

MEETING OF CULTURAL MINISTERS

# Major Performing Arts Framework Consultation Paper

October 2018



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## Introduction

Funding support for the Major Performing Arts companies (MPA companies) is provided by the Australian and State Governments under the National Framework for Governments' Support of the Major Performing Arts Sector (the MPA Framework). This paper proposes a range of features to strengthen those arrangements, which will provide an opportunity to create an enhanced framework that is better positioned for the future. These features have been developed following consultation with the MPA sector and with the broader arts sector and community.

2019 will mark 20 years since the 1999 *Major Performing Arts Inquiry* (1999 Inquiry), which established criteria for how MPA companies should be funded. The current MPA Framework reflects the adjustments to these arrangements agreed to in 2011 by the Australian Government and State Governments.

Recommendation 5.3 of the National Opera Review Final Report observed that there were weaknesses and pressures inherent in the MPA Framework and noted that it might need to be reviewed in the medium to long term. In response to that observation, at the Meeting of Cultural Ministers (MCM) in September 2017, Arts and Cultural Ministers from all jurisdictions asked officials to identify opportunities to strengthen the MPA Framework.

Officials have undertaken research and preliminary consultations with the MPA companies and, in addition through an online survey with the arts sector and broader community, to canvas views on strengthening the MPA Framework. The feedback received from the MPA companies and the wider sector indicates there is support for changed arrangements. The consultation has contributed to the identification of opportunities to create an enhanced framework to better support Australia's arts ecology.

The outcomes of those consultations, including meetings with the MPA companies and discussions between officials, are further summarised below and will form a basis for discussion going forward.

## Overview of the MPA Framework

The MPA sector forms an important part of Australia's arts and culture landscape. The MPA sector comprises 28 leading performing arts companies in the fields of dance, theatre, circus, opera, orchestral and chamber music.

The Framework is the mechanism through which the Australian and State Governments provide operational funding to, and outline their expectations of, the MPA sector. The Framework enables companies to plan strategically by providing funding certainty, while harmonising reporting processes across two levels of government. In 2017, the MPA companies received \$157.3 million under the MPA Framework, \$108.5 million (69 per cent) from the Australian Government and \$48.8 million (31 per cent) from State Governments. The funding from the Australian Government is delivered by the Australia Council and represents 62 per cent of the Australia Council's total grant budget (in 2016–17). Please see [Appendix 1](#) for a table outlining Australian and state government funding through the MPA Framework for each of the 28 current MPA companies.

A key success of the Framework, and preceding MPA funding arrangements, has been the provision of certainty and stability in funding to the MPA companies. This has had consequential benefits for the Australian arts sector and community as funding under the Framework has enabled the MPA companies to play a key role in the development of the arts in Australia, both as major employers of performing artists, creatives and arts workers and as leading presenters of high-quality work to audiences across Australia, including through regional touring. The MPA companies support the careers of performing artists and creatives, present large-scale performing arts productions and have become established features at some of Australia's most iconic venues, festivals and other arts infrastructure.

In the last 20 years, the Australian arts and culture landscape has undergone significant change. Australian society and audiences have developed, infrastructure and funding for the arts has evolved, technology is advancing at an unprecedented rate and Australian artists have become increasingly global in their focus, reach and activities.

During the same period there has been limited change to the structural arrangements for the provision of government support to the MPA sector. The cohort of companies supported under the MPA Framework has been largely unchanged in the almost 20 years since the establishment of the MPA sector. Only one new organisation (the Australian Brandenburg Orchestra) has entered the MPA funding arrangements, and only one organisation has exited (Australian Dance Theatre), both in 2002. Other minor changes to the composition of MPA companies have resulted from mergers in the orchestral or orchestral pit service sector, and Victorian Opera will enter the Framework in 2019, as was agreed at the Meeting of Cultural Ministers in September 2017.

Funding levels of the MPA companies, including the ratios of Australian Government to State Government funding, are also a legacy of the arrangements established under the 1999 Inquiry and the across the board funding uplifts recommended under triennial reviews in 2002–3, 2005–6 and 2008. Funding levels and ratios have remained largely consistent since then, apart from a small number of funding uplifts, as a result of independent decisions by the Australian or a State Government, and incremental changes as a consequence of some state jurisdictions ceasing to apply indexation. While the Framework is predicated on the MPA companies playing a key role in the development of the performing arts in Australia, it does not include an explicit statement of the rationale for the funding levels provided to the MPA sector as a whole or its national distribution.

