

Birmingham City Council

Report to Cabinet

25 June 2019



Subject: Commissioning of Arts Activities 2019-20
Report of: Corporate Director - Neighbourhoods
Relevant Cabinet Member: Councillor Jayne Francis, Cabinet Member for Education, Skills and Culture
Relevant O&S Chair(s): Learning, Culture and Physical Activity
Report author: Symon Easton, Head of Cultural Development Service

Are specific wards affected?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s):		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference:		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential : A private report is required to set out the background to individual recommendations and confidential financial and business information relating to the organisations concerned.		

1 Executive Summary

- 1.1 The purpose of this report is to seek approval for the recommend allocation of budgets to support arts activities in 2019-20 at a total cost of £2,677,000 and retention of the Support to the Arts budget at this level until 2022/23.

2 Recommendations

That Cabinet;

- 2.1 Notes the background to the recommendations for allocating funding and grants from the Support to the Arts budgets for 2019-20
- 2.2 Notes the Equality Duty (Appendix 1) and Equality Impact Assessment Screening (Appendix 2) relating to proposals

- 2.3 Approves the allocations for revenue funding grants totalling £2,367,000 set out in Appendix 3 - subject to the receipt of requisite information in accordance with the council's grant processes and organisations adherence to the General Conditions of Grant Aid (set out in Appendix 4)
- 2.4 Approves the allocation for Local Arts Development and arts project commissioning totalling £310,000 also set out in Appendix 3.
- 2.5 Delegates to the Acting Director of Neighbourhoods the award of the interest benefit generated from a Capital Endowment Fund, the principal amount being a maximum of interest benefit up to £1.44m to Midlands Arts Centre (Mac) under a 'client account' arrangement from 2019/20
- 2.6 Approves the 2019/20 level of Support to the Arts funding at £2,677,000 to be maintained up to 2022/23 in order to provide organisations with some stability, and enable them to forward plan their future programmes including any aligned to supporting The Commonwealth Games 2022.

3 Background

- 3.1 Arts organisations have been in discussion with the Council over a prolonged period (since February 2010), concerning projected continuation of reductions in Council funding. In 2017-18 the arts budget was reduced by £1.673m (34%). This was in addition to a reduction of 25% in 2016-17. Arts organisations have worked collaboratively to develop ways to diversify income, share costs and maximise commercial revenue. Some organisations have been very successful in increasing income from other sources, although generally not at the speed or scale that could replace lost City Council resources.
- 3.2 All of the organisations in the portfolio are funded to varying degrees by Arts Council England (ACE) which has the right to impose additional terms and conditions on its grants if 'another funder withdraws any part of the funding for the agreed activities'. Further Council reductions (grant changes) may yet affect organisations funding agreements from ACE when the next round starts from 2022.
- 3.3 In 2015/16, the major organisations formed a new company, Culture Central, to advocate for the cultural sector at large and to progress collaborative programming and fundraising initiatives. One of the early projects was to work with the Council and other partners on developing the Birmingham Cultural Investment Enquiry. Whilst some notable progress has been made in delivering some of the recommendations, more work is needed. Following a review of its operation in late 2018, Culture Central has recently experienced some changes and is in the process of 'recalibrating' its aims and objectives.
- 3.4 For 2018-19 it was agreed that the allocations for the Support to the Arts budget should remain at the 2017-18 levels so that arts organisations could be given an opportunity to absorb previous reductions and create some stability in their operations. However, continuing budget pressures meant that further reductions

would be necessary in 2019-20 and a proposal to cut a third of the remaining £3.177m budget was announced. Following the 2019+ budget consultation process this was reduced to a £0.5m reduction to the overall budget. This revised reduction was subsequently approved by Full Council in February 2019.

- 3.5 At the same time, the City Council announced that it had identified a £2m Capital Endowment Fund to help support revenue funding for the major organisations. This has been welcomed and the Mac (Midlands Arts Centre) have been first to seek to take up the opportunity of a £1.44m endowment in lieu of their (contract) funding allocation from 2019-20. The Council is establishing a 'client account' arrangement where it retains the principal but the account allows Mac to undertake an investment plan on the principal and utilise all the net interest earned. The detailed discussions on this need to be concluded with the Mac alongside their premises lease and car park agreement.
- 3.6 Following a series of individual and collective consultations with the grant funded arts organisations, it was agreed that in order to achieve the savings required, there would be an equitable reduction of 23% in grants. However, the City of Birmingham Orchestras particular circumstances determined that the organisation could only absorb a 10% grant reduction. The remaining 13% balance has been resolved by allocating the previous funding attributed to Mac who are recommended to receive the Capital Endowment Fund benefit.
- 3.7 The Local Arts Development funding recommended in this report enables support for local groups to work as part of local arts forums (established in 2013-14) and to develop cultural activities in some areas of low cultural engagement. Smaller arts organisations are commissioned to deliver projects in neighbourhoods and with young people. These (oversubscribed) schemes are important as they enable the Council to target activities at people with less opportunity to engage with culture, and they lever investment from other sources, notably the arts lottery. These schemes will continue in 2019-20, linked to the Council's priorities.
- 3.8 In 2016, Newtown Cultural Project which managed the facility known as The Drum, ceased trading. The Drum was the city's only dedicated venue for Black and Minority Ethnic Arts and no alternative provider was identified to take on the building. In consultation with local stakeholders and ACE, the Council launched a project funding scheme to use funding previously earmarked for support to the Drum to provide arts activities, and to support capacity building of local arts organisations and leaders. It is proposed to retain a dedicated fund of to support black and minority ethnic arts development (including provision for the co-ordination of the annual Black History Month in October).

