that society.

There is a desire for future funding to be more linked to the vision and mission of the arts organisations, with specific outputs and outcomes agreed for each organisation. These would need to be in line with Government policy ambitions to secure support from Government.

There is a desire to see, within any new policy and funding framework, changes to ensure that success is rewarded and measures taken in relation to companies not performing to expectations. There is a need to move away from a 'one size fits all' approach, which will require a flexibility of approach across art forms in recognition of the different role and status within the art form.

The need to maintain freedom of expression within any new funding system was emphasised by some organisations. This includes a desire to not see too much decision-making power vested in a single agency or individual.

Arts organisations are seeking a balance of quantitative and qualitative measures covering cultural, social and economic impacts, and quality of management, including:

Qualitative

- History, longevity and status in the community¹⁷
- Artistic achievements – excellence in production and presentation/ audience and critics response/ views of external peers – including those from greater China and other countries
- Use of new technology social media for audience chats and comments
- Responses from partners and collaborators
- Social impacts
- Educational impacts
- Quality of governance and management
- Role in the sector and ability to nurture new work/ artists/ creativity
- Issues specific to the artform

Quantitative

- Number of world class artists wishing to work with the organisation
- Collaborations with local groups and artists
- Invitations to tour nationally and internationally
- Number of awards (e.g. HK Theatre Awards)
- Accumulation and security of own assets – IP and personnel
- Balance of earned income to subvention
- Efficiencies

¹⁷ This might more properly be considered an 'entry' criterion than a performance measure.

5. The Performing Arts and Funding Systems Overseas

Overviews of the performing arts and funding arrangements in England, Australia and Korea were prepared, with shorter studies prepared for Singapore, Scotland, France, Sweden, the USA and Canada. The selection was intended to reflect different political and cultural contexts, as well as regional spread. The rationale for selection of the case study locations is provided in Appendix 3.

Issues researched amongst the core jurisdictions included:

- Government funding structures – direct and arms length, single tier and multi-tier
- Articulation of policy/ objectives
- Levels of funding for the performing arts
- Scope of the performing arts sector
- The ‘economy’ of performing arts organisations, income patterns
- Concept of ‘major’, whether formal or informal
- Entry and exit mechanisms for performing arts organisations
- Process for determining funding levels
- Assessment criteria and peer review systems
- Reporting requirements
- Contractual arrangements
- Recent developments and trends

5.1 Scope of the Performing Arts

There are broad and well-established performing arts sectors in most of the countries studied – for example there are 695 non-profit arts organisations in England funded by Arts Council England¹⁸. In this context, ‘majors’ or ‘nationals’ constitute a small, but highly significant, group. A large performing arts market-place:

- Reduces the dependence (from a Government perspective) for policy delivery on a small number of companies, and enables policy expectations to be delivered through a broader spread of funded companies
- Enables the funding agency to relate to the sector more easily as a competitive market
- Creates a wider pool to draw from for peer assessment

The performing arts sectors reviewed in other jurisdictions include not only music, drama and dance but also physical theatre, opera, musical theatre, circus and mime. Increasingly, funding agencies, and others, are concerned also with new media and ‘hybrid’ works which cross traditional disciplinary boundaries.

Several of the overseas funding agencies express an interest and engagement with the broader performing arts ecology, including office and rehearsal facilities, venue provision, audience development, the role of festivals and producers, and the skills

¹⁸ Towards the end of 2010, ACE announced that Regularly Funded Organisations (RFOs) were to be replaced by National Portfolio Organisations. Most RFOs received a grant for one year only in 2011/12 and then had the opportunity to bid (in January 2011) for funds for the period 2012/13 – 2014/15 (three years). This was the first time organisations that were already being funded had to compete alongside organisations that had not been regularly funded before. The results were announced on 30th March 2011. The total number of National Portfolio Organisations is now 695 (compared with 849 Regularly Funded Organisations) and 110 organisations have been awarded regular funding (as distinct from project funding) for the first time.

and capabilities of the managements and Boards of the performing arts organisations. This is reflected in the range of support mechanisms and interventions.

Commercial Performing Arts Activity

The focus of the current study is the subsidised performing arts sector. Just as the major performing arts companies exist within a broader performing arts ecology, so the funded organisations as a whole sit within a market which includes unsubsidised and commercial organisations. The nature and scope of Government's support through subsidising selected organisations has both direct and indirect impacts on other organisations which do not enjoy the benefit of such support – or do not wish to be dependent upon subsidy.

Unsubsidised, or 'unfunded', organisations in each jurisdiction include many small, independent companies (and individual artists) who operate largely or entirely without subsidy – in a similar way to the independent sector in Hong Kong. These are typically project-based companies, where the principals/ artistic leaders are earning a significant proportion of their income from other activities, including non-arts activities. They may secure occasional grants for specific productions or projects (like some ADC-funded companies), but are not regular recipients of support.

Commercial organisations and activities typically include:

- Some venue operators and theatre management groups. These may own and operate venues, or they may operate them on behalf of other owners (typically local Governments). Some do both. Examples include Ambassadors Theatre Group in the UK, AEG-Ogden and Pegasus Venue Management in Australia, and the Nederlander Organisation or Live Nation in the USA. It should be noted that many venues are directly operated by Government, by statutory bodies or by independent non-profit organisations, not by commercial operators
- Commercial presenters who organise major music events (e.g. The Three Tenors), stand up comedy, cabaret and other popular product, including customised spectacular shows (e.g. Cirque du Soleil, Disney on Ice – although some of these are self-presented by the originating company, not by a separate presenter)
- Production companies which organise shows for tour or for launching on Broadway or in the West End, or in long-run venues in other locations (although these are scarce). The Really Useful Group and Ambassadors Theatre Group (again) are examples. Typically, but not invariably, the shows are musical theatre (e.g. Phantom of the Opera) and popular music

There are overlaps in these areas of activity. Some organisations may be involved in all three – venue operation, production of touring product, mounting of major shows in long-run venues. The US and England are the countries with the greatest concentration of commercial performing arts activity – as a result of the West End, Broadway and a long tradition of commercial producers and presenters.

Notable by their absence from this commercial activity in the performing arts sector are companies which produce opera, ballet, contemporary dance, orchestral music, and most drama. Put simply, the cost dynamics of these largely ensemble-based art-forms – and the perceived constraints on their ticket pricing compared with 'blockbuster' events – results in their surviving only with the assistance of Government subsidy and/ or philanthropic support, even if the levels of Government subsidy vary from one jurisdiction to another.

Shows generated by commercial producers may be considered competition for the work of major performing arts organisations. The following commentary from a 2001 review of the major performing arts sector in Canada highlighted this issue:

In the last decade and a half, the emergence of the commercial performing arts sector, including mega-musicals and other block-busters, critically affected the large not-for-profit companies - first through direct competition for audiences, second through effective promotional campaigns that were prohibitively expensive for the not-for-profit companies to match, and third by fuelling pressures to increase wages and salaries¹⁹.

While this has not been a significant factor in Hong Kong, it is possible that theatre developments in West Kowloon and in mainland China will increase these competitive pressures.

5.2 The Concept of Major Organisations

Australia has a formalised group of 28 major performing arts organisations under the Australia Council's Major Performing Arts Board. The Major Performing Arts Inquiry (1999) which led to the establishment of the current system was focused on developing a consistent model for funding all of the major performing arts companies.

The model was built on an understanding of the companies' business process, including detailed analyses of costs and (potential) income in all areas of the companies' operations. The model was also intended to ensure that the companies would be able to deliver in two core Government priority areas:

- Artistic vibrancy (new works, new productions, artist development and artform development) and
- Access (geographic access through touring – intrastate, interstate and international, demographic access and educational access)

This was to be achieved across each artform sector. It was not expected that all companies would deliver across all elements of artistic vibrancy and access – hence four categories of companies were created – State Flagships, National Flagships, International and Specialist, each with a different focus. The allocation of companies to each of these strategic roles was determined by the Inquiry team, but evidently based largely on the track record of each arts organisation.

Scotland also has a nominated group of national companies, including the recently created National Theatre of Scotland (see below). The funding and progress of these companies is treated distinctly from other arts organisations. In order to attain and maintain the status of National Performing Company, the organisations must fulfil a set of specific criteria. These include elements such as the ability to achieve the highest professional artistic standards, subject to available resources, and a continued commitment to:

- Performance excellence
- Bringing forward work of an international standard
- The ongoing development of new works and productions
- Innovation, in terms of the work produced and the way it is produced
- Inspiring audiences, enriching their lives and fostering creativity

¹⁹ Canada's Large Performing Arts Organizations: Improving Conditions for their Vitality and Sustainability, Report of the Working Group on Large Performing Arts Organizations Prepared for the Canada Council for the Arts, June 2001.

- Quality education activities
- The development of artists

Other countries specify national or major status for selected organisations (e.g. in England and Sweden) but do not have a different or dedicated funding mechanism for these organisations; and a third group of countries demonstrate a stratification of performing arts organisations, but have not necessarily echoed this in a similarly stratified funding system (e.g. Singapore and France).

A common motivation in describing a selected group as 'major', regardless of the nature of the funding mechanism, is a recognition that certain organisations play an important flagship or ambassadorial role for their artform and their country. This is not necessarily linked to formal or quantifiable criteria, but appears to be partly acknowledgment of an earned status and also partly an affirmation of the country's cultural status and maturity.

The consultants also heard the view that the designation of 'majors' reflects a desire to quarantine an elite group of arts organisations outside the normal processes of competitive funding and assessment, and is linked to an elitist view of the arts, and an inappropriate protectionism towards 'heritage' artforms.

Venues

The spread of ownership and operation of venues overseas tends to be more diverse than the current situation in Hong Kong, where LCSD plays a dominant role in venue operation. For example:

- In Singapore, of 31 performing arts venues identified 14 are privately owned and operated (by for-profit or non-profit organisations), six are operated by Government or Governmental agencies or controlled entities, and the remaining 11 are operated by private organisations, with a mixture of ownership types (e.g. education institutions)
- In Korea the rapid growth of performing arts venues in recent years has been fuelled especially by privately owned and operated venues. Of 732 theatres documented recently, 376 were in private ownership and 356 in public ownership
- In Melbourne, approximately half the 60+ performing arts venues are owned and operated by a range of local Governments – with the remainder divided between State Government, private sector, schools and universities
- In Sydney, of 45 performing arts auditoria documented recently approximately 20 were owned and operated by a range of local Governments, with eight more in public ownership but privately operated, and the remaining 17 privately owned and operated
- In London, there are over 200 performing arts venues, divided between four main types of ownership of arts venues:
 - o Owned and managed by a local Government
 - o Owned by a local Government but managed by a third party
 - o Owned and/ or managed by a not-for-profit limited company and/ or registered charity
 - o Owned and/ or managed by a commercial company

It is likely that the development of venues in the West Kowloon Cultural District will contribute to a diversification of operator models in Hong Kong.

5.3 Funding Policies and Structures

Some of the Governments or Government agencies reviewed articulate clear policy priorities, although the level of detail varies from jurisdiction to jurisdiction. Typical policy emphases include:

- Creating widespread access to the arts through supporting production and presentation, and through audience development initiatives
- Stimulating regional cultural development and presentation (ensuring the arts are not confined to major cities)
- Supporting the development of new work
- Nurturing talent, and generating employment for artists
- Supporting international touring and cultural exchange, and enhancing the profile and status of the country
- Supporting (inbound) cultural tourism
- Advocating the importance of the arts to a civil society
- Encouraging business and philanthropic involvement
- Building organisational sustainability within arts organisations
- Supporting and requiring increased professionalisation from the Boards and staff of arts organisations

In most jurisdictions reviewed, there is a strong sense of the inherent value of arts and culture – that the preservation of cultural heritage and the support of cultural innovation are regarded (by Government) as public goods that merit public funding. While there may be instrumental values placed on the arts – their contribution to tourism, economic development and Government social agendas – there is also a recognition that the arts matter in their own right, both because they express national culture and identity and because freedom of creative expression is valued.

Multi-tier Government structures can result in each tier providing support for the arts – sometimes through co-funding by multiple tiers, sometimes by focusing on different elements of the arts ecology. For many arts organisations this reduces their level of dependence upon a single agency, and therefore their level of risk exposure.

Most of the jurisdictions reviewed deliver their policy agenda through an ‘arms-length’ development and decision making agency. Although this includes in most cases providing support for the performing arts, in some cases it does not apply to a handful of majors which have a direct funding link to Government, because they are regarded as having national significance. Some of the major organisations with this direct funding link to Government (e.g. in France and Sweden) also experience closer state intervention in their governance, such as the appointment of Board members or key staff. This, however, is the exception across the range of jurisdictions reviewed.

With Scotland now governed by a devolved Parliament, which first met in 1999, the recent changes that have occurred are of particular interest. A review of arts policy and funding was commissioned in 2003, and the subsequent report recommended the creation of a new cultural body, Creative Scotland, and the direct funding of national performing arts companies (i.e. direct from Government, not via Creative Scotland, which funds other, non-major organisations). It also identified the roles of Government investment in the arts and culture:

- To ensure that cultural talent in Scotland is recognised and nurtured, and that excellence is developed as a national resource, recognising and advancing Scotland's outstandingly talented artists and their achievements
- To promote the best of Scotland's rich cultural treasure-store, maintaining and presenting, as openly and accessibly as possible, Scotland's superb national galleries', museums' and library collections
- To make the best of the nation's performing activity available to be accessed right across the country, providing national performing arts companies – producing the best in and for Scotland

In March 2008 a new bill was introduced into the Scottish Parliament, to establish a new national arts development agency, Creative Scotland, to *deliver a less cluttered, more transparent and efficient institutional landscape, capable of delivering Scotland's cultural ambitions, now and in the years ahead*²⁰. This was launched in July 2010²¹.

In Australia, there is a section within the Australia Council which is dedicated to the oversight and support of major performing arts organisations²². The Major Performing Arts Board (MPAB) comprises eight members with a mix of business and arts experience, and community interest. The Board is served by a staffing unit dedicated to the oversight of major organisations. The Board is responsible for:

1. Oversight of the definition of a MPAB company and ensuring transparency of the funding relationship with the MPAB companies through tripartite agreements
2. Monitoring and reporting to Governments on artistic, access, financial and governance outcomes of the MPAB companies
3. Maintenance of the funding model as the basis for determining base funding levels for the MPAB companies
4. Provision of advice to the Australia Council on general performing arts issues and specific major performing arts sector issues
5. Value-adding to the MPAB companies to improve their artistic, access and financial outcomes and improve management and governance practices

Each of the MPAOs has a tripartite agreement between the company, the Australia Council and their State Government (e.g. Victoria, New South Wales). This both locks in funding obligations but also ensures the arts organisations are working to the same expectations, rather than delivering different outputs to different funders.

Other boards within the Australia Council are organised on an artform basis (the Dance Board, the Theatre Board) and are responsible for allocating grants on a competitive basis.

The Australian major organisations also formed their own umbrella group in 1999 – the Australian Major Performing Arts Group (AMPAG) – with each company paying an annual subscription to fund its activities. AMPAG acts as an advocate for the performing arts. It meets regularly with the MPAB managers and state funding agencies and also meets with federal and state ministers with responsibility for arts and cultural policy. Its work includes building better governance within the companies;

²⁰ Scottish Executive response to the Cultural Review 2006, p28.

²¹ Whilst not in a direct funding relationship with Creative Scotland, the five National Performing Companies and Creative Scotland work together to ensure that a cohesive and strategic approach to access and delivery can be achieved across Scotland.

²² The Australia Council is an arms-length Federal Government agency for supporting the arts.

an annual survey of sponsorship and donation to the major performing arts companies; and creating a forum for company leaders to discuss shared issues.

Even where there is not a centralist approach to policy articulation many jurisdictions provide clear articulation of Government's arts and cultural (and educational and social) policy priorities, and, through different mechanisms, hold major performing arts organisations in receipt of funding accountable for aligning with Government priorities, as a condition of grant-aid.

Funding systems continue to change and evolve – such as the recent systemic changes in England and Scotland, the evolving system in Korea, and current debate over amendments to funding arrangements in Australia. There is no 'fixed' system.

5.4 Levels of Funding

Table 6 below shows total Government spending on the performing arts, and spending per capita for all jurisdictions (the latter in \$US).

Table 6: Government Spending on the Performing Arts, and Spending per capita, by all Levels of Government

	Total Government spending	Spending per capita	Spending per capita in \$US
Hong Kong (2009-10) ²³	1,452m HKD	207 HKD	\$26
Australia (2007-08)	\$352m AUD	\$17	\$15
England (2008-09)	£594m	£11	\$18
Korea (2008)	331b KRW	6810 KRW	\$6
New York	\$96m	\$14	\$14
San Francisco (2010)	\$6m	\$6	\$6
Canada (2006-07)	\$684m	\$21	\$20
France (2009)	€924m	€15	\$20
Scotland (2005)	£187m	£37	\$58
Sweden (2007)	2,784m SEK	303 SEK	\$45
Singapore (2010) ²⁴	SG\$128m	SG\$26	\$17

Note that New York and San Francisco are city-based data, and may not represent the broader picture across the USA

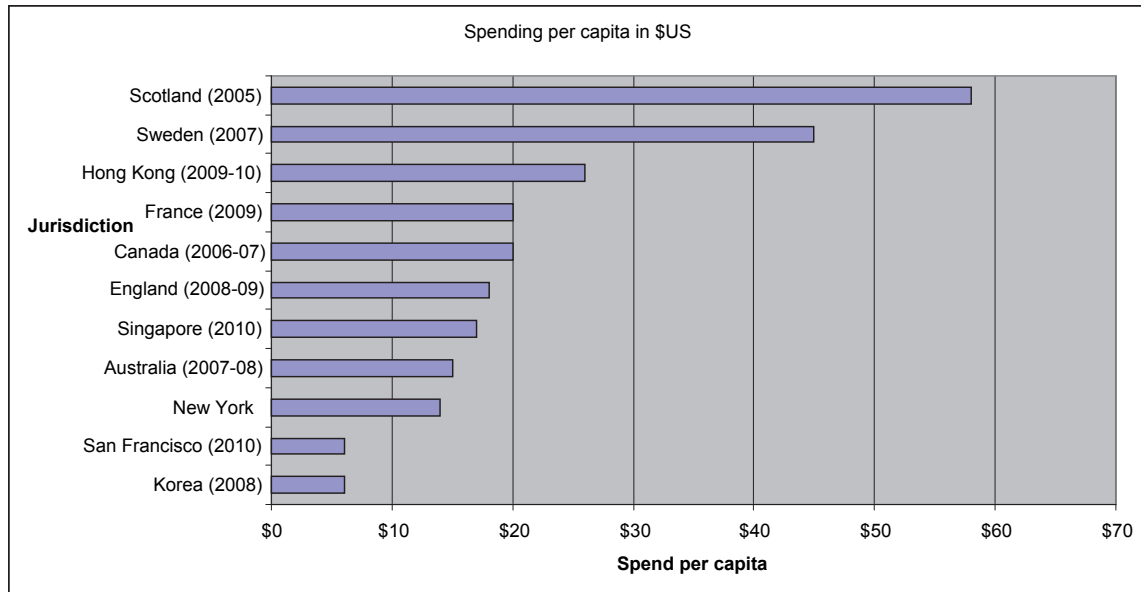
Hong Kong sits third behind Sweden and Scotland in per capita spend – although it would be unwise to place too much reliance on figures for which there may be definitional differences between one jurisdiction and another²⁵. It is noteworthy that five of the jurisdictions have performing arts spend per capita between US\$15 and US\$20, and that two of those which sit above that level (Scotland and Sweden) are sparsely populated countries where costs for serving dispersed communities are high.

²³ This figure from the 2009/10 HKSAR Government budget combines LCSD funding to the performing arts (Programme 4) and HAB subvention to the HKADC, HKAPA, the major performing arts organisations etc (Programme 5 and 6). It must be noted that this figure is an approximation only as HAB expenditure cannot be directly attributed to performing arts alone, and may include other cross disciplinary works/ programmes from other departments. In addition, the figures in this budget represent a summary of projected spending and therefore may not be indicative of actual spending.

²⁴ Figure from MICA 2010 budget http://www.mof.gov.sg/budget_2010/expenditure_overview/mica.html

²⁵ The spend per capita figures have not been adjusted to reflect cost of living differences between jurisdictions.

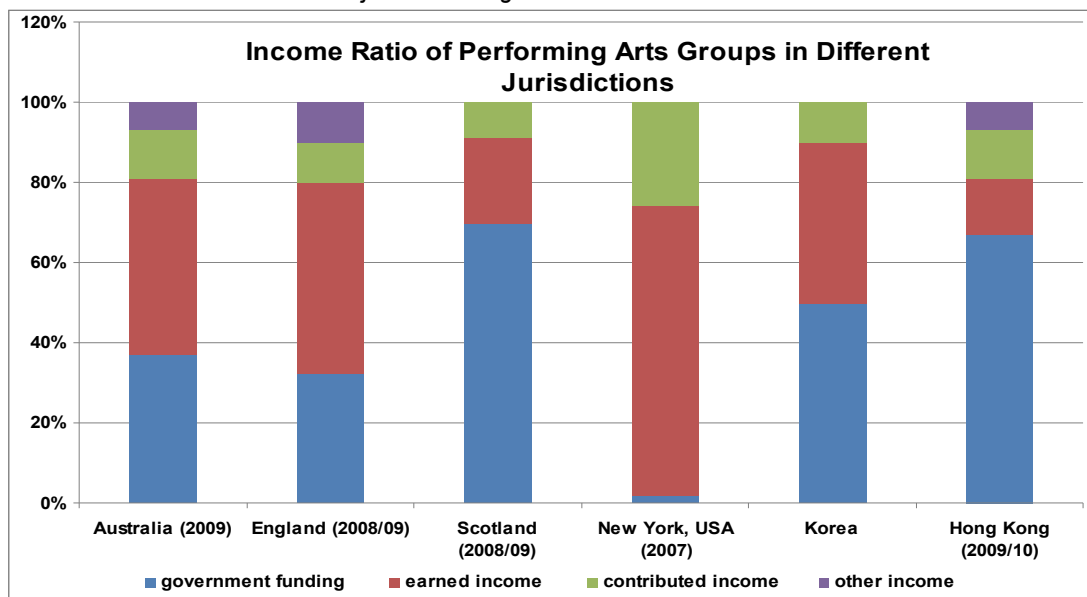
Chart 8: Government Spending per capita



The determination of current funding levels for individual arts organisations is rarely based on a close analysis or review of that organisation's cost-base. More frequently, historical precedent has been a key determinant (as is largely the case for the MPAOs in Hong Kong), supplemented by occasional boosts to funding linked to the Government's current budget position and policy initiatives.

The overall ratio of Government funding to other sources of income for MPAOs in Hong Kong and in several of the overseas jurisdictions is indicated in Chart 9 below.

Chart 9: Income Levels for the Major Performing Arts in selected Jurisdictions²⁶



In a number of jurisdictions the Government is a minority funder, i.e. its funding constitutes a smaller part of the major arts organisation's income than other sources; and in most of the jurisdictions there are two or more tiers of Government involved.

²⁶ Earned income refers to box office and fees charged for performances and workshops; contributed income refers to philanthropy and sponsorship (private sector support); and other income refers to ancillary income (e.g. rental/ hires where the company has a property).

The funding load is thus distributed across levels of Government, and no single agency has sole responsibility for, or control over, the arts organisation. Consequently, rather like commercial sponsors, Governments are more interested in whether they are achieving their desired results, getting a reasonable return on their funding, than on closely analysing the inputs and throughputs of the arts organisations. This also reflects the increasing trend towards a 'contract culture' between Government and external service providers, where output expectations are specified in a contract or funding agreement. Whether this is a desirable relationship between Government and major arts organisations is open to discussion.

Private Sector Support for the Arts

In some jurisdictions the private sector's support for the performing arts has been growing steadily – either through business partnerships, sponsorships, corporate philanthropy, foundation support or individual giving. The patterns vary from one jurisdiction to the next. For example, in Canada in the last decade it is individual giving that has displayed the most rapid pace of growth (100%), followed by business sponsorship (64%). In the UK there was a long period of growth in corporate sponsorship from the 1980s to the early 2000s, but growth in recent non-Government support has come mainly from individual giving/ philanthropy.

In Korea many large corporations run independent arts foundations, including, for example, the CJ Culture Foundation, LG Arts centre, and Samsung Hoam Art Foundation. These businesses donate art, buy artworks, and also build theatres and run arts programs. In order to stimulate private support for the arts the Korean Government established a change in tax rules in 2007. This is estimated to have increased private spending on the arts from 0.13% in 2006 to 0.45% in 2008²⁷.

There are many examples of incentive schemes, match-funding programmes and tax incentives to encourage support for the arts in different jurisdictions. An unusual example from the USA is the Grants for the Arts/ San Francisco Hotel Tax Fund (GFTA). This innovative programme, established in 1961, is supported by a 14% room tax levied on local hotel and motel bills. This revenue is used to fund arts organisations in the San Francisco Bay area, providing a "dependable base of support for organisations that . . . meet the funding criteria"²⁸. In 2009-2010 the programme provided \$8.9 million (HK\$69 million) in funds to 220 groups and activities²⁹. The programme has become a model across the USA by linking an innovative and steady revenue stream with proven grantmaking and programmatic support.

In Canada, philanthropic giving has been encouraged through tax incentives, endowment incentive programmes, arts stabilisation initiatives, and corporate sponsorship incentives. For example, in 2006 the Government waived capital gains tax on gifts of securities³⁰. This generated a wave of charitable giving especially to large arts and other nonprofit organisations. Ontario based organisations received over \$8 million (HK\$62 million) in donations of publicly traded securities in that year. Similarly, public-private partnership programmes focused on organisational development, sustainability and building working capital – stabilisation programmes – have also successfully encouraged donations to the arts. In Toronto a \$3.5 million

²⁷ Report by Hanmi Accounting Corporation, May 2009.

²⁸ San Francisco Grants for the Arts website. "History and Purpose."
http://www.sfgfta.org/grants_html/history.htm . Accessed on July 5, 2010.

²⁹ San Francisco Grants for the Arts website. "History and Purpose."
http://www.sfgfta.org/grants_html/history.htm . Accessed on July 5, 2010.

³⁰ Canada Revenue Agency. Registered Charities Newsletter No. 28, Summer 2007 <http://www.cra-arc.gc.ca/E/pub/tg/charitiesnews-28/charitiesnews28-e.pdf> .

investment by the federal and provincial Governments to the Creative Trust was matched by \$3.2 million (HK\$25 million) raised from the private sector.

In short, there are many jurisdictions where Government has sought to decrease dependence upon public funding by arts organisations – but this intent has often been accompanied by incentives and/ or by industry training and development initiatives.

5.5 Entry/ Exit Mechanisms

Given their status and perceived value, some MPAOs assume that Government funding is unquestionably secure. The challenge then faced by arts funding agencies is management of the funding relationship with the companies and management of public expectations of their role within the arts ecology. Issues that arise include: what leverage do funding agencies have to encourage the companies to improve their accessibility or relevance to the broader populace, or their artistic currency, innovation or vibrancy?³¹

No jurisdictions appear to have a satisfactory entry and exit system for major status. For most, the issue is side-stepped by the lack of a formal definition of major or – in the case of France – by the directive nature of Government involvement and control. In Australia, only one additional company has been granted major status in the last ten years – but the entry mechanism is constrained by the lack of additional funding, i.e. existing organisations would have to be ejected to make space financially for new entrants, and this has proved undesirable or politically undeliverable.

In Scotland there is a rather precise description of the criteria by which companies may attain and maintain status as a national company, reproduced at Appendix 4. However, as the formalisation of national companies is very recent, it is too early for this to have been put to the test as part of an exit mechanism as well as an entry mechanism.