Analysis of international models for supporting major performing arts companies has identified that funding levels for performing arts organisations in other countries are also largely a result of historical legacy rather than structured readjustments to funding.

It has also identified that Australia is on the least interventionist end of the spectrum and unique in providing funding in rolling contracts (in effect in perpetuity) for a large group of performing arts companies without periodic, publicly transparent assessment mechanisms for varying the composition of that group, or the funding levels of individual companies, in response to performance or broader shifts in the arts sector and government expectations.

Within this context this paper sets out issues identified with the MPA Framework and puts forward a proposal for an enhanced Framework that is better able to respond to changing circumstances and the evolution of the performing arts sector.

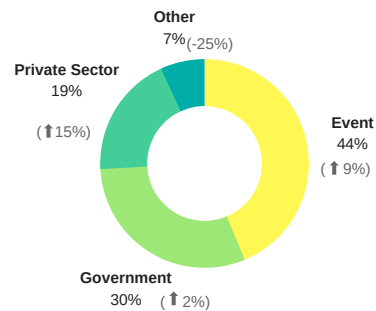
#### **Major performing arts – 2017 highlights in numbers<sup>1</sup>**

The MPA companies undertake an expansive range of activities including performances, community events and educational activities. Those activities occur across Australia, as well as internationally. A summary of 2017 activity for the MPA companies is provided below.

<sup>1</sup> Source: Major Performing Arts Companies financial and statistical data

## MPA companies achieved record turnover of \$582.6m in 2017

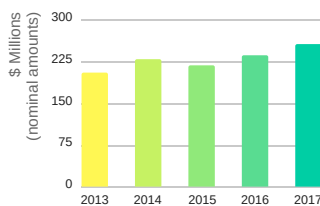
Total income grew 4% from 2016, with a compound annual growth rate of 5% over the past 5 years.



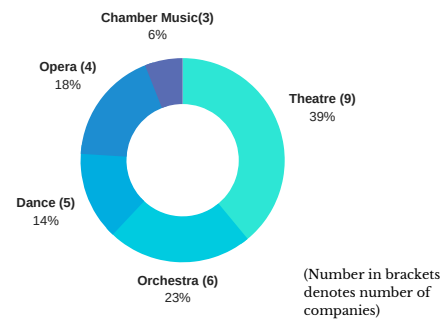
## 6,400 performances delivered...

Equates to an average of 17 performances per day. This is the highest number of performances in the past five years.

## Highest box office-related income in the past 5 years



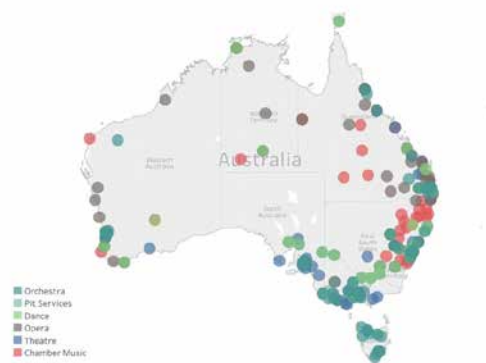
## ... with over 3.6 million attendances



Plus an additional > 650k students reached through an education activity

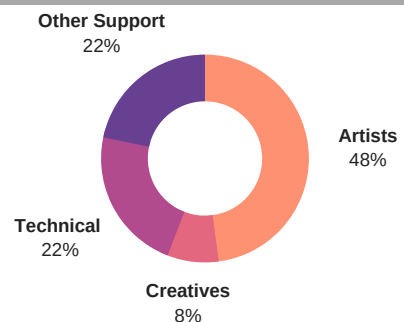
## MPA companies deliver extensive national and international activity

- Over half of the companies delivered activity outside of their resident state in 2017
- Of these, nine companies (seven in NSW and two in VIC) have consistently delivered a large proportion of their program outside their resident state over the past 5 years
- MPAs delivered activity to over 100 regional and remote locations, providing access to local communities
- In 2017, MPA companies also reached over 170k attendances internationally



## Over 10,000 people employed

- Over half of whom are artists and creatives
- Employment has been consistently at the 10k mark over the past 5 years (since 2013)



## Invitation to have your say

We are seeking views on the following opportunities to strengthen the MPA Framework, which will help shape the future direction of the Australian and State Governments' support for the MPA sector so that it is responsive to the changing arts ecology.