4 Options considered and Recommended Proposal

- 4.1 To reduce the major core grants and contracts programme further - following public consultation and citizen feedback to the Council's financial plan 2019-23, the proposal to cut the Support to the Arts budget by a third was revised down

to £0.5m reduction. Further reductions at this point would be damaging but organisations continue to work together, with the Council and other stakeholders, to develop partnerships which should enable funds from other sources to be increased over time. Project funding schemes provide important resources to lever investment from other bodies and sustain a large number of smaller cultural companies, as well as providing valuable activities out of the city centre including BAME communities across the city.

- 4.2 To commission different companies or activities, or to allocate funding differently – the regularly funded organisations portfolio of today was established in 2010-11 based on a ‘balanced scorecard’ framework where contributions of the organisations and programmes to the Council’s priorities were assessed (whilst also taking into account the risks and liabilities associated with each organisation). Whilst there are many excellent arts organisations in the city, the reduced budget has meant that it has been difficult enough to sustain the existing portfolio. Other proposed arts commissioning programmes complement the work of the revenue funded organisations and offer opportunities for smaller, locally based and specialist providers to be commissioned.
- 4.3 To allocate more of the budget to activity and less to staffing costs - Cultural Development officers play an important role in cultural commissioning and assuring the quality of activities, their relevance, safety and contribution to Council’s priorities. In addition to monitoring funded activities, officers manage the Heritage, Public Art and Film agendas for the city. They also provide information, advice and guidance to a wide range of internal and external customers. Budget reductions to date have already required the service to significantly downsize / restructure. A further reduction to the staffing budget would be likely to seriously impede the council’s ability to undertake the necessary oversight of its investments, manage its contracts, or run programmes which can also be funded by external parties.

5 Consultation

- 5.1 Councillors nominated by the City Council to the Boards of the funded organisations were notified of the arts funding proposals and have been sent a copy of this report for information. Officers from City Finance and Legal Services have been involved in the preparation of this report including the proposals to establish and implement the Capital Endowment Fund.
- 5.2 Proposals to reduce support to arts activities by one third were included in the Budget public consultation exercise November – December 2018. Citizen feedback highlighted recognition of the positive impact of the arts and cultural sector in the city and a desire to ensure that visitors to the city get the best possible welcome.

Individual meetings were held with representatives of the funded organisations, the Cabinet Member for Education, Skills and Culture and Head of Cultural

Development in December 2018 at which the implications of the budget saving on organisations and other potential solutions were discussed.

Arts Council England were also consulted over several meetings and officers attended arts organisations Board meetings where relevant to discuss funding.

Following consultation the financial plan 2019-23 agreed by Cabinet on the 12th February 2019 included a £0.5m reduction in the proposed cut in grant funding to arts organisations and the creation of a £2m Capital Endowment Fund.

The Leader and Cabinet Member for Education Skills and Culture has subsequently met with the Chairs of the funded arts organisations to discuss the funding situation and joint / collaborative working going forward.

6 Risk Management

- 6.1 Appendix 5 sets out the potential risks / mitigations associated with Commissioning of Arts Activities 2019-20. There are no anticipated high risk / high implications.

7 Compliance Issues

- 7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

- 7.2 The recommended decisions are consistent with the following priorities in the City Council's plan;

- 7.2.1 Outcome 1 - Birmingham is an entrepreneurial city to learn, work and invest in.

- Priority 1: We will create opportunities for local people to develop skills and make the best of economic growth
- Priority 2: We will strive to maximise the investment in the city and engage local employers to create quality jobs and opportunities for citizens

- 7.2.2 Outcome 2 - Birmingham is an aspirational city to grow up in.

- Priority 3: We will inspire our children and young people to be ambitious and achieve their full potential.