5.6 Assessment Processes

In several jurisdictions, there is a trend towards allowing, and requiring, major performing arts organisations to conduct their own artistic (and other) evaluation processes, and for funding agencies to establish clearer frameworks for such self-assessments and, in some cases, to supplement self-assessment with external peer assessment and/ or periodic in-depth reviews of the organisations. In Australia this has included the development of a self-reflection ‘tool’ to encourage arts organisations and their boards to consider how artistic vibrancy can be measured and evaluated. The tool is a guide which both major performing arts organisations and other funded organisations are encouraged to adopt.

In England a recent review was commissioned, partly as a response to the frustration expressed by some Regularly Funded Organisations (RFOs), that there were Arts Council England officers who seemed too inexperienced to manage the relationship with their RFOs in a creative and supportive way. As a result of this review, Arts Council England proposed to introduce a new approach to assessing its investment in RFOs. The 2009 Arts Council Self-Assessment and Peer Review Consultation Report states that the aim of this development is to move away from top down targets and generic funding conditions and to give RFOs greater ownership of the

³¹ IFACCA D'Art Report No. 27 (June 2009) page 8.

assessment and review process. The new approach is designed to be more flexible and responsive to the differences between RFOs. Guidelines include:

- A new system of self-assessment, which RFOs can use to take the lead in defining their aims, ambitions and success criteria
- Four new proposals for peer review:
 1. Peer review as part of RFO self-assessment
 2. Artistic activity reports – reports completed by informed people [independent assessors] after viewing an artistic activity e.g. a show or exhibition
 3. Sectoral reviews – reviews of arts sub-sectors to inform future Arts Council strategy
 4. Appraisals of individual RFOs by a team of peers triggered by certain circumstances³²

The Canada Council, the Ontario Arts Council, and the Toronto Arts Council all use a peer review system which assesses clarity of artistic vision, achievement of artistic excellence, and artistic impact of large institutions (though these are not specifically 'major organisations'). An Advisory Panel evaluates applications and makes recommendations to staff. The Canada Council states that it has evolved a variety of peer assessment processes that are the advisory cornerstone of the Council's funding decisions. The Council developed policies to govern the role of peers – practising artists and other professionals working in the arts – in their assessment of grant applications, and has put in place important tools to assist its peer assessment processes to function effectively, including:

- Commitment to balanced committees
- Clearly articulated Council policies, directions and documentation
- Comprehensive prize and programme guidelines and assessment criteria
- Transparent and consistent procedures for managing conflict of interest
- Clear guidelines and practices governing confidentiality of information

Respect for artistic merit and artistic excellence remains the most important consideration in awarding grants³³.

In Singapore the term and level of funding of major performing arts organisations is based on the following National Arts Council criteria, which accord with Government policy statements for improving the arts and cultural sector:

- Artistic/ professional excellence (50%)
- Engagement (20%)
- Internationalisation (15%)
- Organisational excellence (15%)

The Canada Council applies similar assessment criteria:

- Artistic merit (60%)
 - Intent (artistic mission, purpose, vision)
 - Past accomplishments and future projects (subdivided into aspects of core performance activities; other activities connected with the company's creative process e.g. residencies and training); and activities involving other entities

³² http://www.artscouncil.org.uk/media/uploads/Arts_Council_England_Relationships.pdf

³³ <http://www.canadacouncil.ca/aboutus/Governance/PeerAssessment/gq127234205403281250.htm>
Accessed August 30, 2010.

- Impact
- Outreach and audience development, dissemination and touring (25%)
- Administrative and financial stability (15%)

The range of assessment processes was summarised helpfully in a 2009 report by the International Federation of Arts Councils and Culture Agencies (IFACCA) on funding major performing arts organisations:

One of the main issues facing funding agencies is how to conduct artistic assessment of MPAOs in a way that meaningfully measures value and artistic excellence. At the least interventionist end of the spectrum, the Australian MPAOs conduct 'artistic self assessment'. MPAOs are asked to report on their method of assessment, including who their assessors are, and this is checked for robustness. Funding is not made contingent upon external assessments of companies' artistic excellence, although funding agreements with the companies may require particular artistic activities, such as the commissioning of new works or support for artist development.

At the other end of the spectrum is third-party assessment. The Scottish Arts Council, for example, employs independent assessors to attend performances. Their assessments are publicly published on the Internet, and MPAO boards are given tools for discussion of artistic issues in an attempt to ensure more effective dialogue with artistic directors on artistic issues. Wales also uses assessors, who are agreed upon with the company, but are not paid. Canada uses 780 peer assessors who assess a company once every two years. The assessors are not appointed by Government, but are selected as part of a jury process. They are identified by Canada Council staff from 16,000 applications per year³⁴.

Appeal Procedures

In most jurisdictions reviewed, the right to and process for appeal against a funding decision on the grounds of denied or reduced funding is not clearly articulated. In some jurisdictions there is no formal appeal process and decisions on funding are final, such as South Korea and local or State funding agencies in the US. Unsurprisingly, data on unsuccessful applications and on the number of appeals is not readily available in the public domain.

A review of funding levels for Arts Council England clients in 2007/8, which resulted in some organisations receiving reduced grants and in some cases having their grants withdrawn, was accompanied by an appeal process. However this was limited to alleged breaches of proper process in arriving at the funding decisions. A small number of arts organisations did secure changes in their funding as a result of appealing. The episode embarrassed the Arts Council and its new Chief Executive commissioned an independent report. The lessons learned from that experience strongly influenced the process employed by the Arts Council in its assessment of who should be granted National Portfolio Organisation status.

In some jurisdictions an appeal procedure is only open to organisations that are denied funding. For example, the National Arts Council of Singapore's "major grant" application process states that unsuccessful applicants can appeal against the outcome, but not on grounds of artistic appreciation and judgment.

³⁴ IFACCA D'Art Report No. 27 (June 2009) page 12.

In Canada, the Toronto Arts Council provides appeal opportunities to project grant applicants who are denied grants. The Council's Dance Project grants process allows appeals only if a grant is not recommended or when the judgment of the panel is based on factors other than artistic merits.

5.7 Process for Determining Funding Levels

In Australia, base funding levels for Major Performing Arts Board (MPAB) companies, including the split of funding between the Australian Government and the relevant state Government, were established as one of the outcomes of the 1999 Major Performing Arts Inquiry. Therefore, the MPAB companies do not apply for funding from the Board. The actual funding level was determined by a formula which took into account an analysis of the company's cost-base and the purpose (or category) which was agreed for the company (see 5.2 above). This funding was to be adjusted as the companies increased their earned income as a result of the Inquiry's recommendations. Other factors influencing the determination of funding level included geography, reflecting the companies' differing capabilities to generate box office and private sector income according to their locations; and the track record some of the companies had for commissioning new work (inherently higher risk than those with more conservative repertoires).

In England, funding levels for RFOs have been determined by their history of funding with the Arts Council. However, with the availability of National Lottery funding, the Arts Council has increased its capacity to raise levels of funding significantly for organisations it believes are under-funded. It would not be true to say that levels of funding historically are the result of a rigorous assessment of an organisation's financial needs and resources, but this is now changing and the new system is likely to be considerably more flexible, responsive *and* rigorous.

The major performing arts organisations in Canada are evaluated not only for their artistic achievements but also on their contributions to the art form, the arts community, and the community at large. Despite receiving larger annual grants than other arts organisations from arts councils and Government programmes, Government's contribution to their overall revenues stands at an average of 25%.

Each major company in Scotland made a specific bid for what financial support they felt they needed when 'National' company status was first created. Funding allocations were initially designed to recognise the particular circumstances of each company and the fact that they were at different stages in their development. In 2008/09 the Scottish Government awarded each of the National Performing Companies an increase of 2% on their 2007/08 grants in recognition of their significant artistic successes over the previous year. The funding was intended to allow the companies to consolidate and build on their achievements to date. Additional resources were also made available to some of the companies to allow them to achieve specific operational objectives.

In Singapore the level of 'major grants' funding from NAC is limited by the requirement that the grant amount must not exceed 30% of the organisation's projected qualifying costs³⁵. These qualifying costs (for performing and visual arts) include:

³⁵ However, selective 'national arts organisations' such as the Singapore Chinese Orchestra and Singapore Symphony Orchestra receive subsidies as high as 80% of total expenditure.

- Creative professional fees and production costs, for example:
 - o Creative artists fees
 - o Performing artists fees
 - o Editorial and design personnel fees
 - o Curatorial fees
 - o Production personnel fees
 - o Venue rental
 - o Sets, props and costumes
 - o Transportation
 - o Printing
 - o Royalties
- Marketing and publicity costs
- Organisation developmental/ capability-building costs, for example:
 - o Residencies
 - o Consultancy
 - o Workshops
- Research and development activities that have an impact on the arts
- Recurrent artistic and administrative costs

In New York City and San Francisco, funding levels are determined by citywide discipline-based peer review committees, composed of experts in the field and representatives from City Council. Organisations are evaluated on three criteria: artistic and programmatic excellence; managerial/ fiscal competence; and service to the public.

In France the amount of money awarded to each funded organisation is determined by a combination of precedent, the quality of an organisation's work, its size and the competition from other organisations.

5.8 Funding Agreements

In several jurisdictions there are sophisticated and detailed funding agreements, and guidelines for arts organisations' business and marketing plans, and for artistic assessment. A summary of the content of funding agreements from other jurisdictions is provided in Appendix 5.

With regard to reporting requirements:

- In Singapore for each of the performing arts organisations that receive major grants, the NAC requires half-yearly reports of key performance outcomes, externally-audited financial statements, annual reports of a year's achievement and key performance indicators
- Both New York City and San Francisco arts councils have recently tied their grantmaking to a data gathering system called the Cultural Data Project. Incoming grantees in each fiscal year must set up an account and submit appropriate financial programmatic and organisational information. The project now operates in seven states (Maryland, California, Illinois, New York, Massachusetts, Ohio and Michigan) as a collaboration between public and private funders and advocacy organisations; ultimately it seeks to become a national standard and a centralised source of data and information about the arts and culture sector
- In Australia, reporting requirements include on-line reporting due quarterly each year. This online form requires the organisation to provide information about, for example:
 - o New work created or produced as a result of the grant

- Major benefits or outcomes
- Any challenges or difficulties encountered
- Audience—who the project was aimed at
- Any educational elements undertaken by the organisation, for example workshops or seminars
- Annual reporting due by 30 April each year
- Three year business plan due by 1 September each year
- Annual programme of activities due by 31 October each year

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In France, the Ministry's contracts (funding agreements) with funded organisations specify how much of the money awarded must be spent on artistic production and dissemination and how much on running costs. Organisations are required to report annually, recording their sources of income under a range of specified headings.

Table 7 which follows provides a snapshot of key data from the preceding overview of funding arrangements in other jurisdictions.

Table 7: Comparison of Jurisdictions – Funding Arrangements and Funding Levels

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Social economic information										
GDP	USD 1,665 billion	USD 1,015 billion	USD 860 billion	NY ³⁶ : USD 1,264bil SF: USD 310 bil	USD 127 billion ³⁷	USD 2,857 billion	USD 160 billion	USD 479 billion	USD 182 billion	USD 215 billion
Population	51.3 million	21 million	48.6 million	NY: 7million SF: 1 million	2.7 million	62.8 million	5 million	9.2 million	5 million	7.2 million
GDP Per Capita³⁸	USD 35,165	USD 42,279	USD 17,078	USD 46,436	USD 39,599	USD 41,051	USD 35,165	USD 43,654	USD 36,537	USD 30,863
On Institutional Arrangement for Funding										
Institutional arrangements of funding agency	Arts Council England at arms-length with supplementary county and local government funding	Australia Council at arms-length from Government , with supplementary State and local level	Three channels: national government, local government and Arts Council Korea	The NY City Department of Cultural Affairs is an arm of the City Government . The SF Arts Commission is also part of the City Government	The Canada Council for the Arts as national agency, Ontario Arts Council, and Toronto Arts Council at arms-length	Ministry of Culture and Communication as a centralized funding agency nationwide	Direct Government funding for majors. Others funded via Creative Scotland at arms-length	Multi-tier: Swedish Arts Council as a statutory body under the Ministry of Culture plus other local government support	Ministry of Information, Communication and the Arts and National Arts Council	The Home Affairs Bureau and Arts Development Council

³⁶ Referring to the Metropolitan region of San Francisco (include Oakland and Fremont) and New York (include Jersey and Long Island) , data from the US Bureau of Economic Analysis http://www.bea.gov/newsreleases/regional/gdp_metro/gdp_metro_newsrelease.htm

³⁷ Year 2005, http://www.toronto.ca/invest-in-toronto/tor_overview.htm

³⁸ <http://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
				. Federal level funding is minimal.						
Public sector funding level	£594 million (2008 / 2009)	AUD 352 million (2007/2008)	KRW 331 billion (2008)	NY: USD 96 million SF: USD 6 million (2010)	CAD 684 million (2006/2007)	€924 million (2009)	£187 million (2005)	SEK 2,784 million (2007)	SGD 128 million (2010)	HKD 1,452 million (2009/2010)
Involvement of private sector	In 2009/10 financial year, over £650 million was invested in arts and culture ³⁹ . Match-funding scheme was operated for over 20 years from 1984	In 2009, donations and sponsorship totaled about AUD 200 million ⁴⁰	Private support for theatre venues is high – but donations and sponsorship for performing arts groups is relatively modest	Mostly through box office and donations	Tax incentives and endowment incentive programmes	Not known	Matching fund scheme since 2007. Scotland previously eligible for same UK Government match-funding scheme as England	Not known	Not known	Support is notable for Hong Kong Philharmonic Orchestra and the HK Arts Festival – but relatively low for others
Personal income tax⁴¹ & corporate tax⁴² (highest marginal tax rate)	Personal: 40% Corporate: 28%	Personal: 45% Corporate: 30%	Personal: 35% Corporate: 24%	Personal: 35% Corporate: 40%	Personal: 29% Corporate: 33%	Personal: 40% Corporate: 33%	Personal: 40% Corporate: 28%	Personal: 57% Corporate: 26%	Personal: 20% Corporate: 18%	Personal: 15% Corporate: 17%

³⁹ <http://benchmarking-tool.artsandbusiness.org.uk/>

⁴⁰ <http://www.abaf.org.au/index.php?newsID=2073>

⁴¹ <http://data.worldbank.org/indicator/GB.TAX.IMAR.ZS?display=default>

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Funding system										
Funding duration for key or major organisations	3 year forward funding model	3 year rolling funding model	Uncertain	Multi-year up to 3 years and no need to reapply for NY.	Uncertain	3 years and renewable	Uncertain	Uncertain	2 years for “major”	1 year
Concept of Major	No formal definition of a “major” but a list of regularly funded organizations, plus designated national companies	Yes, a list of “Major Performing Arts Organizations”	No formal definition of a “major”	No definition of a “major”	No formal definition of a “major”, but companies of significance	No formal definition of a “major”	There are ‘national’ companies – equivalent to majors	No formal definition of a “major”, but recognized companies of significance	There is a stratified funding system	The Big 9
Determining funding level	Based on historic funding level	Formula taken into account of cost-base and purpose of the company	Historic funding	Based on peer review results	Determined by artistic achievement, contribution to art form and community	Based on precedent, quality of work,	Based on quality of work and cost base	Not known	30% maximum of the organizations’ projected qualifying costs	By historic funding level with adjustment

⁴² <http://data.worldbank.org/indicator/GB.TAX.CMAR.ZS?display=default>

Jurisdiction	England	Australia	S. Korea	USA (SF & NY)	Canada (Toronto)	France	Scotland	Sweden	Singapore	Hong Kong
Evaluation of artistic quality	Yes – and encouraging self-assessment	Self-assessment for the major organizations and a mix of mechanisms for the others	Yes	Yes	Yes	Yes	Yes	Not known	Yes	Not for major organisations
Peer assessment	Yes	Not for majors but for next rank of 'key organisations'	Uncertain	Yes	Yes	No	Yes	Not known	Yes	Not for major organisations

5.9 Other Issues

A number of other characteristics of the jurisdictions reviewed merit consideration:

- In several jurisdictions there are notably higher levels of earned income through box office and fees than there are in Hong Kong
- There are a number of examples of sector-wide research and market research initiated by or supported by Government agencies, e.g. monitoring public perceptions of the arts
- There is a trend in increasing the clarity of reporting procedures, with the recent introduction of online data gathering
- In some jurisdictions there is a commitment to transparency. This occurs in two regards: first, a willingness to share data and report back to the arts sector, partly as a means of incrementally strengthening management capabilities within the sector, partly to enhance the Government's knowledge of the sector; secondly, a commitment to establishing clear assessment criteria and providing feedback to grant applicants where requested
- Multi-year funding is commonly applied not only to major organisations but to a range of other performing arts organisations
- There are well-established peer assessment processes in some jurisdictions, but continuing discussion as to what constitutes the best method of assessment

The efficiency and effectiveness of performing arts organisations have also been influenced in recent years by the following factors:

- A range of training interventions – some of high quality and sophistication – in aspects of leadership, arts management, arts marketing, fund-raising, governance/ board development. The latter includes, for example, BoardSource in the USA (across the wider non-profit sector), a Board Development Unit established by Arts Council England (during the 1990s), and BoardConnect in Australia⁴³
- Growing sophistication and specialisation in education programmes delivered by arts organisations, as well as a broader consideration of access through participation to reflect current trends in cultural engagement
- The presence of arts marketing consortia, alliances and round-table approaches to knowledge sharing and common advocacy amongst arts organisations
- The spread of arts-business partnership agencies dedicated to strengthening links between these two sectors
- The growth of arts organisations' commercial trading activities which cross-subsidise core arts functions.
- A growing awareness of the importance of 'balance sheet' as well as profit and loss in terms of creating a resilient business model for an arts organisation

In USA, Canada, UK and Australia – amongst other locations – there have been periodic efforts by funding agencies and independent foundations to strengthen the governance of arts organisations and improve the effectiveness of their boards. This has been primarily through provision of training and advice for board members, and the dissemination of good governance codes (sometimes adopted from the commercial sector). Boardsource (USA), Governance Now (UK) and BoardConnect are examples of agencies and initiatives which have focused on this area of organisational development⁴⁴.

⁴³ Positive Solutions declares an interest in being a founder of BoardConnect, an independent non-profit agency devoted to improving the effectiveness of arts and non-profit boards.

⁴⁴ See www.boardsource.org, www.boardconnect.com.au, and www.culturalleadership.org.uk/uploads/tx_rtf/Governance_Now.pdf. The initiatives have not necessarily been confined to the arts, but address the broader non-profit sector.

Funding levels and mechanisms, therefore, form part of a complex arts ecology and in some cases, Government has been a very active player.

5.10 Beyond the Current Funding Systems

In the US, the UK and Australia there are debates taking place about the merits of the current (and historical) funding structures, and their impact on the health and development of arts organisations. A particular focus has been the issue of enhancing the sustainability or 'resilience' of arts organisations. An example is the Mission Models Money (MMM) initiative in the UK. MMM is focused on *'advancing new approaches and new solutions to organisational and financial sustainability in the non profit distributing arts and cultural sector.'* The name of the organisation *'encapsulates the fixed relationship between mission (programmes), model (organisational capacity) and money (capital structure) with any change in one inevitably having an impact - planned or unplanned - on others.'*

In Autumn 2010 MMM published a draft consultation paper, *Capital Matters – How to Build Financial Resilience in the UK's Arts and Culture sector*⁴⁵. The report states in its opening paragraph that capital matters *'because of the close connection between capital held and the ability of an organisation to withstand financial shocks and because access to capital enables organisations to evolve in response to changes in their environment, for example allowing investment in research and development and in new systems and processes'*⁴⁶.

The report proposes a new policy and support framework for building resilience in the UK's arts and cultural sector, promoting a shift from a 'subsidy' to 'investment' mindset with organisations focusing on how their core assets (both tangible and intangible) can best be developed and used for leverage.

MMM identifies that, although there are both high levels of 'entrepreneurial energy' in the arts, with many organisations being rich in intangible assets (such as intellectual and relational capital) and sometimes tangible assets such as real estate, this energy remains untapped for a range of issues including:

- *A lack of strategic financial planning skills*
- *A paucity of consistent, coherent data*
- *A resulting misalignment of financial and other advice and support*⁴⁷

MMM calls for the following five key elements in a new framework for change:

- *Action which supports arts and cultural organisations in making the shift from a subsidy to an investment mindset through the development of appropriate, high quality advice and support, information and tools*
- *Public and private sector funders of the not for profit arts and cultural sector evolving their policy and practice to better support the resilience of the sector. Firstly, by funders encouraging and supporting the development of more adaptive, sustainable business models for example, by providing funding for research and development activities. Secondly, funders becoming more sophisticated in their use of grants, for example, making some grant funding available for building financially resilient organisations as distinct from only funding artistic programme*
- *Development of new specialist funds offering different kinds of finance, including research and development grants and quasi equity or revenue or profit sharing, to support change*

⁴⁵ downloaded from <http://www.scribd.com/doc/37991665/Capital-Matters-Consultation-Draft> 4/12/10

⁴⁶ Capital Matters, p4.

⁴⁷ ibid p8.

and adaptation in business models including through the development of new commercial ventures

- Re-configuration of non financial support to better assist arts and cultural organisations through their transition and evolution for example, through greater investment by public funders in peer led and peer organised knowledge transfer networks*
- Further research which deepens our understanding of capitalisation issues in the sector particularly the capital needs of organisations at different stages of their life cycle such as start up or growth and different types of activities such as touring or education and training*

This is mirrored in the work of the New Models New Money initiative in Australia and the National Capitalisation project in the US⁴⁸.

This creates the potential for Hong Kong to learn from the acknowledged limitations of funding systems overseas as well as from the observation of good practice, and suggests the Government could go beyond traditional funding structures to less charted territory, in considering its support for a healthy performing arts sector.

A New Entrepreneurship

Reference is made elsewhere to the recent trend towards simulcasting in High Definition live performances of performing arts organisations' work through cinema chains internationally. This commenced a few years ago with the Metropolitan Opera of New York, and has been taken up by others, including Opera Australia and the UK's National Theatre. These are not the only examples of exploiting companies' core product to generate new income streams. A number of major companies have established 'enterprise' wings, i.e. subsidiary entities to commercially exploit their assets. Taking this a step further, in 2007 the Royal Opera House, London, acquired Opus Arte, a production and distribution company, to merge their CD/ DVD catalogues and leverage Opus Arte's distribution channels.

At the other end of the scale, Australia's circus/ physical theatre company, Circa, has evolved in the space of a few years from a company with modest public sector funding and employing five or six artists, to a company which still has a modest level of subsidy, but which now employs over 20 artists, divided into three companies which are performing simultaneously in different parts of the world. The company has divided into three units – a touring production unit, a cultural development unit and a circus school/ training unit. It has done this by exploiting its low cost base (a product of small ensemble) to secure hundreds of performances globally.

5.11 Key Points from Overseas Contexts

In relation to Government funding levels and structures, policy objectives, and the breadth of the performing arts sector, the following points merit consideration in the development of future funding mechanisms for Hong Kong:

- Some of the Governments or Government agencies transmit quite specific signals regarding policy priorities, although the level of detail varies from jurisdiction to jurisdiction. Typical policy emphases include:
 - Creating widespread access to the arts through supporting production and presentation, and through audience development initiatives
 - Supporting participation (in creating work as well as viewing it)
 - Nurturing talent, and generating employment for artists

⁴⁸ See www.newmodelsnewmoney.com.au and www.giarts.org/article/national-capitalization-project

- Supporting international touring and cultural exchange, and enhancing the profile of the country
 - Advocating the importance of the arts
 - Encouraging business and philanthropic involvement
 - Building organisational sustainability
 - Encouraging and requiring increased professionalisation from board and staff
- Funding systems continue to change and evolve – such as the recent systemic changes in England and Scotland, and the evolving system in Korea. There is no ‘fixed’ system
- Multi-tier Government structures can result in each tier providing support for the arts - sometimes through co-funding by multiple tiers, sometimes by focusing on different elements of the arts ecology. For many arts organisations this reduces their level of dependence upon a single agency, and therefore their level of risk exposure
- Most of the jurisdictions reviewed have an arms-length agency disbursing Government funding. A notable exception is France, where the Ministry is closely involved with the funded organisations, including making artistic director appointments in the case of national companies
- Several of the overseas funding agencies express an interest and engagement with the broader performing arts ecology, including arts accommodation, venue provision, audience development, the role of festivals and producers, and the skills and capabilities of the managements and boards of the performing arts organisations. This is reflected in the range of support mechanisms and interventions (some of which are described further below)
- In Korea, private sector venue provision has been a distinctive feature in recent years⁴⁹
- There are broad and well-established performing arts sectors in most of the countries studied – for example over 700 performing arts organisations in Australia (of which c.350 are non-profit organisations), and nearly 900 funded non-profit arts organisations in England. In this context majors or ‘nationals’ constitute a small, highly significant group. This larger performing arts market-place:
 - Creates a wider pool to draw from for peer assessment
 - Enables the funding agency to relate to the sector more easily as a competitive market
 - Reduces the dependence (from a Government perspective) for policy delivery on a small number of companies, and enables policy expectations to be delivered through a broader spread of funded companies
- The performing arts sectors reviewed include not only music, drama and dance but also physical theatre, opera, musical theatre, circus and mime

Australia, England and others have incrementally developed their funding systems for performing arts (or for major performing arts), and continue to do so. The picture is not static. Moreover, as the IFACCA ‘mini-summit’ in 2008 concluded, many of the questions raised by the brief for the current Study are questions for which other Governments and arts bureaucracies are also seeking answers:

This project has shown that countries differ in how they fund and monitor their major performing arts organisations, but, despite this, the major performing arts organisations and their Governments are facing common issues, such as models for interaction between major performing arts organisations and the broader sector; accessing

⁴⁹ A similar situation is understood to exist in Japan. In the USA, while there have been generous private sector contributions to the construction costs of new venues, they have not been fully sponsored by private companies.

philanthropic support; the impact of digital technology on the sector; leadership and governance of the organisations; and assessing artistic quality⁵⁰.

Each jurisdiction (including Hong Kong) is distinctive in its economy, history, culture and political processes. Arts funding systems grow out of these dense contexts and, for this reason, it would not be appropriate to attempt to closely emulate systems elsewhere. However, there are a number of features displayed by one or more of the overseas funding systems which merit consideration in Hong Kong.

Even where there is not a centralist model (like France's), many jurisdictions provide clear articulation of Government's arts and cultural (and educational and social) policy priorities, and, through different mechanisms, hold funded major performing arts organisations accountable for aligning with these priorities as a condition of grant-aid.

In most jurisdictions reviewed there is a strong sense of the inherent value of arts and culture – that the preservation of cultural heritage and the support of cultural innovation are regarded (by Government) as public goods which merit public funding. While there may be instrumental values placed on the arts – their contribution to tourism, economic development or other Government agendas – there is also a recognition that the arts matter in their own right, both because they express national culture and identity and because freedom of creative expression is valued.

Australia is unusual in the degree to which it has formalised the definition of 'major performing arts' and constructed a dedicated funding mechanism linked to this. In varying ways other countries have identified national or major organisations, but not with precise inclusive/exclusive criteria. Even in Australia there is a strong sense in which the corralling of major organisations was a *post hoc* process; that is, the criteria established by the Major Performing Arts Inquiry appear to have been designed to justify inclusion of a particular, existing group of organisations. In both Australia and Scotland the expectations which Government has of its major performing arts organisations have been more clearly specified including, in Australia, the broad strategic role which is agreed for each company, and upon which its funding level is partly based.

No jurisdiction has a satisfactory entry and exit system for major status. For most, the issue is side-stepped by the lack of a formal definition of major or – in the case of France – by the directive nature of Government's involvement and control. In Australia, a very small number have been admitted into major status in the last ten years – but the entry mechanism is constrained by the lack of additional funding, i.e. existing organisations would have to be ejected to make space financially for new entrants – and this has proved undesirable or politically undeliverable.

In several jurisdictions there appears to be a growing trend to allow, and require, major performing arts organisations to conduct their own artistic (and other) evaluation processes, and also for Government to establish clearer frameworks for such self-assessments and, in some cases, to supplement self-assessment with external peer assessment and/ or periodic in-depth reviews of the organisations.