A number of opportunities to strengthen the MPA Framework have been identified within the following themes: funding certainty but not in perpetuity; enhanced flexibility for companies and governments; enhanced accountability and transparency; and greater clarity of expectations of funded companies in relation to creative leadership (including presentation of Australian works), access and diversity. We want to receive feedback on those key themes and features. In responding to the questions provided below, it would be helpful if you could provide reasons and specific examples where possible. You can respond to as few or as many of the questions as you like.

Head to the [Australia Council for the Arts website](#) for information on how to make a submission.



## Perspectives on and issues with the MPA Framework identified through preliminary consultations

Preliminary consultation with stakeholders, including the MPA companies, the broader arts sector and the general public, identified a range of perspectives on, and issues with, the MPA Framework.

### **MPA company and representative body perspectives**

MPA company consultation was conducted through face-to-face meetings and teleconferences with the companies throughout July and August 2018. Meetings with representative bodies were also conducted during that period, with some bodies choosing also to provide input in writing.

The MPA companies and representative bodies emphasised the importance of the stability provided by the Framework and acknowledged the importance of the companies being accountable for the funding received. Companies advised that stability of funding enables them to take calculated risks, encourages innovation, and enables long term investment in developing new voices. The companies saw this leading to more vibrant artistic outcomes, as well as providing important flow on benefits to the broader ecology. These include developing the careers of performing artists and creatives, bringing works of scale to Australian and international audiences, and supporting Australia's most iconic venues, festivals and other arts infrastructure. At the same time, a number of companies were open to time-limited contracts with refined KPIs.

The majority of MPA companies and representative bodies recognised that some change to the Framework was necessary. Companies acknowledged the static nature of the funding model, with many elements of it a result of legacy that they still derive from the 1999 Inquiry.

The following themes emerged through the MPA consultations as key issues with the current Framework:

- lack of flexibility in funding levels to support and reward success – companies understood the basis for the current funding levels, but were critical of the lack of flexibility within the Framework to adjust or respond to changing circumstances and capitalise on opportunities for growth;
- entry and exit – companies acknowledged there have been very few changes to the list of MPA organisations since the Framework's inception. This has led to some perceptions of the Framework being a 'closed shop'. Companies felt the Framework should cater for new entrants, and greater transparency regarding entry and exit was supported. There was also recognition that there are companies outside the Framework that are performing well and would likely meet the criteria to join;
- clarity of expectations and government priorities – MPA companies commented that the Framework would benefit from greater clarity and refinement of government priorities. Concern was raised regarding expectations on the breadth of activities required of all MPA companies and the scope to which government priorities should be supported through core funding;

- indexation – inconsistent application of indexation across some jurisdictions to core operational funding provided under the Framework has distorted funding ratios, and has led to a real, widening gap between those organisations that have consistently received indexation from their relevant states and those that have not (noting that the Australian Government has consistently applied indexation). A number of MPA companies raised concerns about the compounding financial impact where a jurisdiction has not applied indexation over a number of years. Further, companies noted that, even where indexation was provided, it has not kept pace with rising costs, including wage costs;
  - venues – companies' ability to deliver on Framework requirements depends on venue availability and/or certain venue specifications. Often state governments are funding the Framework and relevant venues separately, but there is no mechanism for accounting for and leveraging the interdependencies between the two;
  - touring – regional and national touring is often reliant on additional funding which can often pose challenges with the long lead time required of major companies, jeopardising strategic delivery and long-term audience development;
  - funding distribution – companies acknowledged the wide disparity in funding levels both between companies and between artforms<sup>2</sup> as well as the spread of funding across jurisdictions, including the ratios of Australian Government to State Government funding, which are based on historical levels that were established under the 1999 Inquiry. There was also some debate arising regarding the tension in the current Framework between the distribution of funding between contemporary versus heritage artforms. Theatre MPA companies in particular were vocal in their view, that while theatre is the least well supported artform, it is the artform with the highest expectation by governments to be flexible, responsive and deliver new works which represents contemporary Australian society, as well as present the classics of the theatrical canon. A number of companies also referred to the environmental differences for MPA companies in different jurisdictions in terms of their ability to generate earned income and private sector support;
  - jurisdiction-specific matters – themes arose from some jurisdictions regarding both the proportion of federal to state funding levels for individual companies, as well as federal funding distributed across the jurisdictions. Some companies also noted the need to consider local environmental contexts and how this might impact the outcomes and activities of organisations;
  - the broader ecology – a number of companies referred to the importance of a holistic view to multi-year funding for arts organisations that are not part of the MPA sector, to enable the whole sector to flourish. A number of companies suggested there could be a way of extending a similar level of stability to other companies through harmonisation of Australian and State Government funding.
- There was also an acknowledgement by a number of MPA companies that some elements of the Framework, coupled with changes to the broader arts funding landscape over recent years, had contributed to negative perceptions of the MPA sector and increased tensions within the arts sector more broadly. During consultation it was suggested that the degree to which the Framework imposes requirements and processes for scrutiny on the MPA companies is perhaps not well understood throughout the broader sector.