- 7.2.3 Outcome 3 - Birmingham is a fulfilling city to age well in.

- Priority 1: We will work with our citizens to prevent social isolation, loneliness and develop active citizenship.

- 7.2.4 Outcome 4 - Birmingham is a great city to live in.

- Priority 5: We will work with partners to ensure everyone feels safe in their daily lives.
- Priority 6: We will foster local influence and involvement to ensure that local people have a voice in how their area is run.

- Priority 7: We will work with partners to build a fair and inclusive city for all.
- Priority 8: We will enhance our status as a city of culture, sports and events.

7.2.5 Outcome 5 - Birmingham residents gain the maximum benefit from hosting the Commonwealth Games.

- Priority 5: We will work with our diverse communities to ensure that we deliver a Games for Birmingham that connects our citizens and fosters civic pride.

7.2.6 The Birmingham Business Charter for Social Responsibility - all funded organisations must comply with the requirements of the Birmingham Living Wage Policy and the Birmingham Business Charter for Social Responsibility where applicable. Subject to them being above the Charter thresholds, all grant recipients will need to produce action plans proportionate to the grant value.

7.3 Legal Implications

7.3.1 Under Section 145 of the Local Government Act 1972 the Council may do, or arrange for the doing of, anything necessary or expedient for the provision of entertainment of any nature, the provision of a theatre, development and improvement of the knowledge, understanding and practice of the arts and the crafts which serve the arts and any purpose incidental to the matters aforesaid.

7.3.2 Under the general power of competence per Section 1 of the Localism Act 2011, the Council has the power to enter into the arrangements set out in this report which also are within the boundaries and limits of the general power of competence Section 2 and 4 of the Localism Act 2011.

7.3.3 The requirements of the Data Protection Act 2018 and Human Rights Act 1998 have been taken into consideration in terms of the processing, management and sharing of data involved in these proposals. The city council has processes to protect any release of sensitive information - the funded organisations' Conditions of Grant Aid stipulate compliance with such legislation which must be signed and returned by named trustees before funding is released.

7.4 Financial Implications

7.4.1 The commissioning activity recommended will be funded from the Support to the Arts budget.

7.4.2 The approved Council Business Plan and Budget 2019+ included a £0.5m reduced expenditure budget for Support to the Arts in 2019-20. The level of reduction has been balanced against organisations' financial ability to further adapt to cuts and continue operating.

- 7.4.3 It is proposed that the 2019/20 level of funding is maintained up to 2022/23 to provide some stability and enable organisations plan their future programmes. The requirement to commit to a 4 year funding envelope will provide a degree of stability for arts organisations, however leaves the Council with additional financial risk due to budget plans set on an annual basis.
- 7.4.4 Arts organisation recipients will be subject to an annual financial review and the Council may amend funding between organisations as a result.
- 7.4.5 A Capital Endowment Fund of £2.0m will be created by the council to enable alternative revenue support for funded organisations thereby reducing the pressure on those remaining in the regularly funded portfolio.

7.5 Procurement Implications

- 7.5.1 The commitment has been made to the ten regularly funded major arts and cultural organisations (which have been named) through the 2019+ budget consultation.
- 7.5.2 Major arts and cultural organisations; CBSO, Ex Cathedra, Performances Birmingham, Birmingham Royal Ballet, Birmingham Opera Company, Birmingham Repertory Theatre, Midlands Art Centre, Ikon Gallery, DanceXchange and Sampad are named as grant recipients within the financial plan 2019-23. This report allocates grant funding to these organisations in principle subject to the receipt of requisite information in accordance with the council's grant processes.

7.6 Human Resources Implications

- 7.6.1 There are no implications for the council

7.7 Public Sector Equality Duty

- 7.7.1 A copy of the Equality Act 2010 – Public Sector Duty statement is appended (Appendix 1) together with the original arts funding consultation equality assessment screening EQUA101 (Appendix 2). Organisations in receipt of funding will be required as a condition of funding to consult their own stakeholders and customers in relation to equality obligations, as they update their business plans following confirmation of the level of awards.

8 Background Documents

- 8.1 Cabinet Report - Support to the Arts 2017-18 (approved 13 December 2016)
- 8.2 Cabinet Report - Commissioning of Arts Activities 2018-19 (approved 12 December 2017)
- 8.3 Imagination, Creativity & Enterprise – Birmingham Cultural Strategy 2016-19
- 8.4 A Creative Future (Birmingham's strategy for children, young people and culture)

8.5 Birmingham Cultural Investment Enquiry Report

9 List of Appendices accompanying this report

1. Equality Duty Statement
2. Equality Impact Assessment Screening
3. Allocations for Support to the Arts Funding
4. General Conditions of Grant Aid
5. Risk Assessment