The determination of current funding levels for each organisation is rarely based on close analysis and review of the organisation's cost-base. More frequently, historical precedent has been a key determinant (as is largely the case for the MPAOs in Hong Kong), supplemented by occasional boosts to funding linked with Government's current budget position and policy initiatives.

⁵⁰ IFACCA D'Art Report No. 27 (June 2009) page 3-4.

While levels of public subsidy vary significantly as a proportion of income, performing arts organisations have been encouraged to build alternative income streams. Government's role in this has included professional development interventions (to enhance marketing, fundraising and other skills), board development programs, match-funding schemes, and the establishment of organisations dedicated to nurturing links between arts and business. There is no evidence that such efforts have been accompanied by reductions in public subsidy – the aim has been to increase the overall performing arts economy and enhance the sustainability of arts organisations. However, the current funding cuts in the UK and elsewhere being imposed as a consequence of EU and global economic constraints have brought a renewed focus on enhancing earned income streams as a means of building arts organisations' sustainability and resilience⁵¹. The ways in which performing arts organisations have built their non-Government income streams in diverse jurisdictions suggests that there may be untapped opportunities in Hong Kong, and that exploiting these involves a long-term journey, not short-term fix.

In several jurisdictions, the clarity and detail of funding agreements, the guidelines for arts organisations' business and marketing planning, the guidelines for artistic assessment and other aspects of the funding ecology are sophisticated. They provide useful source material for considering refinements to the funding mechanism in Hong Kong.

A number of other characteristics of the jurisdictions reviewed merit consideration:

- In several jurisdictions there are higher levels of earned income through box office and fees than occurs in Hong Kong
- There are a number of examples of sector-wide research and market research initiated by or supported by Government agencies, e.g. monitoring public perceptions of the arts
- There is a trend to increasing clarity of reporting procedures, with the recent introduction of online data gathering
- In some jurisdictions there is a commitment to transparency. This occurs in two regards: first, a willingness to share data and report back to the arts sector, partly as a means of incrementally strengthening management capabilities within the sector, partly to enhance Government's knowledge of the sector; second, a commitment to establishing clear assessment criteria, and providing feedback to grant applicants where requested
- Multi-year funding is commonly applied not only to major organisations but to a range of other performing arts organisations
- There are well-established peer assessment processes in some jurisdictions – but continuing discussion as to what constitutes the best method of assessment

6. Conclusions and Recommendations

The preceding review of the current performing arts funding arrangements in Hong Kong and the funding arrangements in other jurisdictions raise a number of issues for consideration. This section highlights those issues and presents the consultants' recommendations.

The starting point for the current study was to develop a funding mechanism which strengthens the performing arts in Hong Kong – learning from best practice and experiences overseas – and recognising the particular cultural and other environments within which the arts operate in Hong Kong. The consultants propose that a healthy performing arts sector is one which displays the following characteristics:

⁵¹ In the UK, Arts Council England will experience cuts of more than 30% over a four-year period. It is endeavouring to absorb a majority of this through reductions in its core costs.

Ecology

- Has a balance of diverse and strong organisations of different scales
- Has good communication and interaction between different parts of the sector
- Has vigorous engagement from public participation through to professional practice, and from education and training through to marketing and distribution

Artistic

- Displays artistic vibrancy at the level of individual companies and the sector as a whole
- Displays evolution of the artform – a respect for cultural heritage balanced by a high value placed on innovation, whether through new work or reinterpretation/ fresh approaches to the existing repertoire
- Nurtures new artforms and inter-disciplinary work
- Respects experimentation and honours ‘the right to fail’ in pursuing new ideas or new audiences

Market

- Develops a shared understanding of the sector by all those engaged with it – artists and companies, funders and public
- Encourages audience loyalty, but also generates new demand for the work including young audiences
- Values market awareness and a high level of marketing professionalism
- Responds to impacts of new technologies and producer-consumer engagement facilitated by these

Finance and Funding

- Enjoys the support of a diverse range of communities that engage with it
- Has organisations which demonstrate financial health and sustainability
- Evolves mixed funding and revenue streams

Management, People and Resources

- Is underpinned by accessible and affordable rehearsal and performance venues
- Addresses artistic, management and board succession planning
- Manifests rigorous planning
- Values knowledge and skills sharing, and professional development
- Produces strong leaders recognised within their sector and in the community at large

Some specific issues which have been identified as influencing the health of the performing arts in Hong Kong relate to:

- Overall strategy and direction for the performing arts
- Company-level planning and goal-setting
- Industry capacity-building, especially in aspects of management (marketing, fund-raising, strategic planning) and in governance
- Suitable access to venues for high quality artistic production and innovation, and the evolving role of WKCD
- Optimising earned and contributed income, as well as determining appropriate levels of funding from Government
- Increasing connectivity within the sector – attention to the overall ecology of the performing arts

Accordingly, this section of the Report addresses the following topics:

- Providing Direction

- The Concept of Majors
- Encouraging an Active Ecology
- Funding Duration and Processes
- Funding Levels
- Governance and Management
- Funding Agency Structures
- Government Initiatives in Arts Development beyond Funding Provision
- Summary of Recommendations

The Summary of Recommendations constitutes a proposal for the future funding mechanism for the performing arts.

6.1 Providing Direction

During the course of the study a number of consultees have expressed a wish for Government to provide a clearer articulation of policy priorities for the arts. In some cases this has been a desire for a high-level statement of the rationale for Government's funding for arts and culture; in other cases it has been more specifically for Government to describe its expectations from individual organisations. It may reasonably be argued that there are existing policy statements and frameworks – such as the priorities and principles expressed in the WKCD Ordinance and the statements within Chief Executive policy addresses – and that current funding agreements include performance measures. However, the perception amongst a number of the MPAOs and others is that vision and priorities are not stated with sufficient precision.

The high value placed upon freedom of creative expression – and the dynamics of how world-class art is produced – suggest that such direction from Government should not be too prescriptive. Those who voiced a wish for greater clarity were not seeking Government control or dictates, but a framework which would inform program and organisational development.

As noted above, attempts overseas to develop jurisdiction-wide cultural policies have met with mixed success. Where such frameworks have proved more useful is in the development of specific sub-sectors of the arts and cultural sector – priorities and strategies articulated for particular art-forms which have informed specific funding programs, but which have also enabled key players within those sectors to respond positively to Government priorities or to agreed sector-development needs. Appendix 6 includes a description of the process for generating, and a brief extract from, such a 'Sector Plan' from a State jurisdiction within Australia. This Plan was generated and adopted by Government, but resulted from detailed industry consultation and, in this instance, a review of implementation progress for a similar plan for a preceding period. The consultants believe this provides a useful model for the performing arts in Hong Kong. In particular, a performing arts sector plan could:

- Enhance Government's understanding of priority development needs in the performing arts, and signal these to other agencies in a transparent way
- Create an opportunity for aligning priorities and resources of different sections of Government, and of a range of key agencies – for example, HAB, LCSD, ADC, WKCD and HKAPA
- Facilitate cooperation needed for specific areas of industry development, such as an entrance system into MPAO status (addressed below)
- Identify gaps in provision and shortfalls in sector development – and propose strategies for addressing these
- Highlight critical success factors in realising artistic and organisational excellence – including factors identified in this Report – and indicate Government priorities for support and improvement

- Provide a framework for clarifying the role and contribution of individual arts organisations, and discourage unnecessary duplication. In particular, the future roles of HKPO and HK Sinfonietta could be negotiated and clarified through development of the sector plan
- Provide a sense of direction during a period of change and uncertainty
- Articulate principles and objectives which will inform future programs, even where changing circumstances require Government to maintain a degree of flexibility

Appendix 7 provides guidelines on how a sector plan could be developed. In relation to providing clearer direction it is **recommended** that:

1. A performing arts sector plan should be developed. It would be desirable for this plan to be integrated with a comprehensive plan for the creative industries as a whole, to be undertaken in cooperation with the Commerce and Economic Development Bureau. However, this is a complex exercise which might reasonably extend over more than twelve months. The consultants' view is that a performing arts-specific plan be prepared initially, and that this be reviewed and amended in light of a wider-ranging creative industries plan as and when this proceeds.

6.2 The Concept of Major Organisations

Overseas, there are few examples where a formal designation of 'major performing arts organisation' has been adopted. Australia and Scotland are the exceptions. In the former the advantages of the current funding system mentioned by consultees include:

- The professionalisation of governance and business planning which has followed from the standards set by the Major Performing Arts Board (MPAB) and the assistance and advice it has provided to achieve these
- The benefits that have been brought by training in marketing and development – with the latter leading to improvements in sponsorship/ fundraising results
- The data collected and disseminated by the MPAB unit within Australia Council – providing benchmark information which would not otherwise be available
- The depoliticisation of funding decisions – a commonly accepted system and set of criteria has discouraged individual lobbying (of Ministers) by the MPAOs

Consultees also referred to a number of perceived weaknesses of this system:

- The process does not include artistic assessment (whereas other funded clients of the Australia Council and State Governments are subject to such assessment)
- The lack of peer involvement and feedback
- The poor linkage between the large companies and the rest of the performing arts sector, in particular the small-to-medium organisations
- That it is seen as a closed shop by many of the companies that are not classified as MPAOs
- The absence of an enforceable 'exit mechanism'. The key organisations and other small-to-medium funded clients are occasionally put on notice if their performance or quality of work is regarded as unacceptable – and this usually provides a 'wake up call' which leads to improved management and artistic performance. However, no such pressure can be brought to bear on the MPAOs, so there is a risk of complacency and a lack of self-awareness on their part
- The focus on traditional artforms, which gives those artforms a status advantage over new and contemporary artform practice

During the last 12 months there has been a dialogue between Federal and State Governments, and the MPAOs, in an attempt to address some of these weaknesses.

Arguably, a number of the perceived advantages above could be achieved without a formally-designated group of major organisations. However, it is the focus of resources on a small, manageable group that has made some of the benefits possible – training and other interventions could not be provided at an effective level for a large number of performing arts organisations.

Most countries do not have any major performing arts organisation grouping, though they may have a small number of designated national companies. This raises the question of whether there is greater merit in retaining such a concept in Hong Kong than in restructuring overall support for the performing arts into a more integrated and holistic system. If the concept of ‘majors’ were abandoned, there could still be a purposeful tiering of Government support – which may not be limited to financial support – to encourage the sustainability of performing arts organisations, and to encourage artistic vibrancy and good practice in governance and management. Whilst arts organisations might aspire to reach or retain the top level of Government commitment, this might not be as distant from the next level of support as that currently evident between the HAB-funded MPAOs and those organisations enjoying multi-year funding from ADC. The aim would be to provide a ladder of artistic and organisational progression for companies that wish to pursue this. Equally, if a company at the top tier decided that the obligations at this level no longer suited its future vision, it would have a number of alternatives available to it.

The consultants take the view that at the present time the potential benefits of significantly changing the current tiering – either by introducing new layers or by terminating the concept of major organisations – would be outweighed by the disruption created. Other elements of the performing arts ecology – including Government’s role within this ecology – would also need to be addressed if any structural alteration is to prove productive. Moreover, the elimination of the concept of major performing arts organisations would run the risk of sending a negative signal within Hong Kong and beyond about the standing and respect afforded to the performing arts. It could be interpreted as a ‘down-grading’ of the status of the arts.

Preserving the current group of MPAOs, whilst addressing other improvements to the funding arrangements, would have the virtue of being low risk, and minimising disruption and anxiety on the part of the MPAOs. However, it leaves the question of how incentives can be created for the MPAOs to ‘earn’ their retained benefits, and how the next tier of talent and potential within the performing arts community can be developed.

The consultants believe that a staged sequence of developments would be the appropriate means of strengthening the major organisations, clarifying the nature of their privileges and obligations, and increasing connectivity between the MPAO group and other elements within the performing arts sector. These steps would include:

1. Providing a clear description of the criteria for inclusion within the MPAO group. In the short term this would be to provide a benchmark for organisations wishing to be considered for MPAO status. In the medium term the performance of existing MPAOs would be reviewed against these criteria
2. Investing in organisational and artistic capacity building amongst the MPAOs
3. Specifying cooperative working with small-to-medium scale organisations and independent artists as an obligation attached to MPAO funding
4. Introducing linkage between the agreed role or positioning of a MPAO and the level of funding it enjoys

5. Introducing linkage between the overall performance of a MPAO and the level of funding support it enjoys – that is, creating financial incentives and penalties to encourage strong artistic and organisational performance
6. Specifying within funding agreements Government's authority to require changes in executive leadership or board composition of a MPAO in the event of extended under-performance or non-compliance. Combined with financial penalties this would provide an effective alternative to an abrupt or hasty 'exit' mechanism – rather than entirely de-funding a company it would be given the option of making leadership changes (not dissimilar to concerned shareholders enforcing leadership change in a listed, commercial company). However, in the event that a company were unwilling or unable to effect necessary changes, Government should retain the right to remove the company's MPAO status

In relation to point three – cooperative working with smaller organisations – it is worth noting that in some jurisdictions the status of 'major' or 'national' brings with it obligations for industry development and cooperation. The security and resources enjoyed by the major organisations are expected to be reflected in a leadership role, and sometimes explicitly by supporting the work of smaller, independent companies or regionally-based organisations, which do not benefit from the same resource base. This may be through commissioning work, co-productions, sharing resources and expertise, and contributing to professional development. Of course, this required industry engagement has benefits for the major/national companies as it may enrich their program. Examples of such cooperative working and industry development include:

- Professional development opportunities offered both internally and to other artists and creative practitioners
- Mentoring activities (both receiving and offering)
- Regular commissioning and nurturing of new work, including with local artists and independent companies
- Participation in industry development initiatives e.g. with HKAPA, with tertiary sector institutions or through engagement in relevant conferences
- Working with the other MPAOs to:
 - Share best practice
 - Develop new ways of working together
 - Explore joint artistic planning and scheduling
 - Identify and deliver efficiencies

In relation to point four – linkage between the role of a MPAO and its level of funding – the consultants believe that there will be benefit for Government and the arts organisations if the overall scope and purpose of each company is more clearly articulated. This will provide a framework within which the details of the funding agreement would be negotiated, and will discourage unhelpful duplication (for example, two same-artform companies wanting to serve predominantly the same audiences or produce very similar work). The definition of 'scope and purpose' might include artistic program focus (what sort of work is normally undertaken and why), size of ensemble (although this may expand and contract around a 'norm'), audience development focus, mainland and international touring objectives and possibly other factors. The definition would be subject to periodic review, to prevent it becoming too constricting for the company, and to provide Government with flexibility in developing the sector. Criteria to be taken into account in arriving at a definition would include:

- The MPAOs' stated aspirations (as endorsed by its Board)
- The MPAOs' track record
- Diversity within each artform (breadth of choice for the public; breadth of artistic practice)
- Anticipated demand

- Cost of funding, and affordability
- Overall financial sustainability of the MPAO

During the course of this Study the consultants also considered the possibility of establishing a further tier of ‘flagship’ organisations – a small group of companies from within the MPAOs, with enhanced funding and obligations. Such a group might have the equivalent status to ‘national’ companies in other jurisdictions, and might regularly represent Hong Kong through their mainland and international touring. They would be expected to maintain artistic standards at a level accepted by peers internationally as among the ‘world’s best’. This is commensurate with Government’s and WKCD’s objective of securing Hong Kong’s status as a world-class cultural city. Rationales for establishing a ‘flagship’ tier are outlined in Appendix 8, along with notes on the possible benefits and obligations attached to flagship status.

One reason for selecting a small sub-set within the MPAO group is that it may be financially challenging for Government to invest at the level necessary to achieve world-class standards across the full group of MPAOs, and that for some organisations this may be an inappropriate objective. However, following consultation with MPAOs and other stakeholders it is proposed that the concept of flagship organisations be considered for implementation at a later date, following implementation of the other capacity-building and systemic changes recommended in this Report. This deferral is in recognition of the range of other systemic developments proposed, and the degree of uncertainty facing the MPAOs during the establishment of WKCD.

In relation to the concept of major status it is therefore **recommended** that:

2. The concept of major performing arts organisations be retained (subject to recommendation 7 below)
3. A clear description of the criteria for inclusion within the MPAO group be adopted. A discussion draft for consideration in the Hong Kong context is included at Appendix 9
4. Entry into MPAO status be available to ADC multi-year funded organisations and to Springboard Grant recipients on a selective basis and preceded by a structured development program (see ‘encouraging an active ecology below’)⁵²
5. Linkage between the MPAOs and smaller companies and independent artists be encouraged and specified through funding agreements. Such linkages may include co-productions, co-commissioning of work, secondments of artists and other personnel between the companies, mentoring or other activities
6. Government invest in organisational and artistic capacity building amongst the MPAOs (see ‘capacity-building program’ below)
7. There should be direct links between the agreed funding level for each MPAO and its purpose and performance. Funding levels should reflect the cost-drivers and the expected role of each company; and financial incentives and penalties should encourage strong artistic and organisational performance (see ‘determining funding levels’ below)
8. In the event of extended underperformance Government may require leadership changes amongst executive staff or the board of a MPAO. In the event that a company were unwilling or unable to effect necessary changes, Government should retain the right to remove the company’s MPAO status
9. Following the implementation of the other adopted recommendations from this Report, a new category of ‘flagship organisation’ be further considered. It is suggested that this occur approximately five years after inception of the new funding mechanism. Designation as a flagship organisation would be through a selective, and subsequent developmental, process

⁵² The ‘Springboard’ grant program was being introduced during the course of this study, and determination of successful first round applicants is pending.

The consultants leave for later consideration the question of whether flagship organisations would supplement or replace the current group of major organisations. In the current environment it is advisable to maintain a reasonable level of stability and a secured ‘supply’ of product in light of the demands of WKCD – hence the recommendation to maintain MPAO status. However, six or seven years from now the environment may have changed significantly – not least because of the impact of the recommendations in this Report, and the launch or imminent launch of WKCD venues. It may then appear more appropriate to maintain greater fluidity within the performing arts sector as a whole, rather than focusing resources and expectations on a small, flagship group of companies. The consultants do not believe it is helpful to predict the outcome of this review.

6.3 Encouraging an Active Ecology

Both in Hong Kong and overseas, negative comment has been noted regarding the danger of complacency amongst major companies. Without an exit mechanism from major status there remains the risk that companies will lose their commitment to artistic innovation and managerial excellence, and suffer a decline in standards over time. By contrast, the competitive framework which applies to smaller companies tends to stimulate innovation and development in this sector, despite being less well resourced. For this reason, and in addition to the financial incentives processes proposed, it is **recommended** that:

10. A detailed review of the performance of each major organisation occur every six years. Such a review will address artistic standards, innovation, audience development, management capabilities, fundraising/ development and governance, amongst other elements. The review may be undertaken by a small panel including two members of the Advisory Committee on Arts Development and two independent experts – one of whom will be from overseas (or mainland China)⁵³. The panel will be served by a Government officer.
11. Funding agreements should specify Government’s authority to require changes in executive leadership or the board composition of a MPAO in the event of extended under-performance or non-compliance

The proposal that the six-yearly review panel include an overseas (or mainland) expert does not imply that Hong Kong lacks suitable expertise but recognises that:

- Some of the MPAOs may operate in specialised areas of artistic practice where the pool of independent commentators may be very limited
- Accessing panel members who bring experience of evaluation from elsewhere will add depth to the review process
- Self-evaluation and local evaluation/ peer assessment will be occurring on a routine basis between these in-depth reviews. However, fresh external perspectives may raise questions which have not been addressed earlier
- The in-depth reviews will be significant in determining future funding levels – the inclusion of a non-Hong Kong panel member will emphasise the impartiality of the process

In the event that a company is performing well, the review will provide an opportunity to recognise its success, provide it with useful feedback to guide future development, and assist in the company’s process of target-setting. In the event that a company is underperforming in

⁵³ It is proposed that such an ‘expert’ should have in-depth experience of company evaluation and review – for example an art-form officer or director from an overseas funding agency.

one or more areas, the panel may set specific targets for improvement and give notice (of 12 or 24 months) for a further review in these areas. Should improvements fail to be satisfactorily delivered, Government may require changes in senior management, artistic leadership or board composition as a condition of continuing support. Exceptionally, a major organisation could have its status removed – in which case it may be transferred to ADC multi-year funding for an agreed minimum period before being eligible for reconsideration as a major organisation. This would require operational and financial coordination between HAB and ADC.

In the case of ADC multi-year funded organisations or Springboard Grant recipients wishing to be considered for admission into major status a clear process will need to be agreed. It is proposed that this include ‘threshold’ criteria, that is preconditions which will need to be met prior to detailed evaluation of the case; an initial plan addressing the ways in which the prospective major will evolve (if at all) prior to its inception as a major organisation; and an organisational and artistic development program agreed between the arts organisation, HAB and ADC. The purpose of this process is to ensure that prospective major organisations are not exposed to the obligations of major status without appropriate preparation – especially if they have operated, for example, on a project basis rather than a year-round basis; and that future expectations are clearly agreed by funder and funded organisation. It is anticipated that this proposal and development process is likely to take 18–24 months from initiation to admission into major status.

It is, therefore, further **recommended** that:

12. The proposal to admit an ADC-funded or Springboard Grant-receiving organisation into major status may be initiated by HAB, ADC or individual arts organisations which meet Government’s stated threshold criteria
13. Threshold criteria should include, possibly amongst others, a minimum of six years’ of biennial/ triennial funding from ADC, formal support from ADC for the proposed transition to major status, a balance sheet which demonstrates a positive accumulated financial position (i.e. no net deficit), evidence of stable management and governance, and a strong artistic reputation. It is assumed that sound governance and strong artistic reputation would be prerequisites of being in receipt of regular ADC support
14. With HAB support – possibly including the engagement of specialist assistance – eligible ADC-funded organisations should prepare an outline development plan indicating how the organisation intends to develop artistically, organisationally and financially, in order to meet the demands which would be placed upon it as a major organisation. This plan would be jointly evaluated by HAB and ADC – in consultation with the arts organisation
15. If it is agreed by HAB and ADC that the organisation is suitable for admission to major status, a more detailed development program will be prepared and signed off by HAB, ADC and the arts organisation. This will include the confirmation of KPIs for the arts organisation during an initial period of operation as a MPAO
16. The development program will be implemented over an agreed period – likely to be between six and 18 months
17. Initially the organisation would be admitted by HAB into major status for a time-limited, probationary period (perhaps three years). Subject to satisfactory progress, the organisation would be formally transferred from ADC to HAB

Further details of the proposed ‘entry and exit’ mechanism are included at Appendix 10.

Capacity-Building Program

The development process outlined above for prospective major organisations has implications for existing MPAOs. At different times in the USA, Canada, UK, Australia and elsewhere

organisational development and capacity-building programs have been initiated by funding agencies, foundations and other agencies. These have been aimed at enhancing the financial and artistic sustainability of valued organisations – including major and well-established organisations. In some cases they have been targeted at strengthening the balance sheet; in others at generating the resources to support innovation, newly-commissioned work, or market developments. Similar motivations underpin some of the current trends in exploring new models of arts financing internationally.

The capacity-building programs overseas do not imply criticism of the management capabilities of arts managers, but recognise that many do not have access to the professional development opportunities that their counterparts have in both the public and private sectors.

Each of Hong Kong's MPAOs is at a different stage of development. While they share some common challenges and opportunities, they do so with different financial and artistic assets at their disposal. If the present group of MPAOs is to continue, as recommended, it is in Hong Kong's and the organisations' interest to ensure they are as strong and vibrant as possible. To achieve this, it is proposed that a customised capacity-building program be agreed with each organisation.

MPAO capacity-building programs should not be confined to management and financial assets, but also address development of artistic resources, education programs and services, physical assets and governance. Responsibility for evolving and strengthening the MPAOs across these various dimensions lies with the board of each organisation (not with HAB), in the first instance by recruiting the most capable executive staff. However, the recommendations in this report – and the market opportunities and challenges facing the MPAOs with the inception of the West Kowloon Cultural District – present an unusual, demanding set of circumstances for the organisations' senior staff and boards. For this reason a transitional development/ capacity-building program is proposed for all the MPAOs. The priorities for each company should be agreed with HAB, both because they may have funding implications and because they will need to align with an agreed future role and direction of each organisation.

Subsequent to this transitional program MPAOs – and prospective MPAOs – could be eligible for further capacity-building support through the contestable funding process recommended below.

A proposed process for developing and confirming the capacity-building programs is included at Appendix 11. An audit of current organisational capabilities and assets would be the starting point. In many cases formal training (where this is appropriate) could be shared across several organisations, and in some instances with ADC-funded organisations. In other cases, mentoring or similar support mechanisms may be more useful. However, it should be noted that the proposals in Appendix 12 are not confined to management skills, but address the overall resilience of the organisation. It is this broader and deeper focus on the medium to long-term health of the organisation that has been emerging as good practice internationally.

In particular, the recommendations below regarding medium-term business and marketing planning, and development/fund-raising activity, will call for the enhancement of existing skills. It is proposed that HAB provide customised programs for the senior management of all the MPAOs - through a mix of shared and in-house programs - in order to strengthen the organisations' planning and fundraising capabilities. These programs will be linked to the planning requirements included in the MPAOs' funding agreements.

It is **recommended** that:

18. Common training/ professional development support be provided for all the MPAOs in the areas of business planning, marketing planning and fundraising/ development. The latter, at least, would require participation by board members during a part of the program
19. Through a process of self-assessment and independent advice a skills/ capability audit of each of the MPAOs be undertaken with a view to identifying areas where customised professional development may strengthen the operations of the organisation – this may be in managerial, technical or creative areas
20. HAB provide resources to ensure that training and professional development programs are affordable for the MPAOs; the MPAOs, in turn, be required to budget at reasonable levels for training and professional development (e.g. 1% - 2% of personnel costs)
21. Progress in capacity-building within each of the MPAOs be tracked annually through the routine reporting and funding acquittal processes
22. The strengths and development plans of the MPAOs in relation to education activities, audience development, commissioning and artistic development be supported and monitored through annual self-assessment and through the periodic independent performance reviews recommended above

Proposals regarding board development for the MPAOs are addressed below.

6.4 Funding Duration and Processes

The Government has a number of choices available with regard to how any funding system is administered. These include:

- The duration of funding agreements
- The introduction of contestable funding
- Assessment or evaluation procedures
- Planning and development obligations of MPAOs
- The application, reporting and contractual processes adopted
- Data collation and feedback

The determination of specific funding levels is addressed in a later section.

Commentary

Several of these elements interact with each other. For example, if multi-year funding is introduced, both application and reporting processes would be linked to this. Similarly, any business planning or developmental obligations placed upon MPAOs would become part of the application and the evaluation processes.

The purpose of the application and reporting process is both to ensure that Government receives sufficient data and to understand the directions and performance of funded organisations. From the review of procedures in other jurisdictions a number of common principles emerge which could inform the process adopted in Hong Kong:

- Accountability and transparency
- Encouragement of effective planning, and artistic and managerial development
- Building industry knowledge – both for Government's and the performing arts sector's benefit
- Time-efficiency, and the avoidance of unnecessary administrative burdens

Regarding the **duration of funding agreements** it is noted that there has been a steady trend towards multi-year agreements in other jurisdictions, and that this has been regarded as

successful both from the perspective of funded arts organisations and of the funding providers. Without exception consultees in Hong Kong also regarded this as a positive step.

It is recognised that continuation of the current group of MPAOs could lead to complacency – a view that the MPAOs have a permanent ‘right’ to funding. For this reason periodic reviews – and rewards and penalties – are also recommended. An additional means of encouraging artistic and organisational excellence, and a positive competitive spirit, would be the introduction of **contestable funding**. This would be supplementary funding which is intended to support specific aspects of development or particular policy objectives of Government (i.e. selected priorities within the performing arts sector plan recommended above). Contestable grants would be time-limited and project-based. Contestable funds could also be opened up to multi-year ADC grantees or to those ADC-funded organisations which have embarked upon the process of organisational development with a view to future admission to major status.