2 2017 core funding levels as a percentage of total expenditure ranged from 6 per cent to over 70 per cent across the MPA companies.

### Findings from the public survey

Preliminary public consultation was conducted through an online survey that sought views on the MPA Framework and opportunities for it to be strengthened. The survey was open for responses from 19 August 2018 to 13 September 2018 and 8,026 responses were received.

Responses were received from all states and territories, with response rates in most cases similar to, or higher than, the proportion of population for most jurisdictions. Respondents were primarily from major cities (87 per cent) and reported engagement with the MPA sector: eighty-one per cent of respondents reported that they had engaged with one or more MPA company in the last 24 months and 72 per cent of respondents identified as an MPA company audience member or workshop participant. Respondents also reported engagement with the broader arts sector, with 51 per cent identifying as an audience member of a performing arts company other than an MPA company.

The survey asked respondents to rank various elements of the following three components of the MPA Framework in order of importance:

- the guiding principles which underpin the national approach to supporting the MPA sector;
- the criteria for being an MPA company; and
- government priorities for the MPA companies.

Respondents rated having a vibrant MPA sector that enriches Australian life and builds Australia's image as an innovative and sophisticated nation as the most important guiding principle (68 per cent rated it most important). Presenting works of a high artistic quality was ranked as the most important criterion for being an MPA company (52 per cent). Delivering innovative and new programming, including new Australian works, was ranked as the most important government priority (50 per cent).

The survey also included four optional free text questions which sought views on the guiding principles, criteria for being a supported company, government priorities and opportunities to strengthen the Framework. Response rates to the free text questions were high: a total of 9,129 responses were received across the four questions and 36 per cent of respondents provided an answer to the questions that sought suggestions on additional guiding principles for the Framework and opportunities to strengthen the Framework.<sup>3</sup>

The following themes emerged as areas where respondents considered the MPA Framework could be strengthened:

- diversity – there was interest in the MPA companies reflecting greater diversity (including gender and Indigenous representation and leadership);
- access – respondents were interested in access to the MPA companies across a range of issues including regional access, educational programs and affordability;
- creatives – interest was expressed in development and employment opportunities for creatives;
- repertoire – interest was expressed for the companies to present broader repertoire including new works and Australian works;
- accountability/transparency – support was expressed for increased transparency in decision making in relation to the funding of the companies as well as the companies being accountable for the funding received;
- entry and exit – interest was expressed in change to the cohort of supported companies and the processes for determining which companies are supported, including contestability through an assessment process (arm's length from government or otherwise), and time-limited contractual arrangements.

<sup>3</sup> The two questions were: "Is there anything else that should be a guiding principle under the Framework?" and "What suggestions do you have to strengthen the support governments provide for the performing arts in Australia through the MPA Framework? Alternatively, is there anything else you would like to add?"

Respondents also expressed support for increased funding for the arts, particularly for the small to medium sector.

The majority of respondents indicated support for the stability in funding for the MPA companies, with 85 per cent of respondents answering yes to the following question on funding arrangements for the MPA companies:

The Framework states that 'the MPA companies are not subject to a competitive process through peer review for their base funding but must, however, remain highly accountable for the significant public funding they receive'. This approach provides the MPA companies with financial certainty, which assists with long-term business planning and improvement, as well as long-term artistic program development, strengthening the companies' sustainability. Do you agree with this approach?

