

## 2. CHRISTCHURCH ARTS FESTIVAL – SUPPLEMENTARY FUNDING

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The purpose of this report is to seek supplementary funding for the 2001 Christchurch Arts Festival.

### CONTEXT

The first Arts Festival of the current generation was in 1995 and was core-funded by Council at \$78,000 per annum. The first festival was put together in less than one year, so did not receive the second year of funding. Since 1995 the Arts Festival has been a biennial event and was core-funded a total of \$156,000 spread over two years (\$78,000 per annum) for the 2001 festival. The current core-funded agreement for the festival to be held in August 2003 will grant the sum of \$164,370. The first payment of this grant of \$54,792 was made on 21 November 2001.

The Christchurch Arts Festival is the second largest arts festival in New Zealand, and the largest festival showcasing New Zealand artistic talent.

The 2001 Arts Festival achieved 93,549 attendances, an increase of 26% over the attendances in the 1999 Festival. 43,844 people in the Festival 2001 accessed free events; this was 46% of the total attendances.

510 performances and exhibit days in 34 venues were presented in the 2001 Arts Festival, which involved more than 1,100 artists throughout Christchurch. Seventy-seven percent of the 1,100 artists employed and 94% of the 111 Festival employees were Christchurch-based.

Up to 7,000 people are estimated to have travelled from outside Christchurch to attend this event. The Trust estimates that the festival contributed an economic benefit to the Christchurch economy of \$3.38M.

In a recent Arts Section of 'The Press,' The Christchurch Arts Festival 2001 was a top performer with ten nominations out of 32.

The Schools Into Arts 01 programme offered discounted Festival tickets to schools in the greater Christchurch area. A total of 3,116 school students from 36 schools attended the Schools Into Arts 01 programme. The Schools Access Scheme offered further reduced tickets at a subsidised rate to schools in decile 7 and lower (\$2 to Primary/Intermediate schools and \$5 to Secondary schools). 1,024 of the total 3,116 students in the scheme accessed subsidised tickets through the Schools Access Scheme.

One of the new commissions for Festival 2001, *The Golden Holden*, has been sold to the New Zealand Festival and will be presented in Wellington from 25 February to 2 March 2002.

The festival was a \$2.82M event, with \$1.88M spent by the Trust and the balance contributed by independent and joint venture partners.

In addition to the core funding from the Council, sponsorship raised directly by the Festival contributed \$1.03M to the event. Corporate sponsorship contributed \$647,000, Community grants \$113,000, The Community Trust \$80,000 and \$33,000 from Friends of the Festival.

The 2001 Arts festival lost \$113,805 overall. All of this except \$20,000 has been covered by the Trusts reserves built up from the festivals in 1995 and 1997.

The Christchurch Arts Festival Trust has requested additional funding from the Council to fund the remaining \$20,000 deficit. The Festival Trust acknowledges that mistakes were made in the running of the last festival. The significant issues resulting in the loss are as follows:

- The Auckland Philharmonic Concert was timetabled at the same time as the Tales of Hoffman by Canterbury Opera. This error removed a potential core audience of 1,000 from the concert. The festival organiser will ensure that concerts of this scale will be timetabled to avoid other events that attract a similar audience in future.
- The Telecom Pavilion in Victoria Square incurred additional costs in labour due to the structure being erected for the first time and a bad run of weather for the first five days. In 2003 the event organisers will ensure that the structure will be erected within budget, as the initial issues have been resolved.

- The event organisers acknowledge that the festival was not big enough to support both Carl Rosa Opera's The Mikado and The Tales of Hoffman. Air New Zealand sponsored this event, but the \$40,000 gained was unable to be attributed towards The Mikado in the financial accounts due to the flights being spread across the entire festival.
- There was overspending in the marketing budget of \$14,237, resulting from insufficient financial management of a growing festival. The event organisers suggest that a full-time senior staff member will be dedicated to financial management in the 2003 festival. The nature of the festival with the majority of its output over 18 days every two years requires a robust financial management system. The Trust believes the 2001 festival management was conducted to 'best industry practice' current in New Zealand. The Trust will undertake a complete management review to ensure 'best industry practice' current in Australasia is in place for the 2003 Festival.
- There was an administration overheads shortfall of \$26,976. For future festivals the Trust will seek to operate within budget and to raise sufficient funds to maintain current standards of administrative support.