Artistic assessment and evaluation procedures have been a sensitive area in arts funding, and remain the subject of regular debate in other jurisdictions. In Canada there is a strong commitment to peer assessment – with assessors selected from a large pool of applicants nationally. In Australia, the major organisations are being encouraged to develop more rigorous and sophisticated self-assessment processes, to learn to discuss the issue of artistic vibrancy and to critique the company’s own work and progress. The Australia Council has developed a framework to guide such discussion, in consultation with arts organisations.

In England, in 2008, a new Secretary of State for Culture commissioned Sir Brian McMaster to look at how Government should be supporting excellence in the arts. The McMaster Report addressed the following questions⁵⁴:

- How public subsidy can encourage excellence, risk-taking and innovation
- How artistic excellence can encourage wider and deeper engagement with the arts by audiences
- How to establish a light-touch and non-bureaucratic method to judge the quality of the arts in future

The resulting report, referred to as the ‘McMaster report’, led to the introduction of a system of self assessment and peer review, with a view to introducing more objectivity and less precedent into decisions about what constitutes excellence in the arts and what merits funding.

In some jurisdictions, peer assessors are selected by the funding agency (as in Canada), but in others arts organisations are encouraged to select their own panel of assessors or advisors, as part of an internal process of critique.

Each of these initiatives reflects an assumption that arts organisations should be encouraged to remain alert to matters of artistic quality, innovation and renewal – and that the reputation and experience of the artistic leadership is not itself a guarantee of this. The Board, critical friends of the company, and others, have a part to play in stimulating debate around the company’s work and progress – although high quality artistic leadership is a prerequisite for success.

As noted in section 5.6, some funding agencies permit appeals against funding decisions, although these tend to be focused on breaches of process, or substantive changes in the arts organisations’ circumstances, rather than on differences of view of artistic merit or other qualitative matters.

⁵⁴ McMaster, Sir Brian. Supporting Excellence in the Arts. Arts Council England and Dept. for Culture, Media and Sport (2008).

With regard to **planning and development obligations**, it is common in other jurisdictions for detailed, three-year, strategic plans or business plans to be required of both annually and triennially funded applicants. In some cases, the form of such planning documentation is clearly prescribed and includes a business diagnostic, accompanied by goals and strategies related to artistic development, education programmes, marketing, fundraising, financial control, governance and other matters.

The growth in professional infrastructure to support the development of fundraising and philanthropy is notable in many countries (not only the USA, where this has been a distinguishing feature for decades). To support improved planning, fundraising and marketing skills, funding agencies have intervened with specific industry development and support initiatives alongside the obligations placed on the funded organisations. The purpose in requiring longer-term planning has been to encourage a more businesslike approach within the funded organisations and to enhance their sustainability, including through increasing earned income. It is for this reason that particular mention has been made of skills needs in planning, marketing and fundraising in the preceding section. While several consultees have expressed the view that the introduction of such a planning 'regime' will be burdensome, it represents commonly accepted good practice overseas, and is considered by the consultants to be an important element of a new funding system.

The development and maintenance of artistic and managerial quality and effectiveness will be better achieved through a cooperative arrangement with Government, not through frequent competitive funding rounds. For this reason Government's dialogue with the MPAOs should be closer to partnership working than to a traditional client-contractor relationship – a more collaborative approach is needed between funder and funded to achieve common objectives. While the purpose in specifying clearly the expectations of each MPAO is partly to ensure that Government secures value for money, it also reflects the consultants' view that greater clarity will provide a foundation for building further mutual understanding and cooperation between funder and funded.

The purpose of **data collation and feedback** is to encourage industry learning both by Government and the sector, and provide high level reports on how the industry is developing and how it is implementing Government policy priorities. The Government could:

1. Maintain the status quo – receiving individual reports from companies, for purposes of monitoring the proper acquittal of Government funds
2. Develop an online reporting mechanism
3. Collate data from multiple companies and provide industry feedback on trends, on a non-attributed basis
4. Collate data, in conjunction with ADC, from a wider range of performing arts organisations for purposes of tracking industry development
5. Benchmark MPAO data against an agreed basket of similar companies overseas, by agreement with those companies, for purposes of measuring the progress of Hong Kong's leading arts organisations with those from other jurisdictions

The identification of appropriate benchmark companies from overseas could be agreed with the MPAOs, some of whom will have clear ideas as to which organisations are and are not suitable for such comparisons, and in what respect comparisons/ tracking may be helpful. For example, HK Sinfonietta's vital statistics (performance outputs, audiences, commissioned work, touring activity, income mix) might be compared with the UK's Northern Sinfonia, and Australia's Australian Chamber Orchestra or Brandenburg Orchestra. HK Repertory Theatre's statistics might be compared with one or two of Australia's State Theatre Companies and with one or two North American repertory companies (other regional companies, such as

Singapore Repertory Theatre, have lower output levels). HK Ballet recently commissioned a substantial benchmarking exercise, and may have clear proposals on appropriate benchmarks for the company in its present form and in its future aspirational form.

Recommendations

It is **recommended** that:

23. MPAOs should benefit from three-year funding agreements, renewable based on performance and future plans. Major organisations should also receive targeted support for artistic and organisational development
24. Funding agreements with companies be aligned to coincide with the funding and planning periods recommended above, so that all major organisations have fixed triennial agreements. It may be helpful to introduce this change with the offer of one-off four-year agreements for several of the nine MPAOs, so that HAB is not burdened with the renewal process attached to all nine at the same time. This would also result in a staggering of the periodic in-depth reviews of the companies. This could be achieved by selecting – by lot – four year agreements for some and three year agreements for others during the initial implementation phase
25. In the medium term (six to nine years) consideration be given to a shift either to rolling triennial agreements rather than fixed agreements or to six-year agreements with substantive progress reviews at the three-year point. Companies would then have a minimum three year funding certainty at all times, other than if they are put ‘on notice’ for unsatisfactory performance
26. Government steps up the overall funding allocation for major and prospective MPAOs through the establishment of a contestable fund which would facilitate continuing organisational development of the MPAOs and selected ADC-funded clients, and support other specific Government priorities – which may include artform development (enhancements in artistic production standards), audience development, international market development, arts-education linkages or other elements.

This would provide a clear incentive for major organisations to address Government priorities, and provide HAB and the Advisory Committee on Arts Development with leverage to encourage artistic and organisational change and development. Contestable funding would be supplementary to the baseline (triennial) funding agreed with individual companies, and would be subject to a competitive process, with applications submitted in response to priorities clearly highlighted by Government. Limits should be placed on the number of contestable funding awards which any single organisation is eligible to receive in a multi-year period. Major organisations would not be eligible to receive contestable funding awards for delivery of outputs already contained in their triennial funding agreement
27. With guidance on good practice from Government, the MPAOs should establish artistic self-assessment and evaluation procedures, including inputs from respected independent peers of the companies’ choosing. Summary results from such procedures should form part of the annual reporting process to Government
28. During the final year of each organisation’s funding triennium, an HAB-led artistic assessment and evaluation process should occur, undertaken by a small panel (four to five) including at least one peer assessor jointly agreed by HAB and the MPAO. The panel should also include a balance of artistically knowledgeable peers and individuals with business experience – but will not normally require individuals from beyond Hong Kong unless it is demonstrable that there are no suitable individuals within the SAR
29. In light of the recommendation that an in-depth review of all aspects of the MPAO’s work occur on a six-yearly basis, it should not prove necessary to undertake a separate artistic assessment and evaluation at these times. There would therefore be

an artistic evaluation every three years, with this being expanded into a fuller review of the organisation every alternative triennium

30. The selection of external advisors and peer assessors should be a transparent process, with clear terms of reference and full disclosure of actual or potential perceived conflicts of interest. In a number of other jurisdictions the role of advisor or external assessor is unpaid, and is taken on as a service to the industry. However, the advantages and disadvantages of this arrangement in a Hong Kong context bear further consideration
31. Eligibility for any appeal against decisions on funding should be confined to alleged breaches of Government's stated application and assessment procedures, or to relevant and material changes in the arts organisation's circumstances since the time of application
32. MPAOs be required to prepare and maintain three-year strategic plans, supported by annual operational/ business plans which indicate how the strategies will be implemented. Such plans will be rolled forward annually, with a thorough review/ redrafting every three years
33. MPAOs be required to develop three-year marketing and communications plans (amplifying on these matters within the strategic plan) and fundraising/ development plans
34. Guidelines on the form of such planning documentation be provided by Government. The purpose in requiring longer-term planning is to encourage a more businesslike approach within the funded organisations, increase transparency, and enhance their sustainability, including through increasing earned income
35. During the establishment phase for a new funding system, Government to provide financial and advisory support for the development of these planning processes within major organisations
36. The application and reporting process for MPAOs should include the following characteristics:
 - The application process to comprise a short application form accompanied by three-year financial forecasts (in a common format), a three year business plan, a marketing plan, a fundraising plan and an artistic and education program plan. The program plans may necessarily include elements which cannot be fully confirmed until a later date, especially for the second and third years (updating these plans could form part of the annual reporting process). An example of information to be secured through the application form is indicated in Appendix 12. Suggested contents for the business, marketing and fundraising plans are included at Appendix 13
 - Recent artistic self-assessments and peer assessments should accompany the application, with the organisation's brief comments on how it has responded to or learned from these. As submission of the assessments will also form part of the annual reporting process, only the previous twelve months' assessments should be required with the triennial application
 - Each MPAO's application should also propose a small range of key performance indicators (KPIs) by which the company believes its artistic and organisational progress should be measured, and the targets and implementation/ tracking processes for these. An illustration of possible KPIs is provided at Appendix 14. Confirmation of the KPIs will be through discussion between HAB and each organisation
 - HAB should review the initial application material and convene a meeting with the Chair and Executive staff of the organisation to clarify the MPAO's proposals and discuss any amendments required

- The funding agreement or contract to be signed by the Chair and the CEO of the subvented organisation. This ensures that the terms of the agreement have been understood and accepted by the board, and by the Officer with key responsibility for implementation. This will be helpful in avoiding potential communication lapses during a period of change and of new expectations. While it needs to be precise on the outputs or deliverables required, the funding agreement should also respect the autonomy of the board of each organisation to determine how it runs its business
- Brief annual progress reports in a format clearly prescribed by Government (to ensure brevity and efficiency), addressing artistic progress, market development and organisational development. These (and some of the KPIs) would cover activity undertaken, assessed impact and capacity-building of the organisation
- An annual meeting between Government funding officers and the Chair and executive staff of the organisation; and at least half-yearly meetings between funding officers and executive staff. The purpose of these meetings would be to discuss progress, explore areas of common interest or concern, and consider longer-term development issues. They would be intended to build understanding and knowledge, but also provide early warning of any concerns. Potentially, these meetings could also be attended by one or two members of ACAD
- Harmonisation between some elements of the reporting process for major organisations and that for other organisations (including those applying to ADC), to ease transition between the tiers of major organisation and annually funded organisation. Such harmonisation could also support the wider collation and dissemination of industry data and trends, beyond the MPAOs' half-yearly financial update reports
- At a later stage, a move to online submission, including a financial template, structured to ease comparison between one period and the next or between individual companies and agreed benchmarks. Online submission (and online reporting) would also enable the funding agency to build incrementally a more detailed knowledge of industry performance and trends, and feed back data to the industry. Australia and Canada have recently developed online administration procedures similar to this.
- Government to consider also the introduction of an online data reporting mechanism in cooperation with ADC in order to collate data from multiple companies and provide industry feedback on trends, on a non-attributed basis. This would align with the online application process recommended above

In developing and implementing any systemic or bureaucratic changes, it will be important to bear in mind the primary purposes for which Government supports the performing arts – to nurture the cultural life of Hong Kong and provide access to a rich artistic diet (or other key priorities outlined in the recommended sector plan). The systems should be as lean and efficient as possible consistent with meeting these, or other stated, objectives. It is tempting, for example, to gather additional data on the basis that they would be 'nice to know', or to impose additional monitoring and reporting requirements to add a layer of further risk protection. Such accretions can grow by stealth, and become very burdensome for the funded clients, with little benefit to the Government or the public.

Further detail of the application and reporting proposals is provided in Appendices 5 and 12.

6.5 Determination of Funding Levels

It is not only in Hong Kong that the rationales for funding levels enjoyed by individual companies become obscure. In many jurisdictions funded arts organisations tend to receive similar levels of support from year to year, regardless of their changing circumstances or aspirations, possibly because this reflects their true needs or, less charitably, because it causes the least fuss politically and avoids the challenge of finding more money.

In the future, determination of funding levels for performing arts companies in Hong Kong could be based on:

- Historical precedent (which is predominantly the current system)
- A fixed allocation for major organisations as a whole and for specific artforms within this, based on what specific cultural outputs are 'worth' to Government, as articulated through a sector plan
- An analysis of need based on each organisation's cost drivers and agreed purpose and outputs – establishing a baseline, and then varying this in future years in line with cost escalation or changes in output or developmental requirements⁵⁵
- Benchmarking against a basket of similar organisations overseas
- Expenditure requirements and income-generating potential in the Hong Kong market

Commentary

It would be logical to ensure that the funding provided is linked not only to costs of production but also to expectations of the company's outputs and the obligations expressed for major organisations. For example, major organisations may be expected to undertake regular touring (or appearance at key festivals or events) with high production standards reflecting their ambassadorial role. This places a cost burden on the company, varying with scale of ensemble and nature of the work, which should be reflected in a funding level agreed for each triennium. Similarly, the majors' industry leadership role places obligations for time and resources to be invested in the companies' relationship with other companies. This too needs to be recognised in the funding level approved.

A principle underpinning any new funding mechanism will need to be that spreading the resources evenly makes for poor industry development and audience development strategy. While no single major arts organisation would wish to see its funding reduced relative to the others, there is a view held by both company representatives and other stakeholders in Hong Kong that Government has to have the courage to reward success and good practice, rather than deal even-handedly with all major organisations, regardless of their artistic performance or other outputs. In overseas jurisdictions the consultants have not observed the same Government concern about 'fairness': limited resources and the highly competitive nature of most funding regimes precludes this.

The consultants note the observation of the Committee on Performing Arts that 'future development should not be threatened by abrupt changes' to the current funding system. This applies most pertinently to funding levels. For this reason, it is suggested that changes in funding should be implemented through a phased process involving:

1. A clear statement of the output expectations of major organisations a) generically and b) specific to the individual organisations in these categories. This would reflect the performing arts sector plan and the definition of purpose/ positioning for each MPAO as recommended above

⁵⁵ Note that cost escalation in performing arts organisations tends to be consistently higher than CPI because of the proportion of staffing costs to overall expenditure.

2. Analysis of the fixed and variable costs as they currently occur – a process which would be undertaken in close consultation with the companies, and by reference to the financial structure of an agreed basket of benchmark companies in other jurisdictions
3. Establishment of medium-term income targets for box office/ fees and contributed income for individual companies

A move from the current to the proposed future subvention level could then be phased in over a period of several years.

Regardless of the pace at which a move to new funding levels is implemented, some initiatives could be taken in the shorter term. For example, the recommendation to introduce contestable funding linked to Government priorities for artform or audience development could be introduced in advance of other changes to funding levels for individual companies.

While the consultants believe that most of the current MPAOs have an opportunity to increase earned and/ or contributed income levels over a number of years, it would be unwise for Government to plan a reduction in subvention on this basis. This can only provide a disincentive, effectively imposing a punishment for success. On the contrary, the companies should be encouraged to grow their economy and their impact through enhancing non-Government sources of income to enhance returns on the Government dollar invested.

The consultants recognise that performing arts organisations in Hong Kong are facing a highly fluid environment, with dramatic change likely following the launch of West Kowloon Cultural District. There are many factors beyond the companies' control which will impact upon their income generating capability (and their cost-drivers), and Government will need to retain some flexibility in light of this shifting landscape.

While the question of funding levels for major companies will be addressed through this study, this leaves the question of what scale of resources should be allocated to the non-major companies. The challenge of generating more artistic product, of high quality, to meet the opportunities presented by a wide range of venues in West Kowloon Cultural District has an impact not only on the 'major' organisations but on many smaller and project-based companies which may have the potential to generate stimulating new work, especially for the smaller venues in West Kowloon. To a great degree, this is a discretionary matter for Government, and is interlinked with the relative roles of the WKCD Authority as well as the role of Government as funder.

In some jurisdictions there have been initiatives to address the demand side of the arts in addition to the supply side through funding arrangements (there have been many more initiatives focused on demand stimulation through audience development activities). In the visual arts, for example, there have been occasional interest-free loan schemes facilitating the purchase of artwork. Potentially, vouchers distributed to the public or similar mechanisms could be explored as a means of encouraging greater participation, and rewarding artistic quality and effective marketing on the part of individual companies. However, as the certainty of baseline funding remains essential for the MPAOs – and is central to the present study – these additional demand-stimulation mechanisms remain for later consideration.

Recommendations

It is **recommended** that:

37. The determination of baseline funding levels be established with reference to the cost-drivers, expectations and future income targets for individual companies

38. Cost drivers be agreed through analysis undertaken in consultation with the selected MPAOs; expectations be linked to the obligations placed upon major organisations, and to the outputs (performance, touring, education and other) agreed with individual companies; and income targets be established with reference to relevant overseas benchmarks, and to the historical income levels of the specific major organisations
39. The move to new baseline funding levels be phased in over several years, to enable the companies to effect necessary organisational development and adjustment
40. Changes to future funding levels (beyond the initial baseline agreed) be made in light of inflationary impacts and changes in outputs agreed – notwithstanding Government's right to require 'efficiency dividends' through improved working practices. The overall principle informing funding level decisions will be transparency – that the reasoning underpinning the specific dollar figure can be clearly identified

A suggested framework for discussing cost drivers is provided at Appendix 15.

6.6 Governance and Management

The assessment of a funded arts organisation must be based primarily on delivery of quality artistic work to its community. Increasingly, however, funding agencies have also concerned themselves with the strength of the organisation's management, governance and financial stability. This reflects a concern with accountability in the disbursement of public funds, but also a recognition that a strong management team and board can add significantly to the capacity of the arts organisation to deliver – by maximising earned and contributed income, opening doors and providing connections, stimulating strategic thinking and planning, and providing appropriate checks and balances within the organisation. The corollary is that weak management or governance capabilities can lead to internal frictions and an undermining of the organisation's artistic performance. The Efficiency Unit of the Hong Kong Government recently issued guidelines to encourage effective governance in subvented organisations⁵⁶.

Commentary

The issue of capacity-building programs has been addressed above. Overseas, such programs have been complemented by management and leadership programmes for arts managers, in-service training programmes for marketing and development staff, and even training programmes and codes of conduct for the board members of arts organisations, as mentioned earlier.

Some funding agencies require not only the evidence of strategic and marketing planning indicated above but also succession plans for board and senior staff, to ensure that artistic excellence is not compromised by avoidable organisational disruptions. The purpose of the board and management team is to serve the art. But a lack of professionalism off-stage can easily tarnish an organisation's ability to perform.

Currently, Government appoints several board members to the boards of four of the MPAOs, linking back to these MPAOs' early history. However, given the requirement for each MPAO board to be responsible for its own health and effectiveness it is inconsistent – and somewhat constraining – for some of the MPAOs not to have the ability to plan and implement board succession and composition with a free hand. The consultants take the view that all the MPAOs should have the power to determine their own board recruitment processes, bearing in mind the earlier recommendations that if a MPAO consistently underperformed Government could demand board and executive leadership changes as a condition of continued subvention. This will require changes to the constitutions of several MPAOs.

⁵⁶ Guide to Good Governance for Subvented Organisations, Efficiency Unit, May 2010.

Recommendations

It is **recommended** that:

41. Government require all MPAOs to develop board job descriptions, codes of conduct, conflict of interest policies and board charters, reflecting best practice overseas
42. Boards be required to develop and maintain succession plans for the board and executive staff of their organisations
43. Government encourage a culture of continuous learning and improvement in the management and governance of major organisations through monitoring the organisations' investment in training and development
44. All MPAOs be responsible for their own board recruitment, removing the power of Government to appoint several board members in the case of those MPAOs where this currently applies

6.7 Funding Agency Structures

Overseas, it is not uncommon for multiple funding agencies to be engaged in the support of performing arts organisations. In Hong Kong, funding for the performing arts is undertaken by HAB, LCSD and ADC. In the US, Canada and Australia, arts organisations may receive funding from Federal, State and local levels of Government. In Korea, national funding through the Arts Council is supplemented with local funding through dedicated agencies and foundations.

A key issue for any new funding mechanism in Hong Kong will be alignment between different agencies, assuming multiple funding bodies continue to operate, to prevent duplication of resources or a wasteful conflict between priorities. The present study provides an opportunity to consider the benefits of structural changes to the funding agencies. In relation to organisational structures underpinning performing arts funding arrangements the options for Hong Kong include:

1. Maintaining the status quo, but with greater clarity of intent and alignment (linked to a policy framework/ sector plan as articulated above)
2. Establishing a specialist arts funding unit within HAB, with specific arts industry expertise. Such a unit could have remit for either MPAOs only, or for all performing arts organisations
3. Devolution of all performing arts funding to a reconfigured ADC
4. Establishing a new arms-length entity to distribute MPAO funding provided by HAB
5. Re-considering the parameters of LCSD's role

Commentary

A number of improvements to the current funding arrangements could be effected based partly on practice observed in other jurisdictions and without altering existing structures or roles. For example, improved assessment processes, revised funding agreements and possibly multi-year funding could be introduced. These could be combined with greater clarity in relation to the Government's policy and priorities. Such an option might be considered the line of least resistance; an easy way of refining the funding system without causing disruption. However, it may also fail to address some of the industry constraints which have been identified with the current division of responsibilities between HAB, LCSD, ADC and – in the near future – WKCD.

One of the constraints of the relationship between Government bureaucracies and the arts (not only in Hong Kong) is that the professional bureaucrat may have little knowledge of this complex sector, leading to an over-formal client-contractor relationship or even a rather adversarial relationship. Development of the sector – for the benefit of the wider public – is hampered by this lack of common working. A specialised funding unit – located within HAB or

elsewhere in Government – could enhance industry knowledge, provide greater continuity, and support a partnership-based approach to arts and organisational development. Basing officers within such a unit for normal terms of four or five years, as well as recruiting some specialist knowledge from the sector, could also enable the unit to build a level of industry experience which would support more sophisticated evaluation and assessment processes as part of a future funding system.

An alternative approach would be to establish an arms-length entity (similar to ADC or to the Arts Councils in Canada, Singapore, Korea, Australia, England, Scotland) which would distribute funding to the MPAOs on HAB's behalf. Sitting outside the Government bureaucracy may make it easier to build specialised staffing, and to protect freedom of expression – although it is noted that a recent report on such independent funding structures internationally did not find a simple correlation between arms-length arrangements and artistic freedom⁵⁷. For the Government, the possible disadvantage of this and other similar options is the loss of a degree of control, notwithstanding that the terms of reference and policy frameworks informing such an entity can be used to steer its overall direction.

An arms-length entity already exists, in the form of ADC. It would be possible to refine the scope and structure of ADC to handle all performing arts funding, including the MPAOs. This could have the added virtue of a coherent approach to industry development being adopted across all scales and types of organisation. However, there is some 'history' here which would probably lead to resistance on the part of several of the major organisations themselves. The objection is that ADC is too vulnerable to factional pressures and/ or that the officers would not have the competence to evaluate and monitor the major and future flagship organisations (an argument which has been deployed by major organisations in England and Australia at different times, in relation to arms length bodies with a wide funding remit). There might also be anxiety about having only one funding door to walk through. This increases the level of risk for the performing arts, because the views and preferences of a small group of decision-makers become very powerful. A variation on this and the previous option would be to create an entirely new arms-length entity with funding responsibilities for the whole sector, while winding up ADC.

Support for the performing arts also occurs via LCSD, for example through the Venue Partnership Scheme, through booking companies to perform in LCSD-operated venues and through subsidising the rental costs of venues. LCSD also has an impact on the broader performing arts market through its ticket-pricing policies at LCSD venues. Overseas jurisdictions do not demonstrate such a dominant Government presence, with their ownership and operation of venues being spread more evenly across for-profit and non-profit private entities, universities, and a range of Governmental agencies. The current structure in Hong Kong reflects a strong commitment by the Government to sustaining a wide-ranging cultural programme for the community, but it may also be responsible for suppressing the development of a healthy, competitive market-place in the performing arts and, in particular, in the growth of independent producers and venue operators. LCSD's dual and centralised control of venues and programming resources leaves little room for manoeuvre for others.

As a number of agencies are involved in the funding for the performing arts, articulation of the Government's objectives in relation to arts and cultural development – through a sector plan – could enable these agencies to consider ways in which they might align effectively with Government's objectives, with a common sense of direction. Specific objectives and strategies for aspects of arts development would have the benefit of targeting resources to address known weaknesses (or to build on key strengths) on the assumption that artform, audience or

⁵⁷ International Federation of Arts Councils and Cultural Agencies D'Art Report: The Independence of Government Arts Funding: A Review, D'Art Topics in Arts Policy no.9, July 2009.

management development will not occur without clear plans in place. This could lead to a more efficient use of resources across different elements of Government and other agencies, such as HAB, LCSD, ADC, WKCD; but could also create opportunities for other actors – such as Hong Kong Jockey Club and HKAPA – to contribute towards fulfilment of a commonly-accepted plan.

In the longer-term, Government may consider encouraging a more pluralistic approach to venue operation, retaining direct management of some, while putting others out to competitive tender to for-profit or non-profit organisations and, in some cases, establishing dedicated separate business units to run individual venues at arm's length from LCSD. Similar options are under consideration for venues within WKCD.

Finally, the consultants are aware that the issues raised above extend far beyond amendments to the funding mechanism. However, as indicated earlier, funding is a component within a broader and more complex ecology. If the ultimate objective is a vibrant, high quality performing arts sector, Government will need to turn its attention to other elements within this ecology, including its own role as a venue owner and operator, and as a presenter. The current study provides an opportunity to progress this discussion.

Recommendations

The consultants **recommend** that:

45. For the short term, a dedicated unit be established with responsibility for administration of the funding mechanism for MPAOs, and for implementation or oversight of other industry development and capacity-building recommendations in this Report. Such a unit would include (but not be limited to) staff with direct arts management experience, and would be supported by the Advisory Committee on Arts Development. It may be necessary to second additional arts professionals to such a unit, or to secure access to relevant industry experience through other mechanisms, in order to ensure that an appropriate level of current industry experience is available within Government in light of the new assessment processes and closer dialogue required with the arts organisations. This may be achieved partly through the expertise held by peer assessors recommended in 27 and 29 above. Note that some earlier recommendations which reference action by HAB may more properly be considered to reference action by this proposed unit (which may or may not sit within HAB)
46. The tenure of staff within the unit be considered carefully, to avoid the risk of losing valuable industry knowledge and disrupting relationships and communications with the MPAOs. The closer interaction between funder and funded, the introduction of in-depth evaluation processes and the partnership-working envisaged with MPAOs will each make increased demands on Government personnel. They too may need some professional development support to implement the proposed funding mechanism effectively
47. Close liaison occur between this unit and ADC in order to identify and nurture arts companies with the potential to become major organisations, and to harmonise application and reporting processes as far as possible. Regular coordination meetings should be held between the agencies
48. In light of the new funding mechanism adopted and the launch of West Kowloon Cultural District, within the next three years a review be conducted of Government agencies and structures in relation to performing arts funding and delivery to identify the most appropriate alignment of resources and longer-term arrangements and the roles for HAB, LCSD, ADC, WKCD and other agencies. Amongst other issues such a review should consider:

- The parameters of LCSD's future remit as a venue operator and programmer, as well as its function as a funder through the Venue Partnership Scheme
- The advantages and disadvantages of having an arms length funding agency for all performing arts organisation funding and, in light of this
- The future scope of ADC's work

6.8 Government Initiatives in Arts Development beyond Funding Provision

In a number of other jurisdictions reviewed there are:

- Non-Governmental agencies which assist with industry development – sometimes established with Government support, sometimes established through independent or industry-led initiatives. These include arts marketing consortia, leadership development programmes and governance support programmes. Some examples of these organisations are provided in Appendix 16
- Training programs
- Audience development initiatives
- Well developed business sponsorship for the arts, and other arts-business partnership arrangements
- Foundations and individual philanthropy which support artists and arts organisations

The health of the arts owes much to these multiple 'players', and this raises the question of how important it will be for the Government in Hong Kong to encourage the development of such a market-place, or to create support services which are provided by non-Governmental agencies elsewhere. In the case of building business sponsorship and philanthropy, the fundamental question for the Government is how far it wishes to act as a catalyst for evolving the arts economy.