Agreement with this statement was strongest among respondents who had engaged with one or more MPA company in the last 24 months and weakest among respondents who had not. As noted above, the importance of the companies being accountable for the funding they receive under the Framework was a theme in the written responses from both those who agreed and those who disagreed with the above statement.

## Strengthening the MPA Framework

Feedback received during consultation, as summarised above, makes it clear that funding certainty and the stability it brings for large performing arts companies is important and beneficial, given the scale of their operations and the long lead-times for their programming and contractual arrangements. There is a widespread acceptance that a fully open and competitive program with short funding cycles would not be appropriate and would destabilise the sector.

However, a strong sense came through consultation that transparency and accountability are critical in the allocation of public funding. A Framework that effectively guarantees funding in perpetuity for the same group of companies at the same levels, without practical mechanisms for varying the cohort and/or funding levels in response to changing circumstances, is inconsistent with expectations on transparency and accountability.

The consultation also highlighted a range of specific areas in which the support provided to companies through the Framework could be improved.

Having taken the preliminary perspectives of MPA companies, the broader arts sector and the public into account, governments are seeking views on potential changes to strengthen the Framework by addressing the following principles and priorities:

- certainty for funded companies – to enable forward planning, without rigidity or funding in perpetuity;

- enhanced flexibility – to enable both governments and companies to respond to opportunities, unforeseen issues and changing environments;
- enhanced transparency and accountability – to ensure responsible and effective expenditure of public funds;
- greater clarity of governments' expectations in relation to creative leadership, access and diversity (to support an inclusive arts sector that reflects the diversity of contemporary Australia) – with practical mechanisms to reward or respond to performance against expectations.

Governments are now seeking views on both the underlying architecture and potential key features of an enhanced Framework.

This approach for strengthening the MPA Framework is being considered within the context of existing funding, with no reduction in the aggregated core funding distributed through the MPA Framework to companies based in each jurisdiction. This approach does not preclude the introduction of new funding, should it become available, which may result in changes to the proportional distribution of Australian Government funding under the MPA Framework between jurisdictions.

The approach is intended to provide a clearer and more responsive framework through which governments could consider expanding or modifying the cohort of supported companies and/or the parameters of funding to individual companies. Further, the new approach could also offer a pathway for transparently allocating additional funds should future budgetary circumstances permit.

### Underlying architecture: funding certainty without perpetuity

An enhanced framework could replace guaranteed funding in perpetuity for the MPA companies, based on historical funding levels, with a formal periodic assessment process. This process could consider the strategic intent and propositions submitted by current MPA companies and other potential entrants against clear criteria agreed by governments.

Introduction of an opportunity to review core funding based on assessment of a company's strategic intent would allow governments to provide funding based on outcomes investment, unlike the current model which was established on the basis of governments subsidising a percentage of the cost-base of an organisation. Based on this assessment, the Australia Council and relevant State or Territory funding bodies would negotiate long-term, multi-partite contracts with companies that would be reviewed at the appropriate intervals to be agreed by governments.<sup>4</sup> Recognising the destabilisation and uncertainty that could be caused by sudden or dramatic changes to the funding levels of large companies with long planning cycles, any change would be gradual and subject to agreement by relevant governments.

Following the assessment process described above, companies supported on a multi-partite basis through an enhanced framework could be placed on an initial negotiated four-year contract that includes an option for a four-year extension at the end-point, subject to meeting KPIs. The contract extension process, which would take the total contractual period to eight years, could be light-touch for companies that have met expectations and would not involve a full submission and assessment process. However, if a company has not met its KPIs over the initial four-year contract, governments would have the flexibility to renegotiate the contract's terms (including in relation to funding levels and KPIs) rather than simply extending on the previous terms. Any adjustments to current funding levels are expected to be incremental with changes taking place over a

period of time. It could also be open to companies and governments to renegotiate contractual terms at the extension point for other reasons—for example, to respond to high performance and opportunity—where circumstances, including budgetary circumstances, allow.

After eight years (i.e. four-year initial contract + four-year contract extension), multi-partite funded companies would be again required to undergo a full submission and assessment process. Contractual arrangements during both the initial period and extension could include a notice period to address issues where a company is identified as not meeting its KPIs or ceasing to meet the eligibility criteria for a multi-partite funded company.