When it became clear that the Arts Festival was going to make a loss, Guy Boyce, Trust Director, and Ewan Chapman, Trust Chair, met with Mayor Gary Moore and Councillor Paddy Austin (Chairperson Festival and Events Subcommittee) to discuss their financial position and to ask if the Council could help out with supplementary funding. At the time the Trust had imminent cash flow problems and an advance on the funding for the 2003 festival of \$20,000 was made to overcome these difficulties in the short-term. The outcome of the meeting was a commitment by the Council to look at options to fund the shortfall of \$20,000 (i.e. convert the advance on the 2003 festival to increased funding).

#### **RELEVANT CURRENT POLICY**

The most relevant Council Policy is the Festivals and Events Policy:

*The Christchurch City Council is committed to a lively and dynamic city which is enhanced by a range of events and festivals that:*

- *increase the well-being of residents*
- *attract economic benefits through growth in the number and length of stay of visitors*
- *promote the establishment of industry related business activity and employment opportunities for residents*
- *maintain Christchurch's position as a leader in events*

#### **DESCRIPTION OF PROPOSAL**

The major options available to the Council are as follows:

##### **(a) Not to fund the loss**

The positives of this option are that the Council would not have to pay the requested \$20,000. Also, by not funding the shortfall the Council would be sending a clear message to event organisers that the Council will not pay for festival and event shortfalls in the future.

The negatives of this option are that the Trust would probably become insolvent and would not produce any future Arts Festivals. The Council may also lose the initial payment towards the 2003 Festival that has already been paid.

##### **(b) Fund to the \$20,000 loss level**

The positives of this option are that it will ensure future Arts Festivals organised by the Trust. The initial 2003 payment would also be secured.

The negatives of this option are that the Council will be spending more money on the 2001 Arts Festival and the message sent to other event organisers may be interpreted that the Council will pay for shortfalls from financially unsuccessful festivals and events.

##### **(c) Fund at a lower level (i.e. less than the \$20,000 level)**

The positives of this option are that it may secure future festivals and the initial 2003 payment.

The negatives of this option are that the message sent to other event organisers is not a clear statement that the Council will not fund future mistakes. Secondly, the lower level funding will require more money to be given to the 2001 Arts Festival. Thirdly, the funding (depending on the level) may not be sufficient to secure future Arts Festivals.

**(d) Provide a loan for the \$20,000 with repayments expected after the next two festivals**

The positives of this option are that a clear message is sent to other event organisers that Council will not fund shortfalls. The initial payment may also be secured.

The negatives of this option are that it may not be acceptable to the Trust. There may be possible non-repayment of the loan. The quality of future festivals may be jeopardised due to the financial burden of the loan repayments. It may also reduce the Trust's ability to re-build its reserves as a buffer for future festivals.

**ISSUES FOR CONSIDERATION**

- The Council is able to fund the shortfall from the existing Core Funding budget. 'Art in the Park', which the Council agreed to fund in the 2001/2 Annual Plan, is now not happening in this financial year. Consequently, the Council has the \$20,000 required to meet the shortfall within its Core Funding budget.
- If the Council decides to fund the shortfall a letter could be sent to all event organisers of Council core-funded events outlining what it would expect if they had similar problems. This letter would indicate that the Council would expect that event organisers let them know as soon as they encountered problems, rather than finding out after the event. If no pre-warning was given and the Council was given no opportunity to provide advice it would be unlikely to provide supplementary funding.
- An additional condition has been added to the Arts Festival Core Funding Agreement 2003 for the Arts Festival, that requires the event organisers to meet regularly with a Council Financial Adviser.
- Financial risks are inherent in the events industry. The success of events reliant on revenue from ticket sales can be hard to anticipate. Audience behaviour can vary widely between events and festivals. Specific events can be affected at the last minute by a number of factors, for example, the weather.
- The Festivals and Events Subcommittee has identified the Arts Festival as being a key festival for Christchurch, bringing benefits to the city. The Subcommittee is currently considering recommendations for the length and content of future festivals.

**Recommendation:** That the Council provide a \$20,000 grant to Christchurch Arts Festival Trust for the purposes of an administration grant by way of substitution within the festivals and events budget, conditional upon a variation to the current contract to include a claw-back clause, in the event of surplus funds becoming available.