Commentary

The funding mechanism, and levels of Government subvention, are important elements which affect the performing arts organisations' ability to deliver high quality work while maintaining affordability and accessibility to a wide range of audiences. However, there are other elements within the performing arts ecology which also have an influence – the management, marketing and fundraising capabilities of the organisations; public attitudes to the arts; and corporate support for the arts, amongst others. In some jurisdictions Governments – or philanthropic foundations – have intervened to stimulate industry development or organisational capacity building. This can include match-funding arrangements, tax concessions, training interventions, advocacy and market research.

A problem mentioned by several MPA organisations is their inability to access audience data from the Urbtix system to support strategic market and audience development. Hong Kong is not the only jurisdiction where such constraints occur – either because of limitations of the ticketing system or intellectual property issues between ticketing service providers, venues and performing arts companies. Nevertheless, it is an issue which will need to be resolved if the MPA companies and others are to optimise their audience development strategies.

It would be possible for Government to take the view that its role does not and should not extend beyond the provision of funding for professional producing and presenting companies. Alternatively, it is possible for Government to be clearly interventionist – becoming directly engaged in delivering or commissioning training, establishing specialist industry development agencies or seeking to adjust the tax regime to encourage increased corporate or individual support for the arts.

Government has already made significant interventions which go beyond funding provision – in constructing performing arts venues throughout Hong Kong, in directly operating those venues, and through establishing the WKCDA. These steps reflect a belief that the market would not generate such cultural provision.

The consultants' view is that the industry development needed to leverage Government's investment in cultural facilities calls for a more active role than funding alone – but that the degree of proactive intervention needs to be consistent with political custom in Hong Kong and with Government's capabilities, strengths and weaknesses.

Recommendations

It is **recommended** that:

49. Government considers the establishment of a match-funding scheme to encourage first-time sponsors/ supporters/ donors/ financiers of the arts, and to encourage existing sponsors/ donors to increase their sponsorship levels. This should have a low eligibility threshold to encourage take-up, but also be capped to prevent resources being monopolised by a small number of companies. New sponsors might be matched dollar for dollar, with existing sponsor increase being matched one dollar for two⁵⁸
50. Government explores the establishment of an agency which supports the development of arts-business partnerships or more broadly relationships between the arts and the private sector including all aspects of partnerships through advocacy, training and highlighting good practice. Such an agency could be established in partnership with corporate leaders – and may be responsible for administration of the match-funding scheme outlined above
51. Government considers establishing annual business partnership and philanthropy awards to celebrate best practice and recognise achievement
52. For a limited period (three to five years) MPAOs be eligible for part-funding of development/ fund-raising staff whilst this capability is built up within the performing arts sector
53. Government explore with West Kowloon Cultural District Authority the establishment of a HKSAR-wide arts marketing consortium or service agency. Such an agency would provide training, database management services, joint purchasing of marketing supplies and manage shared (multi-organisation) audience development initiatives
54. Government reviews current arrangements relating to the Urbtix system to encourage appropriate data-sharing with producing companies, and encourage similar data-sharing procedures on the part of WKCDA

The recommendations contained in this Report may appear disproportionately focused on managerial, planning and funding process issues. However, the philosophy underpinning all the recommendations is that high quality management and governance are servants of high quality artistic work – and that a failure to build and retain best practice behind the scenes is an abdication of responsibility. Only talented artists produce great artwork – but such artists deserve the strongest possible support. The recommendations also address a range of enhancements to the performing arts ecology in Hong Kong, intended to increase non-Government resources and to maintain vibrancy within the sector.

⁵⁸ A similar match-funding scheme operated in the UK for over 20 years. Experience from this could be used to inform the detailed design of a system in Hong Kong.

6.9 Phasing-in the New System

The recommendations in this report reflect industry best practice and are commensurate with features of funding mechanisms in other jurisdictions – but collectively the recommendations represent a significant amount of change and adaptation. Both Government and the performing arts sector will need time to transition to a new system. It is proposed that the funding mechanism be phased in through several stages, possibly over a period of three to five years through the following sequence of activities:

1. Implementation of new application and reporting processes, including a longer term funding cycle
2. Investment in managerial and governance capacity-building for existing major organisations –including for example strengthening their fund-raising and development functions and possibly board processes, and enhancing their business planning and marketing planning skills
3. Addressing improved policy clarity and the priorities for performing arts organisations within this
4. Establishment of contestable funding as outlined above
5. Determination of individual company roles and priorities
6. Review of baseline funding for individual companies in light of their role
7. Phase-in of new funding levels
8. Development process for prospective major organisations, in conjunction with ADC
9. Consideration of the establishment of flagship organisations by promoting existing major companies in the longer term

7. Summary of Recommendations

The following is a summary of the recommendations described throughout this report.

In relation to providing clearer direction it is **recommended** that:

1. A performing arts sector plan should be developed during 2012. It would be desirable for a performing arts sector plan to be integrated with a comprehensive plan for the creative industries as a whole, to be undertaken in cooperation with the Commerce and Economic Development Bureau.

In relation to the concept of major status, it is recommended that:

2. The concept of major performing arts organisations be retained
3. A clear description of the criteria for inclusion within the MPAO group be adopted
4. Entry into MPAO status be available to ADC multi-year funded organisations and to Springboard Grant recipients on a selective basis and preceded by a structured development program (see 'encouraging an active ecology below')⁵⁹
5. Linkage between the MPAOs and smaller companies and independent artists be encouraged and specified through funding agreements. Such linkages may include co-productions, co-commissioning of work, secondments of artists and other personnel between the companies, mentoring or other activities
6. Government invest in organisational and artistic capacity building amongst the MPAOs

⁵⁹ The 'Springboard' grant program was being introduced during the course of this study, and determination of successful first round applicants is pending.

7. There should be direct links between the agreed funding level for each MPAO and its purpose and performance. Funding levels should reflect the cost-drivers and the expected role of each company; and financial incentives and penalties should encourage strong artistic and organisational performance
8. In the event of extended underperformance Government may require leadership changes amongst executive staff or the board of a MPAO. In the event that a company were unwilling or unable to effect necessary changes, Government should retain the right to remove the company's MPAO status
9. Following the implementation of the other adopted recommendations from this Report, a new category of 'flagship organisation' be further considered. It is suggested that this occurs approximately five years after inception of the new funding mechanism. Designation as a flagship organisation would be through a selective, and subsequent developmental, process
10. A detailed review of the performance of each major organisation occur every six years. Such a review will address artistic standards, innovation, audience development, management capabilities, fundraising/ development and governance, amongst other elements. The review may be undertaken by a small panel including two members of the Advisory Committee on Arts Development and two independent experts – one of whom will be from overseas⁶⁰. The panel will be served by a Government officer
11. Funding agreements should specify Government's authority to require changes in executive leadership or the board composition of a MPAO in the event of extended under-performance or non-compliance

In the case of ADC multi-year funded organisations wishing to be considered for admission into major status a clear process will need to be agreed. It is recommended that:

12. The proposal to admit an ADC-funded or Springboard Grant-receiving organisation into major status may be initiated by HAB, ADC or individual arts organisations which meet Government's stated threshold criteria
13. Threshold criteria should include a minimum of six years' of biennial/ triennial funding from ADC, formal support from ADC for the proposed transition to major status, and a balance sheet which demonstrates a positive accumulated financial position (i.e. no net deficit)
14. With HAB support – possibly including the engagement of specialist assistance – eligible ADC-funded organisations should prepare an outline development plan indicating how the organisation intends to develop artistically, organisationally and financially, in order to meet the demands which would be placed upon it as a major organisation. This plan would be jointly evaluated by HAB and ADC – in consultation with the arts organisation
15. If it is agreed by HAB and ADC that the organisation is suitable for admission to major status, a more detailed development program will be prepared and signed off by HAB, ADC and the arts organisation. This will include the confirmation of KPIs for the arts organisation during an initial period of operation as a MPAO
16. The development program will be implemented over an agreed period – likely to be between six and 18 months
17. Initially, the organisation would be admitted into major status for a time-limited, probationary period (perhaps three years). Subject to satisfactory progress, the organisation would be formally transferred from ADC to HAB

In relation to professional development it is recommended that:

⁶⁰ It is proposed that such an 'expert' should have in-depth experience of company evaluation and review – for example an art-form officer or director from an overseas funding agency.

18. Common training/ professional development support be provided for all the MPAOs in the areas of business planning, marketing planning and fundraising/ development. The latter, at least, would require participation by board members during a part of the program
19. Through a process of self-assessment and independent advice, a skills audit of each of the MPAOs be undertaken with a view to identifying areas where customised professional development may strengthen the operations of the organisation – this may be in managerial, technical or creative areas
20. HAB provides resources to ensure that training and professional development programs are affordable for the MPAOs; the MPAOs, in turn, be required to budget at reasonable levels for training and professional development (e.g. 1% - 2% of personnel costs)
21. Progress in capacity-building within each of the MPAOs be tracked annually through the routine reporting and funding acquittal processes
22. The strengths and development plans of the MPAOs in relation to education activities, audience development, commissioning and artistic development be supported and monitored through annual self-assessment and through the periodic independent performance reviews recommended above

In relation to the administration of funding agreements, it is recommended that:

23. MPAOs should benefit from three-year funding agreements, renewable based on performance and future plans. Major organisations should also receive targeted support for artistic and organisational development
 24. Funding agreements with companies be aligned to coincide with the funding and planning periods recommended above, so that all major organisations have fixed triennial agreements. It may be helpful to introduce this change with the offer of one-off four-year agreements for several of the nine MPAOs, so that HAB is not burdened with the renewal process attached to all nine at the same time. This would also result in a staggering of the periodic in-depth reviews of the companies. This could be achieved by selecting – by lot – four year agreements for some and three year agreements for others during the initial implementation phase
 25. In the medium term (six to nine years) consideration be given to a shift either to rolling triennial agreements rather than fixed agreements or to six-year agreements with substantive progress reviews at the three-year point. Companies would then have a minimum three year funding certainty at all times, other than if they are put 'on notice' for unsatisfactory performance
 26. Government steps up the overall funding allocation for major and prospective MPAOs through the establishment of a contestable fund which would facilitate continuing organisational development of the MPAOs and selected ADC-funded clients, and support other specific Government priorities – which may include artform development (enhancements in artistic production standards), audience development, international market development, arts-education linkages or other elements
- This would provide a clear incentive for major organisations to address Government priorities, and provide HAB and the Advisory Committee on Arts Development with leverage to encourage artistic and organisational change and development. Contestable funding would be supplementary to the baseline (triennial) funding agreed with individual companies, and would be subject to a competitive process, with applications submitted in response to priorities clearly highlighted by Government. Limits should be placed on the number of contestable funding awards which any single organisation is eligible to receive in a multi-year period. Major organisations would not be eligible to receive contestable funding awards for delivery of outputs already contained in their triennial funding agreement.

In relation to evaluation and assessment processes it is recommended that:

27. With guidance on good practice from Government, the MPAOs should establish artistic self-assessment and evaluation procedures, including inputs from respected independent peers of the companies' choosing. Summary results from such procedures should form part of the annual reporting process to Government
28. During the final year of each organisation's funding triennium an HAB-led artistic assessment and evaluation process should occur, undertaken by a small panel (four to five) including at least one peer assessor jointly agreed by HAB and the MPAO. The panel should also include a balance of artistically knowledgeable peers and individuals with business experience – but will not normally require individuals from beyond Hong Kong unless it is demonstrable that there are no suitable individuals within the SAR
29. In light of the recommendation that an in-depth review of all aspects of the MPAO's work occur on a six-yearly basis, it should not prove necessary to undertake a separate artistic assessment and evaluation at these times. There would therefore be an artistic evaluation every three years, with this being expanded into a fuller review of the organisation every alternative triennium
30. The selection of external advisors and peer assessors should be a transparent process, with clear terms of reference and full disclosure of actual or potential perceived conflicts of interest. In a number of other jurisdictions the role of advisor or external assessor is unpaid, and is taken on as a service to the industry. However, the advantages and disadvantages of this arrangement in a Hong Kong context bear further consideration
31. Eligibility for any appeal against decisions on funding should be confined to alleged breaches of Government's stated application and assessment procedures, or to relevant and material changes in the arts organisation's circumstances since the time of application

In relation to MPAOs' planning processes it is recommended that:

32. MPAOs be required to prepare and maintain three-year strategic plans, supported by annual operational/ business plans which indicate how the strategies will be implemented. Such plans will be rolled forward annually, with a thorough review/ redrafting every three years
33. MPAOs be required to develop three-year marketing and communications plans (amplifying on these matters within the strategic plan) and fundraising/ development plans
34. Guidelines on the form of such planning documentation be provided by Government. The purpose in requiring longer-term planning is to encourage a more businesslike approach within the funded organisations, increase transparency, and enhance their sustainability, including through increasing earned income
35. During the establishment phase for a new funding system, Government provide financial and advisory support for the development of these planning processes within major organisations
36. The application and reporting process for MPAOs should include the following characteristics:
 - The application process to comprise a short application form accompanied by three-year financial forecasts (in a common format), a three year business plan, a marketing plan, a fundraising plan and an artistic and education program plan. The program plans may necessarily include elements which cannot be fully confirmed until a later date; especially for the second and third years (updating these plans could form part of the annual reporting process). An example of information to be secured through the application form is indicated in Appendix 12. Suggested contents for the business, marketing and fundraising plans are included at Appendix 13

- Recent artistic self-assessments and peer assessments should accompany the application, with the organisation's brief comments on how it has responded to or learned from these. As submission of the assessments will also form part of the annual reporting process, only the previous twelve months' assessments should be required with the triennial application
- Each MPAO's application should also propose a small range of key performance indicators (KPIs) by which the company believes its artistic and organisational progress should be measured, and the targets and implementation/ tracking processes for these. An illustration of possible KPIs is provided at Appendix 14. Confirmation of the KPIs will be through discussion between HAB and each organisation
- HAB should review the initial application material and convene a meeting with the Chair and Executive staff of the organisation to clarify the MPAO's proposals and discuss any amendments required
- The funding agreement or contract to be signed by the Chair and the CEO of the subvented organisation. This ensures that the terms of the agreement have been understood and accepted by the board, and by the Officer with key responsibility for implementation. This will be helpful in avoiding potential communication lapses during a period of change and of new expectations. While it needs to be precise on the outputs or deliverables required the funding agreement should also respect the autonomy of the board of each organisation to determine how it runs its business.
- Brief annual progress reports in a format clearly prescribed by Government (to ensure brevity and efficiency), addressing artistic progress, market development and organisational development. These (and some of the KPIs) would cover activity undertaken, assessed impact and capacity-building of the organisation
- An annual meeting between Government funding officers and the Chair and executive staff of the organisation; and at least half-yearly meetings between funding officers and executive staff. The purpose of these meetings would be to discuss progress, explore areas of common interest or concern, and consider longer-term development issues. They would be intended to build understanding and knowledge, but also provide early warning of any concerns. Potentially, these meetings could also be attended by one or two members of ACAD
- Harmonisation between some elements of the reporting process for major organisations and that for other organisations (including those applying to ADC), to ease transition between the tiers of major organisation and annually funded organisation. Such harmonisation could also support the wider collation and dissemination of industry data and trends, beyond the MPAOs' half-yearly financial update reports
- At a later stage, a move to online submission, including a financial template, structured to ease comparison between one period and the next or between individual companies and agreed benchmarks. Online submission (and online reporting) would also enable the funding agency to build incrementally a more detailed knowledge of industry performance and trends, and feed back data to the industry. Australia and Canada have recently developed online administration procedures similar to this
- Government to consider also the introduction of an online data reporting mechanism in cooperation with ADC in order to collate data from multiple companies and provide industry feedback on trends, on a non-attributed basis. This would align with the online application process recommended above

With regard to the determination of funding levels, it is recommended that:

37. The determination of baseline funding levels be established with reference to the cost-drivers, expectations and future income targets for individual companies
38. Cost drivers be agreed through analysis undertaken in consultation with the selected MPAOs; expectations be linked to the obligations placed upon major organisations, and to the outputs (performance, touring, education and other) agreed with individual companies; and income targets be established with reference to relevant overseas benchmarks, and to the historical income levels of the specific major organisations
39. The move to new baseline funding levels be phased in over several years, to enable the companies to effect necessary organisational development and adjustment
40. Changes to future funding levels (beyond the initial baseline agreed) be made in light of inflationary impacts and changes in outputs agreed – notwithstanding Government's right to require 'efficiency dividends' through improved working practices. The overall principle informing funding level decisions will be transparency – that the reasoning underpinning the specific dollar figure can be clearly identified

In relation to governance and board effectiveness it is recommended that:

41. Government require all MPAOs to develop board job descriptions, codes of conduct, conflict of interest policies and board charters, reflecting best practice overseas
42. Boards be required to develop and maintain succession plans for the board and executive staff of their organisations
43. Government encourage a culture of continuous learning and improvement in the management and governance of major organisations through monitoring the organisations' investment in training and development
44. All MPAOs be responsible for their own board recruitment, removing the power of Government to appoint several board members in the case of those MPAOs where this currently applies

In relation to Government's structural arrangements underpinning the performing arts funding mechanism, it is recommended that:

45. For the short term a dedicated unit be established with responsibility for administration of the funding mechanism for MPAOs, and for implementation or oversight of other industry development and capacity-building recommendations in this Report. Such a unit would include (but not be limited to) staff with direct arts management experience, and would be supported by the Advisory Committee on Arts Development. It may be necessary to second additional arts professionals to such a unit, or to secure access to relevant industry experience through other mechanisms, in order to ensure that an appropriate level of current industry experience is available within Government in light of the new assessment processes and closer dialogue required with the arts organisations. This may be achieved partly through the expertise held by peer assessors recommended in 27 and 29 above. Note that some earlier recommendations which reference action by HAB may more properly be considered to reference action by this proposed unit (which may or may not sit within HAB)
46. The tenure of staff within the unit be considered carefully, to avoid the risk of losing valuable industry knowledge and disrupting relationships and communications with the MPAOs. The closer interaction between funder and funded, the introduction of in-depth evaluation processes and the partnership-working envisaged with MPAOs will each make increased demands on Government personnel. They too may need some professional development support to implement the proposed funding mechanism effectively
47. Close liaison occur between this unit and ADC in order to identify and nurture arts companies with the potential to become major organisations, and to harmonise application

and reporting processes as far as possible. Regular coordination meetings should be held between the agencies

48. In light of the new funding mechanism adopted and the launch of West Kowloon Cultural District, within the next three years a review be conducted of Government agencies and structures in relation to performing arts funding and delivery to identify the most appropriate alignment of resources and longer-term arrangements and the roles for HAB, LCSD, ADC, WKCD and other agencies. Amongst other issues such a review should consider:
- The parameters of LCSD's future remit as a venue operator and programmer, as well as its function as a funder through the Venue Partnership Scheme
 - The advantages and disadvantages of having an arms length funding agency for all performing arts organisation funding and, in light of this
 - The future scope of ADC's work

In relation to aspects of the performing arts ecology beyond Government subvention it is recommended that:

49. Government considers the establishment of a match-funding scheme to encourage first-time sponsors/ supporters/ donors/ financiers of the arts, and to encourage existing sponsors/donors to increase their sponsorship levels. This should have a low eligibility threshold to encourage take-up, but also be capped to prevent resources being monopolised by a small number of companies. New sponsors might be matched dollar for dollar, with existing sponsor increase being matched one dollar for two
50. Government explore the establishment of an agency which supports the development of arts-business partnerships or more broadly relationships between the arts and the private sector including all aspects of partnerships through advocacy, training and highlighting good practice. Such an agency could be established in partnership with corporate leaders – and may be responsible for administration of the match-funding scheme outlined above
51. Government consider establishing annual business partnership and philanthropy awards to celebrate best practice and recognise achievement
52. For a limited period (three to five years) MPAOs be eligible for part-funding of development/ fund-raising staff whilst this capability is built up within the performing arts sector
53. Government explore with West Kowloon Cultural District Authority the establishment of a SAR-wide arts marketing consortium or service agency. Such an agency would provide training, database management services, joint purchasing of marketing supplies and manage shared (multi-organisation) audience development initiatives
54. Government review current arrangements relating to the Urbtix system to encourage appropriate data-sharing with producing companies, and encourage similar data-sharing procedures on the part of WKCD

Research Study on a New Funding Mechanism for Performing Arts Groups in Hong Kong

Final Report Appendices 2012 (English Only)

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Appendix 1: Rates of Utilisation

LCSD Venue Utilisation (%) in Selected Years

Venue	Facilities	1998	2003	2008
Hong Kong Cultural Centre	Concert Hall	92	90	100
	Grand Theatre	96	88	100
	Studio Theatre	93	93	100
Hong Kong City Hall	Concert Hall	84	87	99
	Theatre	81	92	100
Kwai Tsing Theatre	Auditorium	-	94	99
	Black Box Theatre	-	-	77
Shatin Town Hall	Auditorium	89	83	98
	Cultural Activities Hall	87	65	90
Tsuen Wan Town Hall	Auditorium	70	77	90
	Cultural Activities Hall	68	56	70
Tuen Mun Town Hall	Auditorium	70	77	78
	Cultural Activities Hall	68	56	88
Yuen Long Theatre	Auditorium	-	71	75
Ko Shan Theatre	Theatre	84	85	96
Sheung Wan Civic Centre	Theatre	83	80	92
Ngau Chi Wan Civic Centre	Theatre	83	81	94
Sai Wan Ho Civic Centre	Theatre	100	90	100
North District Town Hall	Auditorium	54	74	67
Tai Po Civic Centre	Auditorium	64	86	90
Hong Kong Coliseum	Arena	82	85	100
Queen Elizabeth Stadium	Arena	58	63	91

Source: Hong Kong Annual Digest 2009

HKAPA Venue Utilisation in Selected Years

Major Facilities	Seating Capacity	2006/07 Utilisation Rate	2008/09 Utilisation Rate	2006/07 Utilisation Rate (Hirers)	2008/09 Utilisation Rate (Hirers)
Lyric Theatre	1,181	88%	85%	73%	76%
Drama Theatre	415	59%	64%	25%	31%
Concert Hall	382	81%	83%	5%	7%
Recital Hall	202	87%	84%	3%	3%
Studio Theatre	240	73%	68%	2%	2%
Dance Studio	120	62%	54%	2%	2%

Note: utilisation rate calculated based on the no. of hours in use per year

Source: HKAPA

Appendix 2: HKADC Breakdown of Art Forms by Number of Programmes in 2007/08

		Number of Programmes	%	Number of Performances	%
Dance					
	modern dance	59	29.9	136	31.7
	ballet	42	21.3	92	21.4
	Chinese dance	19	9.1	36	8.4
	foreign folkdance	17	8.6	29	6.8
	dancing competitions	28	14.2	95	22.1
	mixed	33	16.8	41	9.6
	Total	198	100	429	100
Drama					
	drama	268	57.8	1,188	64
	physical theatre	3	0.6	8	0.4
	musical	53	11.4	276	14.9
	children's theatre	108	23.3	296	15.9
	drama competition	7	1.5	10	0.5
	mixed	25	5.4	79	4.3
	Total	464	100	1,857	100
Music					
	western music	416	37.2	495	25.2
	vocal/ concerts	206	18.4	263	13.4
	Chinese music	106	9.5	120	6.1
	opera	5	0.4	19	1
	choir	112	10	122	6.2
	speech	1	0.1	1	0.1
	music competition	69	6.2	714	36.3
	mixed	204	18.2	213	11.8
	Total	1,119	100	1,965	100
Xiqu					
	Cantonese opera	475	41.8	566	42.4
	Cantonese operatic songs	518	45.6	581	43.6
	Other Chinese opera	33	2.9	51	3.8
	puppetry	3	0.3	4	0.3
	Xiqu competition	7	0.6	8	0.6
	mixed	59	5.2	72	5.4
	other related performances	42	3.7	52	3.9
	Total	1,137	100	1,334	100

Source: HKADC Annual Arts Survey Report 2007/2008

Appendix 3: Rationale for Selected Case Studies

Jurisdiction	Rationale
Australia	The establishment of the Major Performing Arts Board, following the Major Performing Arts Inquiry in 1999, makes Australia a directly relevant case, and provides the opportunity to review progress after ten-years of this 'dedicated' system for the major performing arts organisations which locks national and state Governments into joint funding agreements.
England	Major performing arts organisations occupy several tiers including national companies and significant regional companies. Government funding is predominantly single-tier for the major organisations (as in Hong Kong) via Arts Council England (ACE). ACE is currently reviewing both its operating model and its financial relationship with arts organisations, providing a useful comparison with other jurisdictions selected.
Korea	An Asian jurisdiction, and one where Government funding for the arts has increased significantly in recent years, as part of an investment in quality of life and Korea's international positioning. National and municipal funding dispensed through a relatively recently established range of specialist foundations.
USA	Historically, US arts organisations have depended to a high degree on earned income and private philanthropy and to a relatively low degree on Government subsidy. This provides a point of distinction from most of the other jurisdictions selected. Local funding is also more generous than national funding.
Canada	National funding through the Canada Council is supplemented by provincial and local funding. The degree of dependence upon Government support in Canada is considered to be a mid-way point between the USA situation and that of European and other jurisdictions.
France	A comprehensive, planned arts infrastructure is accompanied by a more hands-on, controlling Government role both in relation to major performing arts organisations and the built infrastructure.
Sweden	The Swedish Government believes strongly in the value of investing public money in the arts. There remains a concern about the impact on arts organisations; programmes' if other funders (e.g. commercial sponsors) become involved – although this has become an increasingly contentious issue.
Scotland	Scotland has recently restructured its funding agencies, bringing them into a single body called Creative Scotland. However several companies with designated national status are funded directly through the Scottish Government. One of these, the National Theatre of Scotland, was recently created to be a national and international flagship for Scottish drama.
Singapore	Following the Renaissance City Report (2000), the Government of Singapore has invested heavily in both hardware (new venues and facilities) and software (supportive policies and funding), with the intention to "develop Singapore as a distinctive global city for the arts." It is one of several of the cases where active Government intervention can be observed.