Timeframes for contractual arrangements with companies funded under the enhanced model could be coordinated with existing processes for multi-year funding in the broader arts sector. Coordinating the harmonised long-term funding agreements with unilateral multi-year funding programs offered by the Australian Government and relevant State or Territory Governments (currently ranging between three to five years), would enable a more holistic investment model that better serves the wider arts sector and ensures delivery of diverse artistic experiences across all of Australia.

These long-term, harmonised contractual agreements would offer companies funding certainty, but allow governments to respond to and address non-delivery, underperformance, or unexpected external factors affecting a company's performance, both outside and at the contract extension point. Governments could also consider entering new companies into the enhanced multi-partite framework at the four-year extension point through a full assessment process.

In the longer term, governments could choose to expand this model to support organisations in artforms other than the performing arts (e.g. visual arts, literature) where those organisations receive funding from both the Australian Government and a State or Territory Government.

<sup>4</sup> The length of the harmonised funding agreements forms part of this consultation phase. To date, there have been differing perspectives on what the optimal length is, ranging between four to eight-year cycles.

**QUESTION BOX 1:**

Would the combination of a formal assessment process with a long-term contractual period offered by the model described above (four year contract + four year extension, subject to KPIs being met) provide an appropriate balance between flexibility, accountability and funding certainty?

Alternatively, would this balance be better provided by another model (e.g. full assessment process every four years but with a four-year notice period for any changes to funding levels? Eight-year contract with mid-point review?)?

Should governments consider funding companies from other artforms on a multi-partite basis through the same enhanced framework? If so, which artforms should be considered?

**Eligibility**

Inclusion in the new approach would involve a submission process, which is not part of the current Framework. Submissions would only be sought from companies that meet strict eligibility criteria.

Companies' eligibility against these criteria would be assessed by the Australia Council and State and Territory agencies, which would invite companies to make a submission for multi-partite funding. All current MPAs would be invited to submit a proposal for long-term, multi-partite funding under the model. Opportunities for companies to be invited to make a submission for funding would occur every four years, though (as noted above) companies would not be required to go through a full re-application process at the extension point of their initial four-year contract.

Decisions about the cohort of companies that would be asked to submit a proposal for funding would also be informed by periodic sector-specific scans and could also take into account consideration of individual Australian jurisdictions' demographics (including population) and arts ecologies.

**QUESTION BOX 2:**

What modifications, if any, should be made to the current Framework's definition of an MPA company (at [Appendix 2](#)) when determining the eligibility criteria for being asked to make a submission for multi-partite funding under the enhanced model? For example, should any other financial, artistic, audience, leadership and diversity criteria be incorporated, or should any of the existing criteria be changed?

How could periodic sector-specific scans inform eligibility decisions?

Should individual Australian jurisdictions' demographics (including population) and arts ecologies be taken into account in eligibility decisions? If so, how?

**A comprehensive assessment process**

Companies the Australian and relevant State/Territory Government(s) have agreed meet the applicable eligibility criteria (as referred to above) would be asked to submit a proposal for multi-partite funding and applications would be assessed against agreed criteria that would be co-designed by Australian Government and State and Territory officials.

While being asked to submit a proposal for multi-partite funding would not guarantee success, there would be a presumption—based on current inclusion in the MPA Framework or the multi-partite funded cohort, or the company having been identified by governments as having met the eligibility criteria—towards multi-partite funding being a suitable mechanism for supporting the company in question. A focus of the assessment process would therefore be the *appropriate level* of funding and the *government expectations* that would apply in return for the funding, rather than *whether* a company is suitable for multi-partite funding.

The assessment process would consider a company's submitted strategic intent and proposition and its recent performance against clear, published criteria. The criteria for assessment could comprise the following three tiers:

- artistic quality and creative leadership assessment (in areas of artform development, sector development, community, education, touring, access etc.). This may be informed by an element of peer advice;
- financial sustainability and governance; and
- contribution to, and balance of, the state/territory and national arts ecology.



**QUESTION BOX 3:**

Do you agree that the assessment process should comprise the three tiers listed above? If not, what do you think should be considered in the assessment process?

How should assessment of these (or other) aspects of a company's submitted strategic intent and proposition inform governments' decisions on funding levels?

How, if at all, should peer advice be incorporated into the assessment process?