Appendix 4: Criteria for Attaining and Maintaining Status as a National Performing Company [Scotland]

In order to attain and maintain the status of National Performing Company, [the Company], working in partnership with the Scottish Executive, must:

1. Demonstrate that they have implemented the programme of activity detailed within their annual funding agreement, carried out large scale productions, operated on a scale which is international, national and local, and met the criteria set out in this annex, to appropriate high standards.
2. Achieve the highest professional artistic standards, subject to available resources, a continued commitment to:
 - performance excellence;
 - bringing forward work of an international standard;
 - the ongoing development of new works and productions;
 - innovation, in terms of the work produced and the way it is produced;
 - inspiring audiences, enriching their lives and fostering creativity;
 - quality education activities; and
 - the development of artists.
3. Operate within the budgets agreed with the Scottish Ministers. In doing so, [the Company] will:
 - provide the Scottish Executive with copies of budgets, business plans, and strategy documents;
 - provide detailed monthly management accounts, and quarterly updated cash flow projections, demonstrating that they are operating sustainably within agreed budgets;
 - provide draft annual accounts within 3 months of the financial year end, and copies of the final audited accounts once signed off, highlighting the reasons for any significant variations between draft and audited accounts;
 - adhere to the financial monitoring procedures set out in the Scottish Executive's grant offer letter;
 - provide the Scottish Executive at regular intervals with copies of all Board papers and reports to the Board; and
 - ensure that any difficulties or significant changes in anticipated expenditure, and/or changes to the programme, that may arise are notified to the Scottish Executive immediately.
4. Demonstrate that they have endeavoured to achieve a year-on-year increase in private sponsorship and other non-public income, together with a genuine corporate commitment to developing this avenue of funding and thereby reducing the proportion of the Company's income from the public purse.
5. While maintaining their distinctiveness with their own sector, work with the other National Companies to:
 - share best practice;
 - develop new ways of working together;

- explore joint artistic planning and scheduling; and
 - identify and deliver efficiencies and contribute to the Scottish Executive’s Efficient Government programme.
6. Cost-effectively deliver broad access to [the artform] by:
- ensuring that a range of high quality performances take place across the country (including full-scale where it can be accommodated), working with local authorities and others;
 - developing a broad and diverse audience base;
 - providing outreach community involvement programmes of an appropriately high standard, designed to give people across Scotland in all age and socio-economic groups the opportunity to experience, and where possible to participate in, [the relevant art form]; and
 - providing a full range of quality education activities targeted at people across Scotland, of all ages, and evaluating the success of those activities on an annual basis.
7. Provide leadership for the [blank] sector in Scotland, including:
- leading the way in new developments and practices, and ensuring that best practice is shared throughout the sector;
 - demonstrating compliance with relevant legislation such as employment law, including pay and conditions and trade union recognition, and health and safety legislation
 - working with the Scottish Arts Council/Creative Scotland to develop [their artform];
 - playing a major role in the development of talent, and provide entry-level career opportunities for those who have the talent to benefit from such opportunities;
 - attracting and retaining the very best talent available in the sector, to work within [the company];
 - being a leading exponent of Scotland’s cultural distinctiveness; and
 - securing international recognition as a leader in their sector.
8. Represent Scotland internationally, both in promotional terms and as a demonstration of the excellence of Scotland’s culture. In this context, [the Company] should:
- show the world that Scotland is a modern, innovative country with a vibrant, diverse culture;
 - through international performance, raise Scotland’s profile, attract artistic acclaim and stimulate pride; and
 - develop interest among those who may be able to bring potential economic and other benefits to the country, in partnership with the Scottish Executive.

Appendix 5: Summary of Content of MPAO Funding Agreements and Options for HAB/Government

A summary of the elements of funding agreements examined from Arts Council England (ACE), the Australia Council (AusCo) and the Government of the Hong Kong Special Administrative Region Home Affairs Bureau (HAB) is provided below¹. Some options for future HAB/Government Funding Agreements are also provided, with the aim of reducing the administrative burden on both arts organisations and government officials.

All funding agreements examined generally included similar information, however some key differences between them were:

- ACE allows organisations to nominate their payment schedule within certain boundaries; HAB and AusCo provide quarterly installments
- AusCo was the only funding body that did not give guidelines for the procurement of goods and services or staff recruitment.
- HAB was the only funding body to require notice of governing body meetings and meeting papers. It also stipulates some conditions for the organisation's constitution
- AusCo and HAB-funded organisations must aim to achieve 20-25% financial reserves; no mention of financial reserves from ACE
- HAB supplies policy templates for organisations to implement: Code of Conduct for governing body and staff; Procurement Policies and Guidelines; Conflict of Interest declaration.
- AusCo was the only funding body to outline a dispute resolution process and the criteria required of a Major Performing Arts Organisation

See table below for more detail.

Options for future HAB Funding Agreements

- HAB requires clearly outlined estimates for number of performances, estimated audiences, staffing remuneration, etc in their funding agreement, but do not appear to provide templates for the provision of this information as ACE and AusCo do. Providing a template/ format would reduce the amount of time spent reviewing applications as any required data would be easier to locate and assess

¹ Note that the documentation provided by the AusCo and the HAB were full and binding contracts for funding of major performing arts organisations, whereas the ACE documents included guidelines for the development of one-year agreements and standard grant terms and conditions.

- Suggest that ‘generic’ KPIs in HAB funding agreements are replaced with negotiated KPIs that best suit the needs of both the organisation and HAB, refer to Appendix 14 for examples
- HAB requires separate accounts and financial records to be kept for self-funded activities outside the agreement. This adds administrative burden to the arts organisation, who may host a wide variety of self-funded activities each year. It may also discourage the development of an entrepreneurial attitude which this Report is recommending. Provided that the MPAOs deliver the outputs and outcomes required by Government (in consideration of an agreed level of subvention) it is questionable whether this separate accounting is necessary or beneficial
- HAB funding agreements ask the organisation to provide much information that could be more purposefully provided in Business and Marketing Plans submitted by the organisation as part of the agreement. HAB could provide a Strategic Plan Framework, as AusCo does, which means that each organisation provides information in a generic format, making review, assessment, and comparison more efficient. Encouraging arts organisations to develop Business and Marketing Plans also assists with their development as it requires them to clarify their mission, vision, goals and marketing strategies and objectives. Three year financial projections would be included in the Business Plan and could form part of the funding agreement. Although the development of a Business Plan would initially mean additional work for an arts organisation, once this has been developed it can be modified each year and function as a guiding document for the organisation. See Appendix 13 for guidance on Strategic, Marketing and Fundraising Plans
- Recommend harmonisation between some elements of the reporting process for major organisations and other ADC-funded organisations to ease the transition between the tiers of major organisation and annually funded organisation. For example, similar templates could be used, and similar levels of detail required.

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Background of funding program		The background of the Major Performing Arts Board is included.	
Company details	Legal name, mission, aims and priorities	Legal Name, Registered Address, Postal Address, ABN, Liaison Officer within organisation. Funding body contact information and relevant state agency details also included	Company name, registered address, company status
Definitions	List of basic definitions are included.	Definitions of contract terminology are included	No independent listing of definitions is included, however terminology was clearly outlined throughout the document.
Deliverable outcomes	Approx 5-15 deliverables generated by the organisation and indicate how they will measure the success of their funded programme. All funding agreements should contain deliverables relating to funding body's mission and five outcomes.	List of deliverable outcomes (goals, strategies, outputs and performance measures and targets) are listed in the organisation's Business Plan, which is subject to approval by the funding body.	Key performance measures include: <ul style="list-style-type: none"> – Providing artistic leadership to local community and culture – Develop community support – Establish regional and international reputation Other expectations listed in agreement: <ul style="list-style-type: none"> – Implement activities within budget – Diligently carry out activities – Comply with government requests – Notify Government of proposed changes. Estimated audience attendances and number of performances are also listed

² Multi-year funding agreements for Australia Council's Major Performing Arts Organisations are between Australia Council, the respective State Government Funding Body and the funded organisation

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
			<p>in agreement in a pro forma layout and must be reported against.</p> <p>RECOMMEND THAT 'GENERIC' KPIs ARE REPLACED WITH NEGOTIATED KPIs</p>
Payment schedule (see Financial Management – Reserves for policy on surplus)	<ul style="list-style-type: none"> – Payment schedule can be determined by organisation within certain boundaries (as set by the funding body). – If the Organisation breaks any of the conditions under this Agreement the Organisation may have to pay back all or part of the grant, and/or the Arts Council may stop any future payments. – The amount of the grant may be different to the amount the organisation applied for. – If the funding body's funding sources cease or change, they reserve the right to reduce or stop grant payments. – Funding body is not required to pay VAT (goods and services tax) 	<ul style="list-style-type: none"> – Quarterly payments – Indexation may apply to multi-year agreements – Payment will be withheld if agreement is breached, or monies returned. – Goods and services tax component clearly outlined. – Funding body generates a Recipient Created Tax Invoice 	<ul style="list-style-type: none"> – Quarterly instalments – Government may suspend, vary, reduce or cancel payment of all/part of funding, or demand immediate repayment of all/part of funding at its sole and absolute discretion. Refer to Termination of Agreement for reasons for termination.
Planned annual activity and other information provided	<p>Organisation must list full program of activity planned for funding term.</p> <p>Organisation must also outline whether they will attend funding body board meetings (if at all).</p> <p>Activity must start within one month of the first grant payment.</p>	<p>List of planned Annual Activities are listed in the organisation's Business Plan, which is subject to approval by the funding body.</p> <p>Budget and business plan are provided the previous year, and the signing of the Agreement is contingent upon those documents being approved</p>	<p>Full listing of all planned activities, budget, staff and remuneration, Code Of Conduct template for governing body and staff, Procurement Policies and Guidelines template, Conflict of Interest declaration template.</p> <p>RECOMMEND THIS IS REPLACED WITH AN ARTISTIC PLAN WHICH PROVIDES AN OUTLINE OF THE PROGRAM FOR THE</p>

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Reporting	<p>Provide funding body with a full report on the project within three months of completing it, using a standard Activity report form.</p> <p>Refer to Financial Reporting below for more information on financial reports.</p>	<p>Provide acquittal reports, and interim reports as reasonably requested.</p> <p>Refer to Financial Reporting below for more information on financial reports.</p>	<p>ORGANISATION.</p> <p>Provide a self-evaluation and assessment report and a year-end report in the agreed format, audited financial statements and report, and 30 copies of annual report (which must also be available online).</p> <p>Refer to Financial Reporting below for more information on financial reports.</p> <p>RECOMMEND THAT AN ONLINE REPORTING MECHANISM IS IMPLEMENTED TO STREAMLINE PROCESS.</p>
Signing the Agreement	<p>Must be signed by funding body's Regional Executive Director [or equivalent], and member of the board [or equivalent] of the Organisation.</p> <p>Agreement must be signed within four weeks of the grant offer.</p> <p>If the organisation is unincorporated, it must provide written evidence that the person signing the Offer Letter has the authority to enter into the Grant Agreement.</p>	<p>Must be signed by the national funding body, the state government funding body, and 2 Directors (or Director and Secretary) of the Organisation.</p>	<p>Must be signed by a government representative and the organisation (it does not specify who must sign from the government or organisation), and both signatures must be witnessed.</p> <p>RECOMMEND THAT CHAIR AND CEO OF THE ORGANISATION SIGN AGREEMENTS.</p>
Termination of Agreement	<p>If organisation breaks conditions under the agreement;</p> <p>– Organisation may pay back all/part of</p>	<p>Even if the organisation is not in default, funding body can terminate the Agreement, or reduce its scope, at any time by giving</p>	<p>Government may suspend, vary, reduce or cancel payment of all/part of funding, or demand immediate</p>

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
	<p>grant, and/or</p> <ul style="list-style-type: none"> – Future payments may cease, and/or – Agreement terminated immediately <p>Other reasons for ending agreement:</p> <ul style="list-style-type: none"> – Organisation closes (mergers may be considered) – Unapproved changes to activities or activity is not completed – Grant purpose is not fulfilled – Misleading information is provided – Activity is not carried out with reasonable care and to a adequate standard – Organisation becomes insolvent, goes into administration, is wound up or dissolved, administrator/ receiver appointed, or arrangements made with creditors – Organisation acts illegally or negligently at any time, or is likely to harm organisation or funding body's reputation – Sells or transfers funding, business or activity without approval – Organisation does not follow reasonable instructions from the funding body – Grant is used for other purposes than outlined in the agreement <p>If the organisation breaks this agreement, the funding body can choose to consider other grant agreements with the funding</p>	<p>written notice.</p> <p>Grounds for ending agreement or reducing the scope may include:</p> <ul style="list-style-type: none"> – Funding body giving written advice detailing concerns about organisation or its ability to deliver on the agreement – Organisation is in breach of the agreement or law – If the Business Plan was misleading – If debts are unable to be paid/organisation is bankrupt/under external administration. <p>The organisation will be given the opportunity to address concerns.</p> <p>If agreement is terminated or reduced the organisation must stop all activity, reduce losses where possible and repay all/part of funding. Funding body only liable for payments due before termination and reasonable costs. It is not liable to pay compensation for loss of profits or benefits</p> <p>Clauses regarding reporting, record keeping, confidentiality, indemnity or insurance, etc survive termination/expiry.</p>	<p>repayment of all/part of funding at its sole and absolute discretion.</p> <p>Government may terminate agreement and not provide compensation if:</p> <ul style="list-style-type: none"> – Company breaches terms/conditions of agreement – Company assigns, subcontracts, etc. any interest, right, benefit or obligation under agreement or purports to do so – Company engages in prejudicial conduct – Company winds up/dissolves (other than voluntary liquidation if restructuring) – Company fails to submit reports or reports are misleading – Employees or subcontractors break bribery laws. <p>On expiry/termination of agreement:</p> <ul style="list-style-type: none"> – Reserves to be used as outlined or returned to government – Final audited account submitted within six months.

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
	body to also be breached. The same termination conditions apply. Agreement remains in force for the longest of the following periods: one year / until the grant is expended / expiration of asset monitoring period / until grant conditions are fulfilled.		
OBLIGATIONS			
Acknowledgement	Acknowledge the grant with logo and as per guidelines in press, marketing and communications materials, verbally and in writing. Provide all material with the logo to the funding body no later than four weeks prior to the project.	Acknowledge the grant in all materials and in public announcements, using the logo within guidelines provided. Provide all material with the logo to the funding body.	Acknowledge the grant in all materials and in public announcements, following Government specifications. Provide funding body with six tickets to all schedule activities
Assigning Rights		Organisation must not assign their rights without written consent.	Company must not assign, transfer, sub-contract, license or otherwise dispose of any or all of its interests, rights, benefits or obligations under the agreement without written consent. The Government may assign rights as listed above at any time.
Communication regarding programme changes	Organisation must advise of any major changes to programming immediately.	– Communicate any potential changes to the planned Activity to the Australia Council.	– Notify government in writing of public events and provide promotional material one month prior to activity

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Company documents and policies	<ul style="list-style-type: none"> – Provide business plan, board papers, policies, etc for funding body review. – Must meet all laws and obtain any licenses, permissions and insurances that are necessary by law. – Must have appropriate data protection, equal opportunities, employment and ‘vulnerable people’ protection policies in place. 	<ul style="list-style-type: none"> – Provide true & correct Business Plan. – The board must approve all reports and documents. – Must develop and implement policies in relation to Australia Council’s key cultural policies (disability, equal employment opportunities, cultural diversity, indigenous access and participation). – Requirements involving the Business Plan, Annual Program of Activities and reports are outlined in the agreement – Must provide funding body with all material matters that might have an impact on obligations under this Agreement or on the financial situation or governance. – Funding body has the right to request further information or request a meeting with Board, CEO and Artistic Director <p>There is no specific reference to board papers in the agreement.</p>	<ul style="list-style-type: none"> – Provide true and accurate information. – Notify the government of each meeting of the governing body, provide relevant papers and minutes and allow the government to send representatives to attend such meetings as observers
Comply with legislation	Abide by equality, gender and anti-discrimination legislation/regulations and ensure the protection of young people.	Comply with any legislation, codes of ethics, regulations or other industry standards, or any laws relevant to the Activity. The Agreement is bound by NSW Law.	Comply in all respects with all applicable health and safety laws and regulations, employment and equal opportunities and data protection laws and regulations, enactments, laws, ordinances, rules and regulations in Hong Kong.

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Confidentiality	The Freedom of Information Act 2000 applies to the funding body. This means that any information could be released to any person who asks for it under the Act.	Organisation cannot disclose confidential information unless to an authorised party. If requested, organisation must have staff, sub-contractors, volunteers, etc., sign confidentiality agreements regarding Australia Council information.	Government may disclose, verify and/or exchange any information related to its constituent committees and/or other third parties: – In reviewing funding applications – In policies and matters of Government for transparency and publicity Company shall comply with privacy laws before disclosing information to government.
Conflicts of Interest		Advise if a conflict of interest arises, or could reasonably be perceived by others to have arisen, that may restrict undertaking the Activity in a fair and independent way	The government provides the organisation with a Conflict of Interest Declaration template to implement with staff, governing body, contractors, etc.
Dispute resolution		Parties are expected to notify each other of perceived disputes and attempt to resolve matters within 10 business days, before alternative methods are sought.	
Energy use	Follow best practice in managing the energy use of the organisation. ACE has an online tool to assist.		
Enforcement	If the organisation breaks any term and/or condition of the agreement and the funding body does not enforce its rights straight away, this does not mean that they will not do so in the future. The funding body will only give up its right to enforce the agreement in writing.	Funding body are not prevented from enforcing any part of the agreement merely because it was not enforced, in all or in part, on an earlier occasion.	

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Financial Management	<ul style="list-style-type: none"> – Must advise of any changes to bank or building society details. – Grant must be used exclusively for the purpose outlined in the agreement. – Organisation must hold any unused part of the grant in trust for the funding body at all times. 	<ul style="list-style-type: none"> – Must budget realistically for break even or surplus results (exception: reserves are used for a special project) – Hold funding in an account with an authorised financial institution. – Pay all taxes, duties and government charges imposed in Australia or Overseas. – Do not use the Funding as security to obtain, or comply with, any loan, credit or other interest or for any litigation purposes. 	<ul style="list-style-type: none"> – Use funding in a cost effective and accountable manner – Notify government of any irregularities as soon as they are identified and a management plan – Due effort to reduce overheads and enhance productivity – No deviation from the budget without written approval of the governing body and then notifying government – Maximise revenue from other sources – Governing body, officers and staff shall keep themselves informed of the financial and accounting procedures relating to procurement of goods and services – Use funding exclusively for carrying out the Activities. – Keep a separate set of accounts for self-financing activities funded by other sources – All receipts and payments are properly and timely recorded.
Financial Management – Reserves and Unspent Funding	<p>If the entire grant is not expended on the project, the organisation must return the unspent amount promptly. If the grant part-funds the project, the appropriate share of the unspent amount is to be returned.</p> <p>Any profit from the project must be reported,</p>	<p>Agree to achieve a minimum 20% reserves, including a reserves strategy.</p> <p>Unspent funding must be returned at the end of the grant period.</p>	<p>Company may keep and carry not more than 25% of the total expenditure (reserves) as a buffer (for following year) and incentive to economise spending.</p> <p>Any excess above this shall either be</p>

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010 and the funding body may in turn request return of all or part of the grant.	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Financial Reporting	<p>Provide financial plans and reports to funding body.</p> <p>Financial reports must follow any relevant legal requirements, annual reports or annual returns, and proof may be required. If the grant was for more than GBP£50,000 a qualified and independent accountant must certify a Statement of Income and Expenditure.</p>	<ul style="list-style-type: none"> – Keep records of how the funding is spent and report financial and statistical data via the online reporting system provided by the funding body. – Bring the funding to account in equal monthly instalments. – Ensure accounts are audited annually according to the Corporations Act 2001. – Must keep all financial records for 6 years. – Use accrual accounting methods – Comply with Accounting Standards 	<p>returned to the government or netted off against the amount of the following year's funding, at government's discretion.</p> <p>The company may apply for written approval to vary the above.</p> <p>The company agrees -</p> <ul style="list-style-type: none"> – to plough back the Reserve into funded Activities – seek prior approval of the governing body for using the Reserve – seek written approval of government if the use of the Reserve will generate additional financial consequences for the government <p>Provide the government with audited annual financial statements and annual financial report. The government reserves the right to specify the format.³</p> <p>A report on activities, and a pro-forma balance sheet and income and expenditure account extracted from audited annual financial statements, should also be made available online.</p>

³ Other Positive Solutions research for HAB has revealed that statistical and financial reporting seems to be submitted in the same pro forma format as the funding application

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Governance	<p>Must obtain written approval prior to:</p> <ul style="list-style-type: none"> – changing the organisation's governing document (unless they are a statutory organisation) concerning aims, payments to members and members of the governing body, the sharing out of assets, or the admission of any new members – transferring assets to, or merging or amalgamating with, any other body. 	<p>Must comply with Best Practice Principles for Corporate Governance . A detailed set of Best Practice Governance Guidelines is provided to organisations.⁴</p> <p>Disclose within 10 business days all material matters that might impact agreement obligations or financial situation or governance.</p>	<p>The company answer all queries from the Government, the Director of Audit and/or their respective authorised representatives any matters relating to the funding.</p> <ul style="list-style-type: none"> – Company must not to alter the terms of its Memorandum and Articles of Association without first obtaining the written consent of the government. – No member of the governing body of the company shall serve for a term in excess of six consecutive years (exception: member's appointment of Chairman, Vice-chairman or Treasurer, whose six-year count will start afresh) – Company must give due consideration to the inclusion in the governing body an appropriate number of professionals such as accountant, lawyer, fund raising and marketing experts – Ensure that the constitution of the governing body as comprising no less than 5 members and that the quorum for making decisions of the board shall be no less than 40% of the full membership of the board and being at least three (3) in number

⁴ Australia Council are also introducing compulsory periodic board reviews for key organisations in the near future

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Indemnity		<p>Organisation indemnifies funding body against losses and liability. Indemnity will be reduced proportionately to the extent that Australia Council's fault causes loss.</p>	<ul style="list-style-type: none"> – Hold meetings of the governing body not less than three times a year during the funding period – Neither the government, nor its employees or agents shall be held responsible for the direction or conduct of the affairs of the company. – Government is not obligated to provide additional funding should the company run into financial deficit – Government accepts no liabilities for any deficits arising from the carrying out of the Activities, or loss, actions, claims, demands, damages, interest, costs, expenses and any awards and costs which may be agreed to be paid in settlement of any proceedings. <p>Indemnity survives the expiry or termination of the agreement.</p>
Insurance	Must maintain adequate insurance at all times and provide proof when required. This includes employee and public liability insurance and insurance that covers the full replacement value of any assets purchased using the grant.	Must have current and adequate Workers Compensation, Public Liability (\$10m), insurance over all assets used in connection with the activities funded, as well as other insurance as appropriate.	

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Intellectual Property	<p>Organisation will own all rights in any materials produced for or relating to the Project and in the Project Proposal.</p> <p>Funding body has a non-exclusive, worldwide, royalty-free perpetual licence to reproduce any materials relating to the Project and the Project Proposal as reasonably required for marketing and publicity purposes. Funding body may share information with other funders, government departments, regulatory agencies, partners and others with a legitimate interest in public funding.</p>	<p>Organisation owns the Intellectual Property Rights in all agreement material, and will seek consent for Intellectual Property Rights on other material if applicable.</p> <p>Funding body can use, reproduce, publish, adapt and exploit the Intellectual Property Rights in materials provided, excluding Secret and Sacred Material.</p>	<p>Meet any copyright obligations on works which are not covered by the annual blanket licence held by the venues of the Leisure and Cultural Services Department</p>
International Touring		<p>Organisation cannot apply to any other Australia Council board for any additional international touring grants if funding includes support for international touring.</p>	<p>Company must inform government of outbound cultural exchange details and report on outcomes.</p> <p>Any unspent portion of the outbound cultural exchange grant shall be carried forward to the following funding period to be used exclusively for outbound cultural exchange activity, or return to government if no longer a funded company.</p>
Invalidity		<p>If part of the agreement is found to be invalid, the rest of the Agreement continues in effect as if the invalid part were excluded.</p>	<p>If any provision of this agreement is or becomes illegal, invalid or unenforceable in any respect, such provision shall not affect the interpretation, legality, validity and enforceability of the remaining provisions of the agreement.</p>

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Legal matters	Must advise the funding body in writing of any investigations underway or any legal claims that are made or threatened against the organisation, its governing body, staff or volunteers.	Neither party is authorised to legally commit or represent the other party in any way.	Nothing in this agreement shall be taken to interfere with any powers imposed under any law upon the government or person in the employ of the government. Nothing contained in this Agreement shall be so construed as to constitute either party to be the agent of the other.
Other funding	Organisation must advise any other funding for the Project is received from any other source at any time during the Project. If this means that the grant is no longer required, the grant must be paid back immediately upon demand.	Organisation cannot apply to any other Australia Council board for funding. Do not offer naming rights to a private sponsorship on an ongoing basis without first consulting the funding body. One-off sponsorship does not require consultation.	Government is not obliged to provide additional funds or bear consequences arising out of donations or sponsorship. Company must notify the government of any donation made for which the donor does not require a specific use.
Probity / Ethical Behaviour			The company and its employees, agents and subcontractors must not: – Offer gifts or considerations as an inducement to government – Enter into the agreement or any other Government contracts in connection with which commission has been paid or agreed to be paid by the company or on its behalf, or to its knowledge.
Purchasing assets	– If the funding body has contributed (or will contribute) more than GBP£25,000 to help with buying, restoring, conserving or improving land, buildings or any other asset, the organisation		Assets purchased with the grant are to be outlined in the audited financial statements.

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
	<p>cannot apply for a mortgage over that asset or use it as security without prior written approval.</p> <ul style="list-style-type: none"> – If assets are bought/improved with the grant, they cannot be sold during the period of the grant unless sold for full market value or funding body has given permission. – Funding body may insist on being given third party rights under any contract with contractors and consultants on most building projects. – Funding body may take security on the freehold or leasehold interest or other asset or assets, or ask for some other appropriate form of security for the organisation's responsibilities under the terms of the grant. They may demand that their solicitors are provided with copies of all the documents affecting the title to the property. – If assets bought, restored, conserved or improved with the grant are sold or given away, the funding body will be entitled to receive an appropriate share of the 'net' proceeds for as long as these assets have a useful economic life. 		
Purchasing goods and services	<ul style="list-style-type: none"> – Buy goods or services in a way that will give value for money and avoid conflicts of interest. – If the grant accounts for 50% or more of the annual income then English and European Union procurement law 		<p>Ensure value for money in carrying out the duties and obligations of the agreement.</p> <p>Governing body, officers and staff shall keep themselves informed of the</p>

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
	<p>should be followed and legal advice sought where appropriate.</p> <ul style="list-style-type: none"> – If goods are bought/improved with the grant, they cannot be sold during the period of the grant unless sold for full market value or funding body has given permission. – If goods bought, restored, conserved or improved with the grant are sold or given away, the funding body will be entitled to receive an appropriate share of the 'net' proceeds for as long as these assets have a useful economic life. 		financial and accounting procedures relating to procurement of goods and services
Records	Keep proper and accurate records, including financial records, for seven years after the project has finished, and make these available on demand.	Allow access to all records, financial and otherwise, within reasonable timeframes	Keep proper and separate books and records of all financial matters and minutes for at least seven years and make same available on request.
Relationship with Funding Body	<p>ACE staff, council members and advisers cannot give the organisation professional advice, carry out the organisation's business or be held responsible for any action the organisation takes, or fails to take, or for debts or liabilities.</p> <p>Organisation is responsible for sourcing its own management, business and artistic advice.</p>		

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Responsible operations	The organisation is responsible for sourcing its own management, business and artistic advice. This includes financial, accounting, tax, solvency, legal, insurance or other types of professional advice.	Act diligently and use all proper care	<ul style="list-style-type: none"> Do not accept any donation, sponsorship or advertisement from or associated in any manner with tobacco-related activities. Upon request, company must adhere to in corruption prevention advice.
Risk Management	Must have a risk management strategy	Business Plan must include a Risk Management Policy	
Serving Notices		Notices served regarding the agreement must be in writing and delivered according to guidelines.	
Staff Recruitment	Funding body may request to be involved in the recruitment of the organisation's senior staff.		<ul style="list-style-type: none"> Provide employment and remuneration details of company's senior executives, and observe the principles of fairness and transparency in recruiting staff Procure employees, agents and sub-contractors who observe company policies (any breach of this must be reported) Follow the Code of Conduct, allowing staff to take part in outside work Ensure that conditions are equal to comparable posts in the trade. <p>If funding HKD\$10 million or more and accounts for 50% of operating income:</p> <ul style="list-style-type: none"> review the number, ranking and remuneration of staff as directed by government. proposed changes or renewal of

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
State government funding body		<p>Organisation agrees to work with the state government funding body by:</p> <ul style="list-style-type: none"> – Commissioning new works with smaller companies and individuals – Demonstrating commitment to regional and rural areas – Undertaking market segmentation research – Exploring free performance options – Reporting on achievements against the above in annual reporting 	<p>employment in the highest level of artistic or management staff must seek the Government's approval in writing.</p>
Status Criteria: Major Performing Arts Company Status		<p>Organisation must comply with the criteria for designation as a major performing arts company. Criteria as follows:</p> <ul style="list-style-type: none"> – be a dance, music, opera or theatre company or a hybrid thereof; – demonstrate the highest artistic standards in performances; – show an ongoing commitment to the development of the artform; – demonstrate an ongoing commitment to the development of artists within the artform; – show evidence of a sizeable and increasing audience base; – have a minimum average annual income of AUD\$1.6 million in 2006, and adjusted annually by CPI each year, over a three year time period; and 	

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
		<ul style="list-style-type: none"> demonstrate an ongoing ability to be financially viable, including increasing levels of financial support from the broader community. 	
Status Criteria: Specialist Status		<p>If the Organisation is a 'Specialist' company, it agrees to comply with the following criteria:</p> <ul style="list-style-type: none"> Mainstage product focuses on a particular part of the artform repertoire or on a particular type of work; Seek to access an audience within Australia and/or internationally of a sufficient size to support product; Be likely to undertake regular partnerships with major Australian festivals to develop distinctively Australian product (particularly works of scale); If distinctively Australian product becomes highly successful, the international festival circuit utilised to present the work; and Play a national leadership role in its artform in relation to its niche 	
Third party involvement	If organisation enters into an agreement with any third party with a view to commercial exploitation of the project or anything relating to it, funding body must provide consent, which may be subject to conditions, including conditions requiring the repayment of all or part of the grant.	<p>Organisation is responsible for ensuring all subcontracts entered into with third parties will fulfil the required obligations</p>	Company's obligations must not conflict with any judicial order or obligations under any third party contracts.