**Accountability and clarity in expectations and outcomes**

The 2011 Framework articulates a list of government priorities for delivery by all funded companies and specifies that company-specific performance benchmarks (financial, access and artistic) associated with those priorities be incorporated into service level agreements after negotiation and agreement between all parties.

An enhanced model could replace the current one-size-fits-all approach with a tailored approach comprising a transparent mechanism through which individual companies are able to present how they will deliver the government priorities that accord with their company expertise and reach, artistic aspirations and the needs of the community they serve. This approach would see government priorities under the Framework achieved collectively, rather than have all companies spread themselves too thinly in an attempt to achieve all articulated priorities.

Funding agreement KPIs would be individually negotiated with the companies and would be based on the strategic intent proposal submitted by the company and relevant government priorities. The KPIs would also include government expectations in relation to the companies leveraging other sources of revenue, including private sector support. While there may be some KPIs that are consistent across the companies, this approach provides the flexibility of a more tailored model of monitoring performance to address requirements specific to individual companies and individual jurisdictions.

Company-specific monitoring and reporting processes that are tied to agreed outcomes could clearly articulate the financial implications should performance expectations not be met. This would strengthen the Framework's ability to hold companies accountable artistically and financially, and provide greater clarity for companies regarding expectations. Visibility of this could be strengthened through greater public reporting of performance against agreed outcomes.

**QUESTION BOX 4:**

How long a notice period should companies receive before funding levels are adjusted if KPIs are consistently not met? Should this differ from company to company depending on individual artistic and business models?

What would be the advantages and disadvantages of different companies being funded to deliver on different priorities such as regional touring?

Should reporting on companies' performance be made public in aggregate on an annual basis to increase public understanding of outcomes?

**Greater flexibility for the Australian Government and relevant State/Territory Government(s) to negotiate co-investment levels in individual companies**

A strengthened Framework could include a structured mechanism by which the Australian Government and relevant State or Territory Government(s) can jointly review funding levels for individual companies in light of opportunity for growth, changing circumstances, company performance, environmental factors and future audiences. Any funding level adjustment would be negotiated between those governments with a funding relationship with the company (that is, usually on a bilateral basis): the agreement of all jurisdictions (a current requirement of the MPA Framework) would not be necessary.

In view of existing funding levels, negotiations could initially be based on the principle that, at an aggregate level for each jurisdiction, the core operational funding provided by the Australian Government and relevant State Government through the MPA Framework, would not be reduced from current levels.

Enhanced flexibility in the Framework would improve governments' ability to jointly adjust funding levels for individual companies – whether upward or downward – to respond to changes in Australia's arts sector and the communities it serves.

The periodic review of funding levels through a transparent, structured mechanism (such as the assessment process outlined above) would be in line with community expectations on accountability in the expenditure of public funds. However, given the link between certainty and stability in funding and MPA companies' medium-term artistic planning, any adjustments would need to be gradual and sensitive to the circumstances of individual companies.

#### QUESTION BOX 5:

How should governments balance the benefits of flexibility (increasing the ability to respond to opportunity and ensure accountability) and certainty of funding (giving companies the confidence to plan for the future and take artistic risks)?

#### Other features of an enhanced framework

Diversity, Access and Creative Leadership – In return for their substantial ongoing support for the MPA companies, governments and the community expect them to be leaders in their artforms, including in terms of artistic excellence, creative leadership and best-practice governance. There is growing recognition that they also need to lead from the front in making a diverse, inclusive and collaborative Australian arts sector a reality, including by using their position and profile to leverage and develop diverse partnerships. There is potential to strengthen the Framework by incorporating transparent and enforceable targets regarding both: the diversity of MPA company boards and senior management and the creative workforce; and artistic collaboration and capacity-building with the broader sector. In relation to gender balance on the boards of the MPA companies, an option is for the MPA companies to be encouraged to meet the 40:40:20 requirement (minimum representation of 40 per cent women/40 per cent men) for Australian Government boards.