Element	Arts Council England Guidelines for One-Year Agreements & Standard Terms and Conditions 2010	Australia Council Multi-year funding agreement for Major Performing Arts Organisation ²	Hong Kong HAB One-Year Funding Agreement
Variations	Must obtain written permission before making any changes to the project or to its aims, structure, delivery, outcomes, duration or ownership. Variations may attract new grant conditions.	Agreement may only be varied in writing, signed by both parties.	Agreement may only be varied in writing, signed by both parties.

Appendix 6: Queensland Sector Plan

1. Summary

The Sector Plan is one of a suite of policies and strategies outlining the Queensland Government's priorities for arts and cultural development. Creative Queensland provides the highest level policy framework and links to whole-of-government policies such as *Toward Q2: Tomorrow's Queensland*. The Plan is an industry development plan that sets a clear direction for government and the arts sector to work together to develop arts and culture in Queensland. It outlines the goals, priority areas and new opportunities for the sector overall, as well as focus areas for different artforms. These artforms are:

- classical music
- collections and heritage
- contemporary music
- creative communities
- dance
- design
- festivals
- major performing arts organisations
- public art
- theatre
- visual arts and craft
- writing
- youth arts

The five goals of the strategy are:

- great arts and culture
- engaged audiences and culturally active communities
- strong and diverse creative economy
- creative spaces and places
- commitment to ongoing learning

Several Focus Areas 2010-2013 for each art form were developed under these headings. For example, Focus Areas for the dance sector included:

- Goal 1, quality:
 - national and international collaborations and exchanges
 - innovation in production and presentation and improved production values
- Goal 2, audiences and communities
 - diversification of content creation including Indigenous and culturally diverse dance
- Goal 3, creative economy
 - practitioner employment via other industries, for example film and music

- Goal 4, ongoing learning
 - professional development for dance leaders
 - extended service delivery by the state’s peak industry body⁵

2. Process

First Plan

The first Queensland Arts Industry Sector Development Plan, 2007-2009, was developed after extensive state-wide industry and community consultation and set a clear direction for government and the arts sector to work together to develop arts and culture in Queensland.

The plan was published in four artform specific volumes:

- Creative Communities
- Dance and Music
- Theatre, Writing and New Media
- Visual Arts, Craft and Design

The first 15 pages of each booklet were identical, outlining prospects, challenges and a direction for arts development. The individual plans provided details of goals, strategies and actions for each artform. The direction for arts development was set by six strategic priorities that applied to all four artform plans. These were the areas where government sought to make a difference in 2007-2009. These priorities were:

- developing flexible funding models to support emerging policies and priorities
- increasing infrastructure and support for regionally based artists and art organisations
- enhancing audience development and focus on the arts
- increasing international touring and exhibitions of Queensland artists and companies and export of Queensland product
- promoting stronger Aboriginal and Torres Strait Islander arts and culture
- strengthening the viability and growth of the arts sector

Second Plan

In 2008, a comprehensive evaluation of the implementation of the 2007-2009 Sector Plan was undertaken, with over 600 stakeholders participating in the consultation process. The evaluation was conducted over four months from mid-August to mid-December. The key evaluation activities to gather data from the sector included:

- an online survey of 570 stakeholders⁶
- a progress report and consultation questions called *Building on Success*
- face-to-face interviews with key stakeholders in the broader arts portfolio
- phone interviews with key partners in local, state and federal government

In addition, the evaluation team analysed data sets held by Arts Queensland in grant acquittals, project reports and annual reports of the organisations in the broader arts portfolio. *Building on Success* was circulated for feedback. A second round of consultation was held from May to July 2009 included online feedback, 13 regional forums, 11 artform workshops and four cross-artform focus groups. Along with the key findings and recommendations, *Building on Success* outlined the five proposed goals and related strategies for the new Sector

⁵ *Queensland Arts and Cultural Sector Plan 2010-2013*. p39.

⁶ See sample questions from survey at Attachment 1

Plan. These were discussed by the more than 800 respondents who took part in the consultation. While some feedback related to specific artform or local issues, many responses reflected broader social and economic trends, as well as issues affecting the whole sector.

Arts Queensland also established a Sector Development Plan Reference Group with membership from the broader arts portfolio and the sector to provide feedback on the development of the next iteration of the Plan, to oversee implementation of the next Plan and to identify and discuss emerging issues and opportunities.

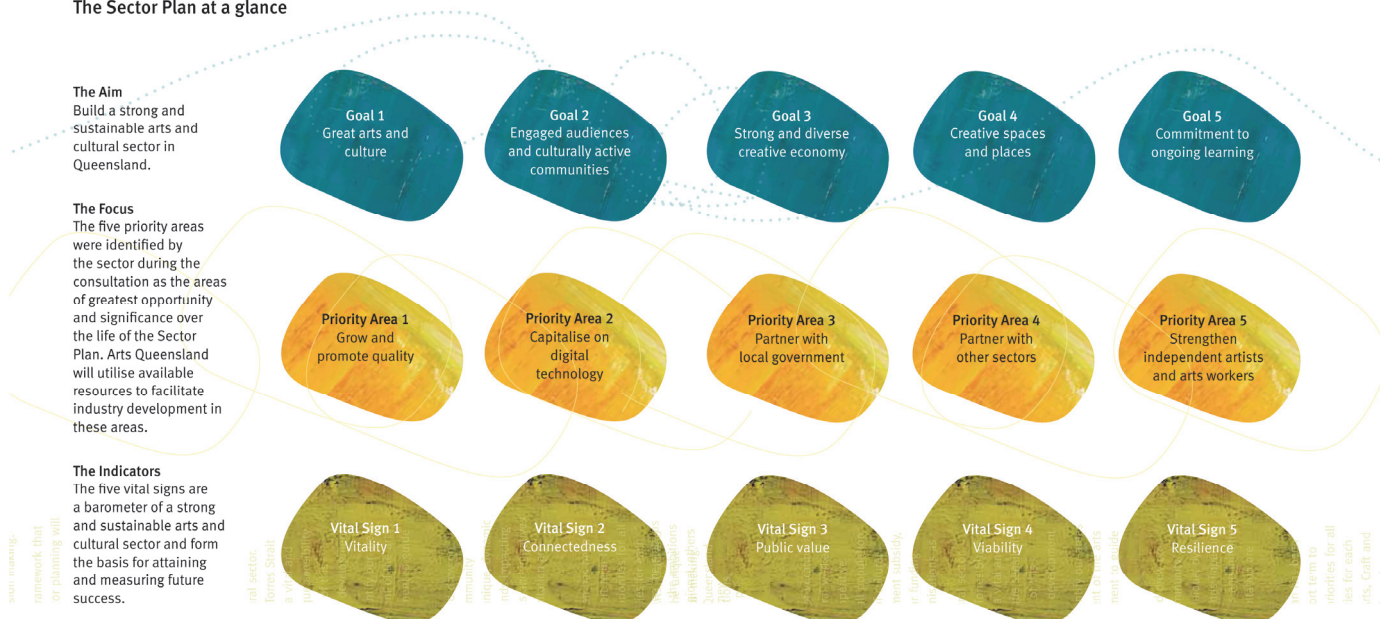
In order to further involve the sector in the development and implementation of the new plan, Arts Queensland also took the following steps:

- provided a six-monthly summary of overall progress across artforms via Arts Update
- developed a Facebook site to enable artists and arts and cultural organisations to share their progress and successes on a regular basis
- hosted quarterly open forums with the sector on current issues and opportunities

The Queensland Arts and Cultural Sector Plan 2010-2013 was launched in February 2010. The diagram below is extracted from the Sector Plan and outlines the Plan's Goals, Focus and Indicators.

About the Sector Plan

The Sector Plan at a glance



Appendix 7: Guidelines on Sector Plan Development

Sample Process

The table below outlines a possible approach to developing a Sector Plan based on the approach taken by Arts Queensland. It is important to note, however, that there is no one way to approach developing a plan, and that any approach relies heavily on context and the funding agency's current relationship with the sector.

Step	Description
Initial Discussion Paper	Developed by Government officers as something for the sector to respond to. Circulated broadly in the sector with an invitation to respond in writing
Broad Consultation	Consultation with the sector; groups of people invited to meet face to face with officers. In addition, feedback sought from funded clients and those arts organisations Government already has relationships with
Sector-specific Workshops	Convene a series of sector-specific workshops which are much more artform focused to supplement the broader focus of the earlier consultation – this allows Government to consider broad drivers for arts and culture and well as art-form specific questions
Analysis and Feedback Loop	Discussion paper, written feedback, broad consultation and sector-specific workshops analysed and a consultation feedback paper published to reflect the thoughts of the sector back to itself
Artform-specific Focus Groups	Convene another set of artform-specific focus groups to refine key themes, goals and strategies
Development of Sector Plan	Government to consider how to formulate a plan that is coherent, achievable and likely to be implemented in the next few years. The themes and strategies in the final Sector Plans should reflect thinking based on feedback and go across all artforms. Plan should be very much based on what was heard throughout the consultation process. It should also be informed by a strong understanding of funding and investment tools that can be delivered in each art form

Issues for HAB

- All strategy development needs to be influenced by what the sector identifies as their needs and a consideration of how the Government can fulfill those needs - as well as by Government stated priorities
- Government should avoid putting unrealistic aspirations in the plan, and must consider where investment is best focused
- Feedback loop very important, iterative development to be built into approach – must be able to show people they have been heard and what has been heard
- Decision to be taken about whether Government produces one Sector Plan or a series of Plans for each artform. For the first Arts Queensland Sector Plan, a decision was taken to produce separate plans for each artform, allowing the sector to see their specific goals and concerns reflected. This was a decision based on the context of the funding body in relation to the sector and because there hadn't yet been any deep consultation done at art form level. For the second Sector Plan, a decision was taken to combine all artforms into one plan



Appendix 8: Rationales for ‘Flagship’ Tier

The principal rationale for instituting ‘flagship’ status in the longer term would be to promote a group of companies which ‘set the standard’ for the performing arts in Hong Kong (as, for example, the National Theatre does in the UK, the Paris Opera and Ballet – and the Comedie Francaise – do in France, the Berlin Philharmonic Orchestra does in Germany – and the much smaller Australian Chamber Orchestra (ACO) does in Australia). This is commensurate with Government’s and WKCD’s objective of securing Hong Kong’s status as a world-class cultural city. Dependent upon the specific companies involved, sustaining ‘world-class’ performance standards may include:

- high production values
- enhanced ensemble sizes
- working with internationally-respected artists from overseas
- regular investment in new commissions or other forms of innovation
- continuous research and development

Some uplift in funding would be required to assist these organisations to sustain international standards of performance and – in some cases - appropriate ensemble sizes. The flagship companies would also have a range of obligations in relation to industry and artform development.

A flagship group would be complemented by other major organisations which would enjoy ongoing funding commitment by the Government. However, the continuation of MPAO status alongside flagship organisations is for later consideration.

Whilst the Government would not – other than in extreme circumstances – remove funding from a flagship organisation, as is proposed for major organisations it could adjust the level of funding and have the power to call for a change of leadership or Board membership, where a company has under-performed over time. This influence (or control) would be preferable to removing funding from a leading SAR institution, i.e. the senior management and Board suffer for underperformance, but the existence of the company is not threatened.

A key factor in determining whether a performing arts organisation merits designation as a SAR flagship company would be artistic reputation over a number of years, although managerial and governance capability would also be threshold criteria. These ‘flagships’ would both be expected to set the highest standards within Hong Kong, and to represent the SAR in China and overseas, although all the major organisations should continue to be encouraged to develop their international presence.

Additional reasons for considering the introduction of flagship status include:

- the existence of flagship organisations will raise public (and decision-makers’) awareness of excellence in the performing arts
- there will always be an highly competitive funding environment for the performing arts, with insufficient resources to meet every company’s needs adequately. Focusing resources on a small number of organisations is a more realistic and sustainable strategy for maintaining high standards than spreading resources thinly across dozens or hundreds of organisations. This applies to Government time, managerial support and other resources as well as to funding levels

- while flagship organisations will benefit from recognition and additional support, flagship status would bring with it a range of clear obligations to the broader performing arts sector, including:
 - innovation in and evolution of the artform
 - regular commissioning and presentation of new work
 - nurturing emerging talent
 - taking audience and market development initiatives
 - best practice in education programs
 - financial stability
 - supporting the development of less well resourced companies
 - sharing knowledge and best practice
- these obligations would be supplementary to output requirements in relation to performances, periodic availability for touring, education workshops and other agreed activities

Summary Benefits

- Profile and status
- Rolling three-year funding agreements
- Subvention consistent with producing high quality work by international standards
- Support for management and board development
- A partnership approach to company development and target-setting

Indicative Obligations

- Delivery of the outputs and KPIs agreed
- Maintenance of the highest artistic standards
- Evidence of innovation and evolution of the artform
- Regular commissioning and presenting of new work
- Best practice in education programmes
- Maintenance of high managerial and governance standards
- Financial stability:
 - operating within budgets agreed
 - meeting financial reporting requirements
 - adherence to approved financial monitoring procedures
 - increases in private sector and other independent income
- Evidence of audience and market development
- Nurturing of emerging talent
- Sector leadership through support of other companies:

- share best practice
- develop new ways of partnering with other companies and producers
- identify and deliver efficiencies

Appendix 9: Discussion Draft for Criteria for MPAO Status

Applicants for MPAO status will need to provide evidence that they are close to the ‘designation criteria’ for a major performing arts organisation, and have the capability to fulfil those criteria following a development program which may include assistance from HAB and ADC. The following is a draft of the proposed designation criteria with an indication of the evidence which may be required in relation to each criterion:

Criterion	Evidence
A strong artistic reputation amongst peers in Hong Kong and overseas	<ul style="list-style-type: none"> - written peer assessments and artistic evaluations - ADC comment - press and media coverage - venue bookings and invitations to participate in festivals in Hong Kong and overseas - endorsements from respected organisations and artists in Hong Kong and overseas
Regular production of high quality work	<ul style="list-style-type: none"> - work recognised as being of international standard - production/presentation activity for last five years - critical response - proposed production/presentation activity for next 12 – 36 months - written peer assessments and artistic evaluations
Commitment to industry development	<ul style="list-style-type: none"> - professional development opportunities offered internally and to other artists and creative practitioners - mentoring activities (both receiving and offering) - participation in industry development initiatives e.g. with HKAPA, with tertiary sector institutions or through engagement in relevant conferences - budget provision for training and development - work with the other MPAOs to: <ul style="list-style-type: none"> o share best practice; o develop new ways of working together; o explore joint artistic planning and scheduling; and o identify and deliver efficiencies
Commitment to art-form development	<ul style="list-style-type: none"> - regular commissioning and nurturing of new work - innovation, in terms of the work produced and the way it is produced - inspiring audiences, enriching their lives and fostering creativity - quality education activities - investment in the development of artists
A popular audience following, reflected in attendances and feedback	<ul style="list-style-type: none"> - attendance levels last five years - demographic profile of audience - documented audience response to the work
Commitment to education and audience development	<ul style="list-style-type: none"> - education philosophy, and its linkage to company vision - number and experience of education staff - range of education programs, and their target markets - participation levels during last five years - audience development programs – nature and quantity last five years - budgets for education and audience development
Capable governance and management	<ul style="list-style-type: none"> - composition of board, skills mix, and experience of board members - quality of board documentation and processes - clarity of linkage between board and executive staff - planning and risk management processes

Criterion	Evidence
	<ul style="list-style-type: none"> - clarity of vision, mission, strategic direction - willingness to commit to strategic planning, marketing planning and other governance requirements of a MPAO - experience of executive staff
Effective financial planning, no net debt on the balance sheet, and commitment to building reserves	<ul style="list-style-type: none"> - audited accounts - auditors' correspondence with board - board-approved financial policies - financial reports to the board - budgeting processes - track record of actual vs. budget last three years
A minimum of six years' multi-year funding from ADC	<ul style="list-style-type: none"> - ADC records
Willingness to meet the application, reporting and evaluation requirements of a MPAO	<ul style="list-style-type: none"> - written commitment from Chair of the board, following board minuted discussion

Appendix 10: Details of Proposed Entry and Exit Mechanism

Entry Mechanism Process (for new MPAOs)

Initiation

The initiative for consideration of a company for major status may come from HAB, ADC or the company itself. The company, however, must confirm in writing to HAB its interest in being considered, and its willingness to commit to the evaluation and initial development planning process. These processes will be clearly laid out and available to ADC triennially-funded companies.

Designation Criteria

Applicants for MPAO status will need to provide evidence that they are close to the 'designation criteria' for a major performing arts organisation, and have the capability to fulfil those criteria following a development program which may include assistance from HAB and ADC. The designation criteria include evidence of:

- a strong artistic reputation amongst peers in Hong Kong
- regular production of high quality work
- commitment to industry and art-form development
- a popular audience following, reflected in attendances and feedback
- commitment to education and audience development
- capable governance and management
- effective financial planning, no net debt on the balance sheet, and commitment to building reserves
- a minimum of six years' multi-year funding from ADC
- willingness to meet the application, reporting and evaluation requirements of a MPAO

Outline Development Plan

Organisations which believe they have the capability of meeting the designation criteria, will be invited to prepare an initial organisational development plan which:

- provides a diagnosis of the organisation's current strengths and weaknesses across a range of artistic, managerial and financial dimensions
- identifies key issues which need to be addressed (if any) to enhance the sustainability and artistic vibrancy of the organisation in the future
- provides a plan for meeting any shortfalls against the designation criteria
- provides an outline 'route map' for the organisation's medium-term (5 – 7 years) development
- has been generated with close involvement of board and staff of the applicant organisation
- is approved by HAB, ADC and the board of the applicant organisation as a basis for achieving and sustaining MPAO status

HAB or ADC may, at their discretion, provide assistance towards the costs of preparing this outline development plan.

Evaluation

The initial development plan will be assessed by HAB, in close consultation with ADC and with the applicant organisation. The purpose of the evaluation will be to determine the strength of the organisation's case for MPAO status; the degree to which it meets or is close to meeting the designation criteria; the capacity of HAB to meet the likely financial assistance needed for the organisation to achieve and sustain MPAO status; and the issues which should form the basis of a more detailed development plan, should it be considered appropriate to progress the organisation to the next stage.

Detailed development program

The detailed development plan will:

- amplify upon the outline plan
- addresses issues raised during evaluation of the development plan
- include clear targets and measures of success
- include operational detail which guides implementation of the key elements of the plan
- be developed jointly by HAB and the applicant organisation, in consultation with ADC
- be signed off by the board of the applicant organisation

The process of generating the detailed development plan will itself be a step in the organisation's change management process.

Probation

Subject to satisfactory completion of the development plan's preparation, the organisation may be admitted to MPAO status on a probationary two-year period. During this time it is anticipated that a more frequent reporting and feedback regime will be established than for long-standing MPAOs, to ensure effective communications between HAB and the MPAO, and the early identification of any problem issues.

ADC will be jointly involved in periodic progress reviews, as it is possible that an organisation which has progressed to the probation stage may, nevertheless, revert to ADC funding.

Transfer

Should the organisation make satisfactory progress during the probation period it may then be formally transferred from ADC to HAB as a MPAO.

Exit Mechanism Process

Evaluation

The Designation Criteria for MPAOs must be maintained in order to retain their MPAO status.

The evaluation of whether MPAOs have fulfilled the required Designation Criteria can occur at the following stages:

– ANNUAL REPORTING TO HAB

With guidance on good practice from Government, the MPAOs should establish artistic self-assessment and evaluation procedures, including inputs from respected independent peers of the companies' choosing. Summary results should form part of the annual reporting process to Government. Evidence proving the company's ability to fulfil the Designation Criteria should be provided within this report.

– END OF FUNDING TERM ASSESSMENT

During the final year of each organisation's funding triennium a HAB-led artistic assessment and evaluation process should occur, undertaken by a small panel (4–5) including at least one peer assessor jointly agreed by HAB and the MPAO. The panel should also include a balance of artistically knowledgeable peers and individuals with business experience, who will assess the organisation's ability to fulfil the Designation Criteria.

– SIX-YEARLY REVIEW

An in-depth review of the performance of each major organisation should be carried out every six years, addressing artistic standards, innovation, audience development, management capabilities, fundraising/development and governance, amongst other elements, and measure these elements against the Designation Criteria for a MPAO. The review may be undertaken by a small panel including two members of the Advisory Committee on Arts Development and two independent experts – one of whom will be from overseas. The panel will be served by a Government officer.

– HAB-INITIATED ENQUIRY

HAB may initiate a review of the company at any point during the agreement period if there is reasonable concern that the funded company is not fulfilling the Designation Criteria.

– COMPANY-INITIATED NOTICE

Arts organisations should be encouraged to remain alert to matters of artistic quality, innovation and renewal at all times. Should the company's circumstances change and it is aware that it is no longer fulfilling the Designation Criteria (e.g. through reduction of services provided in annual program, dramatic decline in audience numbers, etc.), notice is to be provided to HAB within 14 days of the changes occurring within the organisation.

These recommended processes for artistic evaluation reflect an assumption that arts organisations should be encouraged to remain alert to matters of artistic quality, innovation and renewal.

Process

In the event that the assessment of the company at the above stages uncovers a company's underperformance in one or more areas, HAB may set specific targets for improvement and give notice (of 12 or 24 months) for a further review in these areas. Should improvements fail to be satisfactorily delivered, Government may require changes in senior management, artistic leadership or board composition as a condition of continuing support.

If a company itself provides notice of no longer fulfilling the Designation Criteria, HAB should convene a meeting with the Chair and Executive staff of the organisation to clarify the MPAO's future.

Removal of MPAO Status

Should the above process not achieve a satisfactory outcome and the company is deemed to no longer fulfil the Designation Criteria, a MPAO may have its status removed.

In this case, it may be transferred to ADC multi-year funding for an agreed minimum period before being eligible for reconsideration as a major organisation. This would require operational and financial coordination between HAB and ADC.

Appendix 11: Capacity and Asset Building Solutions

The Working Paper 2 report to HAB described the debates taking place internationally about the issue of enhancing the sustainability or ‘resilience’ of arts organisations. This included the work of Mission Models Money (MMM) in the UK, the New Models New Money Initiative in Australia and National Capitalization Project in the US all proposing a shift from a ‘subsidy’ to ‘investment’ mindset with organisations focusing on how their core assets (both tangible and intangible) can best be developed and used to build resilience.

All these initiatives have identified very similar needs including:

- the need for investment by existing funders (government or foundations) in building capacity in organisations as well supporting program delivery
- the need for recognition of the fact that ‘capital matters’ in building the capacity of an organisation to withstand changes in the external environment as well as invest in new products and services
- the need for new forms of financing including access to funds usually only accessible to for profit organisations such as loans and equity investment products
- the use of government and foundation funding to stimulate new forms of financing

Capacity Building Programs

Capacity building programs – often termed sustainability programs are not new. In the UK the National Lottery in 1994 gave the Arts Councils their first real opportunity to address the chronic instability of some of their regularly-funded arts organisations with new structured programs of diagnosis and support. These had different names, but their objectives were similar, namely to increase an organisations’ **artistic, operational and financial sustainability**.⁷ New programs currently being considered in all three countries build upon those earlier initiatives with the focus on building the asset base of an organisation as well as exploitation of those assets through entrepreneurial activities. However, greater consideration is also being given to the roles and structures of existing funding through grants and philanthropic donations, and the changes that may need to be made to these processes to ensure greater resilience in the sector.

A key message to funding bodies has been the need to recognise *the distinction between building organisations through growth and patient capital and buying activity through revenue support for programmes of work*⁸

MMM identifies that, although there are both high levels of ‘entrepreneurial energy’ in the arts, with many organisations being rich in intangible assets (such as intellectual and relational capital) and sometimes tangible assets such as real estate, this energy remains untapped for a range of issues including:

- *a lack of strategic financial planning skills,*
- *a paucity of consistent, coherent data and*
- *a resulting misalignment of financial and other advice and support.*⁹

⁷ More details can be found in PP15 – *A Sustainable Arts Sector What Will it Take? – Hunt and Shaw – Currency House 2008*

⁸ Making adaptive resilience real p45

⁹ *ibid* p8

A Capacity and Asset Building Program for Hong Kong

This appendix considers such a program for the major performing arts organisations in Hong Kong which could consist of:

1. Establishment of a specific fund

HAB may wish to consider the establishment of a specific Capacity Building Fund to invest in the detailed the diagnosis of an organisation's business and to bring in expertise to assist with developing asset building and entrepreneurial business opportunities to increase sustainability. In some countries such funds have been put aside simply by governments in others philanthropists have played an important role.

During the establishment phase for implementations in this Report it is proposed that this be a dedicated (quarantined) fund. Subsequently, capacity-building initiatives could be eligible for support within the Contestable Funding framework, and may not require separate resourcing.

2. Diagnosis of an organisation's current situation

The funding would be used to bring in expertise to diagnose the entire business of the organisation the art (the product), the operation (the production process) and the finances. It is proposed that the diagnosis is undertaken by at least one consultant with expertise in the art form itself and the other with expertise in the financing of the art form.

The consultants would develop and negotiate a program of work with the organisation and draw up a plan to implement and monitor over an agreed period of time. The following are examples of the outcomes of such a process:

- development of a new income stream through exploitation of company assets (e.g. IP)
- update of customer relations systems/database to capture data to inform future marketing and fundraising
- full understanding of the company's assets and how these may be leveraged
- the need for new or additional premises to grow the company's business or enhance quality
- professional development needs of staff and/or board members
- financial planning arrangements

3. Exploration of new forms of financing

Linked to this agenda is the opportunity to explore new forms of financing for the arts sector in Hong Kong linked to the international growth of social investing; for example micro loans, property loans and equity investment structures specifically designed for not for profit organisations generating social and cultural value.

These proposals reflect approaches adopted to 'stabilisation' and 'advancement' programs developed in the US, UK, Australia and elsewhere.

Appendix 12: Funding Application Comparison and Proposals

Summary

Generic information required in all funding applications includes:

- Company details including vision and mission, company structure and governance
- Details about the project/ program for which the applicant is requesting funding, including information about how the program/ activity reflects the company's artistic/ activity and business and marketing strategies, and information about expected audience and outcomes
- Information about current/ past works, projects, programs or events that the company/ individual has undertaken
- Financial data
- Samples of recent work

Arts Council England and the Australia Council for the Arts also include a section that gathers statistical information from applicants on ethnicity, gender, and disability to monitor the profile of groups which are receiving funding. This information is not used in assessing applications.

Points of difference between funding applications include:

- In the Arts Council England application forms the supporting statements form the bulk of the application. The rationale for this is that applicants prefer to provide a written proposal rather than answer a lot of detailed questions. The written proposal is a major part in assessing the application.
- In the Australia Council for the Arts application forms, the Business Plan provides most of the information required for assessing the application including company profile, goals and marketing and financial information

The table below summarises information required on funding application forms by selected jurisdictions in more detail and suggests a recommended future approach for HAB.

Element	Arts Council England Renaissance Multi-Year Funding Application	Australia Council Key Organisations Multi-Year and Emerging Funding Application	Canada Council for the Arts Creation/ Production in Dance Application for Multi-Year and Annual Funding	Suggestions for HAB/ Government
Background of funding program and Instruction on how to Apply	Information provided online through online application process	Application checklist and cover sheet	Program Guidelines including general information relating to Program Description, Eligibility, Financial Reporting, Assessment of Application, etc and instructions on applying	Information on funding programs and instructions could be provided online to reduce administrative burden/ paperwork

Element	Arts Council England Renaissance Multi-Year Funding Application	Australia Council Key Organisations Multi-Year and Emerging Funding Application	Canada Council for the Arts Creation/ Production in Dance Application for Multi-Year and Annual Funding	Suggestions for HAB/ Government
			including support material required	
Company details	Contact details, including company name and data	Company name, registered address, company status, contact details, ABN	Company name, registered address, company status, contact details	Company information to be provided in a short application form to be accompanied by supporting documentation (see below)
Program/ activity summary	Basic details including: <ul style="list-style-type: none"> – Working title and description of project – Amount of funding and relevant financial years – Summary of the way in which the organisation is currently meeting at least two of five stated ACE goals – Summary of people who benefit from activity – Age ranges of likely audience/ participants – Minority groups who activity/ event is relevant to – Location of activity/ event 	Applicants to provide a detailed artistic/ activity program (should not exceed 5 pages). It should include full details of the proposed program including activities, dates, venues (if applicable) and names of key personnel/ artists. Must also make specific reference to how this program reflects the artistic/ activity, business and marketing (including audience development and community engagement - if applicable)	Applicants must write a supporting statement on their Artistic Merit, giving information about the project. This is weighted at 60% in assessing the application. Information requested includes: <ul style="list-style-type: none"> – Intent including artistic mission, purpose and vision – Past accomplishments and future projects – Impact including resonance of the work and positioning of the work in relation to the company's repertoire 	Applicants to provide an artistic and education program plan detailing activity to be undertaken – in detail for the first year of the funding period, and in outline for the remainder
Profile of organisation	Profile of organisation, including: <ul style="list-style-type: none"> – Organisation's mission or purpose – Description of how organisation is 	Information provided in organisation's Business Plan. Plan must be current for a minimum of three years starting from the following year in accordance with the Australia Council's Business Plan Framework. Information in Plan	Profile of organisation, including: <ul style="list-style-type: none"> – Stated artistic mandate – Year company was formed – Typical cycle of production – List of major events or 	Information provided in three-year Business Plan submitted as part of the application. Plan would include: <ul style="list-style-type: none"> – Purpose (also known as Mission or Vision)

Element	Arts Council England Renaissance Multi-Year Funding Application	Australia Council Key Organisations Multi-Year and Emerging Funding Application	Canada Council for the Arts Creation/ Production in Dance Application for Multi-Year and Annual Funding	Suggestions for HAB/ Government
	<ul style="list-style-type: none"> constituted Anticipated outcomes for funding and KPIs for measuring success of program/ activity 	<p>includes:</p> <ul style="list-style-type: none"> Detailed company profile (mission, vision etc) Context (internal/ external environment, markets and competition) Goals KPIs Artistic program Marketing plan Financial plan Organisational structure 	<ul style="list-style-type: none"> changes (positive or negative that have occurred over company's history List of artistic directors and their periods of association <p>Structure of the organisation, including:</p> <ul style="list-style-type: none"> Board of directors Staff structure including core personnel and affiliates Sample dancers' contract 	<ul style="list-style-type: none"> Executive Summary Context Goals KPIs Strategies Artistic Plan Marketing Plan Financial Plan Management: Organisational Structure, Governance, Succession Plan, Risk Management <p>See Appendix 13 for more detail</p>
Financial information	<p>Most recent financial year:</p> <ul style="list-style-type: none"> Management accounts Budget Outline budget 	Complete copy of signed audited accounts and statutory reports for the previous year, or, for smaller organisations, the previous year's financial statement	Applicants provide financial information through an online system. Information requested includes financial reports and budget forecasts	Application to be accompanied by three-year financial forecasts (in a common format) and recent audited accounts (pre-audit where timing precludes the provision of audited figures)
Support material	<p>1. Applicants must write a supporting statement describing how their project will address the five target areas for the funding program below (max 2000 words each section):</p> <ul style="list-style-type: none"> Excellence Audiences Leadership and Diversity 	<p>1. A statement of intent – one page addressing the selection criteria for aspects of the organisation's case that do not fit into the organisation's business plan</p> <p>2. Statement confirming the names and availability of key artists (maximum 2 pages)</p>	<p>1. Applicants must write a supporting statement on Outreach and Audience Development, which is weighted at 25% in assessing the application and designed to reflect on the company's contribution to the public. Information requested includes:</p> <ul style="list-style-type: none"> Overview of main 	<p>1. In addition to a Business Plan, applicants also to provide a Marketing Plan and a Fundraising Plan. See Appendix 13 for suggested contents of strategic plans</p> <p>2. Each MPAO should propose a small range of key performance indicators (KPIs)</p>

Element	Arts Council England Renaissance Multi-Year Funding Application	Australia Council Key Organisations Multi-Year and Emerging Funding Application	Canada Council for the Arts Creation/ Production in Dance Application for Multi-Year and Annual Funding	Suggestions for HAB/ Government
	<ul style="list-style-type: none"> – Children and Young People <p>2. Copy of Governing documents</p>	<p>3. Sample of recent work and synopsis of each piece (dance, theatre and music), e.g. recording, photographs.</p> <p>Some disciplines also require letters of support</p>	<p>dissemination activities and projected activities</p> <ul style="list-style-type: none"> – Company's stated outreach and marketing strategies – Audience development activities – Any related activities, e.g. lectures, demonstrations, teaching <p>2. Applicants must provide statement of Administrative and Financial activity (weighted at 15%), including:</p> <ul style="list-style-type: none"> – Previous funding information – Human, financial and organisational resources – Governance information – Physical resources (rehearsal studios, technical equipment, etc) <p>3. Applicants must provide a summary of major activities and</p>	<p>by which the company believes its artistic and organisational progress should be measured</p> <p>3. Following the development of a Sector Plan by Government, applicants should indicate the ways in which they will contribute to fulfilment of this Plan</p>

Element	Arts Council England Renaissance Multi-Year Funding Application	Australia Council Key Organisations Multi-Year and Emerging Funding Application	Canada Council for the Arts Creation/ Production in Dance Application for Multi-Year and Annual Funding	Suggestions for HAB/ Government
Statistical/ monitoring information ¹⁰	Information requested includes ethnicity, disability status and gender	Statistical information including: – Who the project is for (young people, emerging) – Groups involved in the project, their level of artistic control and whether they are paid/ unpaid	append to their application	HAB to consider at a later stage an online data reporting mechanism in order to collate data from multiple companies and provide industry feedback

¹⁰ Information that allows the funding body to monitor the different backgrounds of people who receive grants and contributes to the evaluation of grant categories and administrative processes – this information is not used to assess applications and not seen by assessors.

Appendix 13: Guidance on Strategic, Marketing and Fundraising Plans

Specific guidelines, and possibly training, on the development of strategic plans, marketing plans and fundraising plans will need to be provided by Government to ensure clear understanding, to provide some consistency in planning and reporting processes, and to embed skills which have not been taken for granted previously. This Appendix provides an outline of suggested contents of such plans, based on practice in other jurisdictions where similar obligations are placed on funded arts organisations. More detailed sources of advice on planning processes relevant to not-for-profit organisations are provided at the end of this Appendix.

Strategic or Business Plans

The primary elements expected in a strategic or business plan can include:

- Purpose (also known as Mission or Vision)
- Executive Summary
- Context (your internal and external environment, markets and competition)
- Goals
- Key Performance Indicators
- Strategies
- Artistic Plan
- Marketing Plan
- Financial Plan
- Management: Organisational Structure, Governance, Succession Plan, Risk Management

The Context section is intended to encourage critical self-reflection on the organisation's current situation – it is sometimes described as the 'situational analysis' or 'business diagnostic' and concludes with a short summary of the key strategic issues, and opportunities, to be addressed by the organisation in the next few years. This sets the scene for the forward planning part of the document (the Goals, Strategies etc.), particularly to ensure that the Goals are realistic and that the forward plan addresses those issues which have been identified as significant. Questions for the diagnostic might include:

1. How/why were we established
2. What is our organisational structure and staffing structure
3. What are the services and programmes we provide
4. What our main markets and customer segments
5. Who are our competitors, what are their strengths
6. What is our recent progress – what is going well, what is going less well, e.g.
 - artistic product, services and program development
 - communication and marketing
 - personnel development (staff, Board, volunteers)
 - financial planning and control
 - facilities
 - stakeholder relationships

7. What is our current financial position
 - main income and expenditure strands
 - balance sheet position
 - recent trends/changes
8. What are our key opportunities for growth and development
 - customers
 - services
9. What are our strengths, weaknesses opportunities and threats (or challenges, i.e. SWOT analysis or SWOC analysis)
10. How do we describe our internal and external environments

In addressing these through staff and board discussions, or through one or two individuals drafting material and others critiquing those drafts, the aim will be both to capture an accurate description of where the organisation is up to, but also to begin highlighting gaps or weaknesses, work-in-progress and, crucially, 'strategic issues' which will inform future planning choices.

The Forward Plan might include the following sections – although each organisation should be free to 'tell its story' with a reasonable degree of flexibility:

Topic	Paragraphs
Vision	What we want to have achieved in a few years' time; what difference we want to have made
	How we want our organisation to have developed in a few years' time (to deliver the above)
Mission	The purpose of the organisation
Goals, Aims or Strategic Intent	For example, there may be a top-level Goal for each of the following: <ul style="list-style-type: none"> - services (there might be several if there are distinct service strands – artistic, educational) - marketing, communications, advocacy - fundraising and development - financial control, administration, systems - physical infrastructure and/or IT - personnel - governance
Performance indicators	How we will measure success
Strategies	How the Goals will be achieved (perhaps two or three strategies per Goal)
Action programs	How the strategies will be implemented (these form part of an operational plan, but are needed to ensure the Strategic Plan is deliverable)
Artistic Plan	See below

Topic	Paragraphs
Marketing Plan	Summary, with a more detailed plan as a separate document (see below)
Risk analysis/management	Identification of the principal risks which may impede success, and how these will be mitigated
Financial projections, variances	Outline financial projections (as distinct from formally adopted budgets, which will come to the Board year by year for approval)
Management and governance	Organisational structure, key responsibilities

Artistic (or Program) Plan (3 pages)

Your artistic (or program) plan contains three main components:

- a statement about the artistic rationale which underpins your artistic choices
- an overview of the program for each year of the business plan (exhibitions, tours, special projects, residencies, performances, creative developments, workshops, commissions, publications, etc.)
- ways to measure artistic vibrancy, including a model for self-evaluation. The Australia Council has developed a set of resources on artistic vibrancy and how to measure it. You can find these resources at: <http://www.australiacouncil.gov.au/artisticreflectionkit>

Within your plan it should clearly outline what you expect to achieve annually, what impact and why it is an improvement on previous years (if appropriate).

You can expand, or refer to the relevant contextual analysis already provided in your business plan.

Marketing Plan (2-3 pages)

Provide a multi-year plan of the marketing goals and strategies that you intend to use to achieve your Key Performance Indicators. Consider including all your markets, such as: education, specific communities e.g. artists, sponsors, media, peers, funding bodies and philanthropists. Your marketing plan should flow logically and expand on the analysis within the Context section and should take into account your unique artistic vision

Your marketing plan should demonstrate:

- an understanding of target markets (current and potential)
- the responsiveness of programming to target markets and segments, and
- evidence of market research.

If applicable, you may need to develop separate action plans for marketing communications or promotion, sponsorship and philanthropy.

You can expand, or refer to the relevant contextual analysis already provided in your business plan.

The marketing plan can result in a practical action plan for day-to-day marketing and communication activities which underpin service delivery, fundraising and advocacy.

In relation to marketing planning the board should:

- require formal marketing planning, integrated with the organisation's strategic plan
- endorse the selection of key target groups, its publics or markets (ensuring they are in line with core business of the organisation)
- confirm the primary marketing objectives
- help to resolve conflicts in strategic priorities (e.g. investment in reaching one target group over another)
- ensure that the organisation's policies and priorities adopted can be realistically sustained by the organisation's marketing activity (i.e. ensure that there is not a disjunction between the service aspirations and the marketing resources)
- endeavour to include strategic marketing expertise amongst the board's collective strengths

The checklist which follows provides a broad framework for how Board members and senior management might have oversight of marketing approaches and systems. But it is important to recognise that each organisation will be different.

Marketing planning

1. Is the marketing plan suitable for the achievement of the aims of the organisation and agreed business objectives?
2. Does the plan articulate a vision for the brand, its values (business drivers), personality (message drivers) and attributes (how an organisation would like to be known)?
3. Does the plan cover the essential 'Ps': price, product, place, promotion, positioning (premium, family, low end, middle of the road), people/processes and physical evidence?
4. Is the plan evidence-based (grounded in an analysis provided through sales data, market or audience research)
5. Does the plan set realistic targets that are measurable?
6. Are the key messages and value proposition to the market easily understood and appealing?
7. Does the plan contain strategies for long-term customer building with specific targets in mind? (New audiences, beneficiaries, members and so on.)

Communications and reputation building

1. Does the marketing plan contain a section for the organisation's communications plan, the messages it wishes to convey by product line or by market segment, and the image it wishes to project overall?
2. What are the vehicles for regular communications and relationship-building with current and potential stakeholders, supporters, donors and so on?
3. Is the content appropriate for the target audience and does it project the desired image?
4. Are there guidelines in place regarding the confidentiality of Board deliberations and protocols for talking to the media?

5. Is there ready availability of media clips to Board members?
6. Do we have strategies in place to address negative or potentially damaging news coverage?
7. Do we have written procedures for the management of a disaster or of controversial issues?
8. Do we undertake occasional brand audits to measure how familiar people are with our organisation and its offer, how favourably they view it, their personal experience of the organisation? (More relevant for larger companies)

Fundraising Plan

The fundraising strategy or plan should address the organisation's approach to securing resources from donations, support from grant-making trusts or foundations, in-kind corporate support, cash corporate sponsorships or partnerships. Some would include government support within the strategy also. A 12-15 slide Powerpoint document suitable for presentation to a board is often a more useful document. The Strategy or Plan might include:

- a short history of the organisation's fundraising efforts in recent years
- dollar annual targets for each of the next three years as a minimum, including sub-totals for different categories of fundraising where these might be appropriate e.g. donations, grants from trusts and foundations, cash corporate partnerships and in-kind corporate partnerships
- overview of priority key assets or products that require funding (typically no more than two or three per annum) and estimated budgets for each – could range from 'one-off' or ongoing project or program funding, salary costs, refurbishment of a building, new IT/technology equipment etc
- overview of proposed fundraising strategy for each priority key asset or product – by way of example, could be annual major gift program and /or application(s) to targeted trusts or foundations. Details of strategy to be outlined
- proposed budget to achieve fundraising targets each year i.e. costs that need to be incurred
- outlines of necessary Board engagement and involvement to achieve the plan; and staff resources
- key milestones for Year 1, and next steps

A number of common success factors characterise the organisations with more effective fundraising track records:

- the significant role played by an active board, who are willing to use their networks and in some cases to donate substantial sums personally
- the essential leadership (and significant time input) needed from a dedicated Chair, who is also able and willing to deploy useful contacts and influence
- the value of professional in-house staff, with previous development/fundraising experience
- the importance of establishing clear development/fundraising objectives
- a commitment to donor research, to providing a solid base of market knowledge

- the significance of high quality product or services (in relation to the main/parent organisation's activities)
- the importance of understanding the motivation of individual donors, and progressively building close relationships between potential donors and the organisation
- the importance of co-ordinating fundraising and development activity across all areas of the organisation
- the supportive role which the CEO can play, in helping donors feel valued, motivating the board or Development Committee, and assisting in sponsorship negotiations when appropriate
- a competitive attitude, recognising that fundraising and development require a will to succeed, regardless of short-term set-backs or frustrations

Sources of further information

Bryson, John M, *Strategic Planning for Public and Nonprofit Organizations: A Guide to Strengthening and Sustaining Organizational Achievement*, 3rd edn, (Jossey-Bass, San Francisco, 2004)

Fishel, David. *The Book of the Board*. 2nd ed. Sydney: Federation Press, 2008.

Garratt, Bob (ed), *Developing Strategic Thought: Rediscovering the Art of Direction-Giving*, (McGraw-Hill, London, 1998)

La Piana, David, *Beyond Collaboration: Strategic Restructuring of Nonprofit Organisations*, (The James Irvine Foundation and the National Centre for Nonprofit Boards, San Francisco, 1997)

Appendix 14: Key Performance Indicators

The purpose of Key Performance Indicators (KPIs) is to focus the board and senior management on monitoring aspects of the arts organisation's performance and development which are considered of greatest significance. This monitoring process builds knowledge which will inform future planning and target-setting, and provides early indications of success or problems.

It is proposed that the KPIs should form part of the Funding Agreement between the MPAO and Government, and that confirmation of the KPIs be a result of discussion between the MPAO and Government.

During the Study arts organisations indicated that they would hope to see a balance of quantitative and qualitative measures covering cultural, social and economic impacts, and quality of management issues including, for example:

Qualitative

- artistic achievements – excellence in production and presentation/ audience and critics response/ views of external peers – including those from greater China and other countries
- use of new technology social media for audience chats and comments
- responses from partners and collaborators
- social impacts
- educational impacts
- quality of governance and management
- role in the sector and ability to nurture new work/ artists/ creativity
- issues specific to the artform.

Quantitative

- number of world class artists wishing to work with the organisation
- collaborations with local groups and artists
- invitations to tour nationally and internationally
- number of awards (e.g. HK Theatre Awards)
- accumulation and security of own assets – IP and personnel
- balance of earned income to subvention
- efficiencies.

In the following table, the consultants have structured this to divide possible KPIs into several different categories:

- Programme
- Artistic reputation
- Market and audience development
- Financial performance
- Fund-raising and sponsorship results
- Human resources

– Governance

In the case of each selected indicator the organisation would measure performance against a previously agreed target, or measure performance during the current period (this year, this month) against a similar previous period. This enables review and discussion to focus more efficiently on positive and negative variances (which also help management to refine future targets in the light of experience). A total of perhaps not more than 12 per organisation might be appropriate – in order to maintain the Board's and the senior management's focus on a small range of performance areas that they consider most significant:

Operational area	Possible performance indicators
Programme and programme innovation	<ul style="list-style-type: none"> ▪ number of fee-paid performances in previous period: local, mainland China and overseas (i.e. bookings where a venue or festival took the financial risk) ▪ number of future fee-paid bookings confirmed or under negotiation: local, mainland China and overseas ▪ number of own/entrepreneuried productions in previous period (i.e. with at-risk investment by the MPAO) ▪ number of own/entrepreneuried productions planned for next period ▪ number of new works commissioned ▪ number of new works presented, and number of performances of these works ▪ number of new education and outreach programmes ▪ number of programme partnerships with other arts/cultural organisations, venues, festivals
Artistic reputation	<ul style="list-style-type: none"> ▪ number of fee-paid performances in previous period: local, mainland China and overseas (i.e. bookings where a venue or festival took the financial risk) ▪ number of future fee-paid bookings confirmed or under negotiation: local, mainland China and overseas (i.e. bookings where a venue or festival is taking the financial risk) ▪ number of positive critical responses (in public media) ▪ international artists agreeing to work with the company or inviting the company to work with them ▪ local and overseas awards received ▪ results of peer reviews
Market and audience development	<ul style="list-style-type: none"> ▪ attendance – at ticketed and unticketed events and activities for each programme strand (latter would be an estimate) ▪ market penetration (geographic, socio-demographic, and actual number of audience members as distinct from tickets sold) ▪ market research undertaken ▪ number of community events accessible to low income earners (i.e. free or low-cost) ▪ number of education and outreach programmes ▪ performance against Marketing Plan targets ▪ online services (e.g. website hits, social media levels of engagement) ▪ e-newsletter subscribers ▪ media coverage (e.g. frequency, or quantity, or positive messages)
Financial performance	<ul style="list-style-type: none"> ▪ liquidity ratio – capacity to service debts when they fall due ▪ working capital – ratio of current assets to current liabilities

Operational area	Possible performance indicators
	<ul style="list-style-type: none"> - debtors and creditors - timeliness and efficiency of financial systems - economic sustainability – end of year result - level of income received from: <ul style="list-style-type: none"> ▪ government ▪ fees and box office ▪ development/sponsorship ▪ overseas earnings - financial planning – degree of variances from budget - subsidy/subvention per attendee, per performance, per programme
Fund-raising and sponsorship results	<ul style="list-style-type: none"> - levels of sponsorship and donations - first time sponsors, benefactors and donors - retention of previous sponsors and donors - average size of sponsorship, donation or bequest - performance against Fundraising Plan targets
Human resources	<ul style="list-style-type: none"> - percentage of staff undergoing training/development activities - number of training days for staff, board, volunteers - Health, Safety and Environment <ul style="list-style-type: none"> ▪ Incidents ▪ Days lost ▪ Frequency rate ▪ Severity rate - absenteeism - staff retention
Governance	<ul style="list-style-type: none"> - board composition - currency of Business Plan, Marketing plan, Fundraising Plan - currency of board review/assessment process - currency of CEO appraisal process - number of board meetings held during reporting period - number of board meetings attended by 80% of board members or more

Appendix 15: Cost Drivers Framework: Identifying Base-Line Funding Levels

Whether current funding levels for the MPAOs are considered adequate or inadequate is dependent upon the role which each MPAO is expected to play. The larger ensemble companies – HKPO, HK Sinfonietta and HK Ballet – each expressed the view that their core ensemble is inadequate to fulfil the aspirations of the company and – at least in the case of HK Sinfonietta – that remuneration levels are too low to retain artists, who are leaking to teaching and other areas to make a living. Other MPAOs will each have their own aspirations as to their development and outputs. Government will need to clarify the overall role it expects each MPAO to play.

The factors influencing the confirmation of necessary funding may include:

1. the expectations which Government has of the company – in relation to quality, number of programmes and performances, innovation/new work, audience development, education and outreach, industry development (e.g. in relation to smaller or less experienced companies), touring. It is expected that each of these elements would be a matter of discussion and negotiation between the MPAO and Government
2. the agreed ensemble size. The consultants are aware that this may involve difficult decisions in relation to the larger companies – but believe it will serve the SAR and the MPAOs better to address these decisions than to leave expectations unstated
3. agreed cost drivers in relation to productions, performances, new work (see below)
4. the company's financial track record, especially in relation to earned income
5. future expectations of the company with regard to earnings from fees, box office, sponsorship, donations and other sources

As a basis for further consideration the consultants propose the following staged process for discussing and confirming appropriate funding levels for each MPAO, including companies newly admitted to MPAO status in the future.

First, the MPAO to provide a clear analysis of the cost base for:

- creating new work (commissioning, nurturing)
- creating new productions (creative/design team)
- building productions (sets, props, costumes etc.)
- rehearsal (fees, wages)
- performance (wages)
- presentation costs (venue, royalty payments)

The rationale for costing each of these elements will need to be clearly evidenced including, where necessary, benchmark data from other companies. While the analysis will be largely based on historical evidence from recent productions, there may be elements which will be informed by mutual agreement on the future vision for the MPAO, which may include enhancements in aspects of quality or new strands of work, or increases in the number of productions or performances.

This cost-base framework will need to be prepared for a range of different production types and scales. The assumptions will be examined by Government, revised as necessary, and adopted as a basis for the next stage of cost planning. The table below presents a sample layout for the cost-base for a single production:

Cost Element	Production Stages					
	Create work					
Fees - Creator(s)	(choreograph,					
"Workshopping" Costs	compose, write)					
		Create production				
Fees - Directorial team		(design sets, props,				
Fees - Design Team		costumes, lighting)				
			Build production			
Cost of Sets/Props/Costumes/ Equipment Hire			(Make sets, props etc).			
Salaries - Production and other staff required						
				Rehearse		
Salaries / Fees - Performers						
- Stage Manager						
- Stage Crew as required						
- Production staff as required						
					Perform	
Salaries / Fees - Performers						
- Stage Manager						
- Stage Crew						
- Production staff as required						
						Present
Venue Costs						
Royalties - Creative Team						

Secondly, Government to confirm in principle the outputs from 1) above and, where relevant the ensemble size (item 3 above)

Thirdly, using the company's Business Plan and Program Plan (or Draft Business Plan, as its confirmation may be subject to this process of confirming Government's subvention level) the individual production frameworks can then be assembled into a consolidated cost plan for a year:

COST DRIVER SUMMARY														
Production		Ensemble		Guest Artists	Artist Development	Touring			Education	Free Events	Management	Marketing	Overheads	COST BASE
Number	Cost	Number	Cost			International	Mainland	SAR						

Finally, Government will need to agree with the MPAOs their income targets, including 'stretch' targets in new areas of income generation, which may be built up as expertise in development, and other initiatives stimulated by Government, come into effect. The gap between agreed cost-base and income targets will form the basis for Government subvention.

While this may seem rather a cumbersome and rough process it is essential for Government and the MPAOs to move towards an evidence-based and equitable approach to confirming appropriate funding levels. Over time, as Government's knowledge of the MPAOs' economy improves, the process recommended here may be curtailed by officer knowledge.

Appendix 16: Selected Non-Government Arts-Business Development Agencies

Australia

Australia Business Arts Foundation
<http://www.abaf.org.au>

UK

Arts & Business
<http://www.artsandbusiness.org.uk/>

Republic of Korea

Korean Business Council for the Arts
<http://www.mecenat.or.kr/>

Canada

Business for the Arts
<http://www.businessforthearts.org/>

Sweden

Kultur och näringsliv
<http://www.kulturnaringsliv.se/>

USA

The Arts & Business Council of Americans for the Arts
Business Committee for the Arts
http://www.artsusa.org/information_services/arts_business_partnerships/default.asp

France

Association pour le développement du mécénat industriel et commercial (Admical)
<http://www.admical.org/>

Scotland

Arts and Business (Scotland)
<http://artsandbusiness.org.uk/>

Others

Austria

- Initiativen wirtschaft fur kunst
<http://www.iwk.at/>

Belgium

- Promethea
<http://www.promethea.be/>

China

- China Creative Connections
<http://www.chinacreativeconnections.com/>

Denmark

- Nyx Forum
<http://www.nyxforum.dk/>

Germany

- Arbeitskreis kultursponsoring
<http://www.kulturkreis.eu/>

Hungary

- Summa Artium
<http://www.summa-artium.hu/>

Italy

- Bondardo comunicazione
<http://www.bondardo.com/>

Japan

- Kigyo mécénat kyogikai
<http://www.mecenat.or.jp/>

Lebanon

- Lebanese Association for the Development of Cultural Funding
<http://www.liban-mecenat.org/>

Netherlands, The

- Kunst & zaken
<http://www.kunst-en-zaken.nl/>

Norway

- Forum for kultur og næringsliv
<http://www.kulturognaringsliv.org/>

Poland

- Commitment to Europe
<http://www.cte.org.pl/>

Republic of Ireland

- Business to Arts
<http://www.business2arts.ie/>

South Africa

- Business and Arts South Africa
<http://www.basa.co.za/>

Switzerland

- Forum • culture et économie
<http://www.culture-economie.ch/>

Taiwan

- National Cultural and Arts Foundation
<http://www.ncafroc.org.tw/>