A definition of 'creative leadership' could be included in the Framework as a means of clarifying expectations of the multi-partite funded companies in working with the broader sector and supporting the development and presentation of Australian works. Creative leadership is not restricted to artistic or performance outcomes, but could also capture a range of other activities including capacity building, mentoring and professional development opportunities. Clarifying that term could draw on the Australia Council's MPA Collaborative Arts Projects Program and focus on the reciprocal outcomes of the collaboration, particularly in terms of capacity building for the wider sector. This could be supported by reporting requirements on collaborations and other activities. This approach would ensure that creative leadership would be a reportable obligation, rather than a strategic priority. This outcome would reflect one of the key themes of the preliminary consultation, being the importance of MPA leadership and collaboration with the broader sector.

**QUESTION BOX 6:**

How should governments' multi-partite contracts with companies reflect expectations in relation to diversity, access and creative leadership (including with regard to the development and presentation of Australian works)?

**Greater coordination and efficiency in touring funding**

An opportunity exists in this enhanced model to consolidate and streamline expectations around organisational touring. Playing Australia, delivered by the Australia Council on behalf of the Australian Government, is the main source of touring funding for many MPAs to tour outside of their resident states<sup>5</sup>. Playing Australia's programs are competitive with a wide range of organisations eligible to apply. Whilst MPA companies on average receive \$2.2m per annum funding through Playing Australia, the uncertainty and varying success of MPAs receiving Playing Australia funds causes significant issues for strategic planning, delivery and access for regional audiences. Many of the same issues exist in relation to State Government programs which are also an important source of additional funding for touring activities undertaken by the MPAs.

The development of an enhanced framework presents an opportunity to potentially incorporate touring funding at (Commonwealth and State level) into core funding for companies based on current levels, where required by governments or where touring is an essential part of core business. This would provide opportunities to leverage greater strategic outcomes and enhance audience development, as well as improving efficiency and streamlining grant funding. Relevant companies would benefit from greater certainty and ability to plan in advance.

In the longer term, governments could work collaboratively to undertake a sector scan of touring activity that takes into account the broad range of drivers that influence decision-making in relation to touring. While this could consider funding opportunities, it could also consider the extensive range of other drivers such as venues, audience engagement, and logistical arrangements. The scan could identify the extent of touring undertaken by the MPA companies as well as small to medium performing arts companies. A sector scan would assist with identifying touring activities and could support the development of a more strategic and holistic approach to touring that takes into consideration the cohort of companies that tour, the locations of performances, costs associated with touring to certain regions (such as additional freight and transport costs), the activities delivered and timing of touring schedules. This could assist with supporting more informed decisions about touring that can also support and build audience engagement. It would also allow Australian, State and Territory Governments to collaboratively review the most appropriate funding mechanisms to support the efficient and co-ordinated delivery of touring by performing arts companies.

**QUESTION BOX 7:**

In undertaking a sector scan of touring activity and considering funding mechanisms, what should governments consider?

<sup>5</sup> The length of the harmonised funding agreements forms part of this consultation phase. To date, there have been differing perspectives on what the optimal length is, ranging between four to eight-year cycles.

### **A potential competitive fund which could support innovative projects or reward excellence**

A key issue with the current Framework is the inability to adjust funding to reward excellence and support innovative new projects. In 2011, governments attempted to address this issue through the inclusion in the Framework of a competitive Excellence Funding element, subject to governments' capacity to contribute new funding to the sector. This aspiration has not to date become a reality. Again subject to the availability of funding, it would be possible to introduce some form of Enhancement Fund that would provide an incentive towards innovation and high performance.

The changes introduced in 2011 resulted in practical challenges in implementation of the excellence funding element. Not all governments were ultimately able or willing to contribute additional funding. To overcome that challenge, consideration could be given to funding this proposal through the redirection of some funds provided under the Framework, such as through the redirection of funding that may otherwise be used to provide indexation where not matched by the relevant funding partner.

This could mean that a specified portion of MPA funding is subject to competitive process. If such an option were supported, further exploration would be required to determine the quantum of funding that may be redirected to this activity, as well as to take into consideration other factors such as funding uplifts provided by jurisdictions through means other than indexation.

#### **QUESTION BOX 8:**

If a competitive Enhancement Fund were introduced, what should it be used to support? Is there anything that it should not be used to support?

What would be the advantages and disadvantages of redirecting a small portion of core funding for an Enhancement Fund?

### **Venues**

The sustainability and success of MPA companies is reliant not only on funding through the Framework and other relevant grants programs, but also on ensuring adequate access to appropriate venues necessary to ensure company and wider sector sustainability. As venues and cultural infrastructure more broadly form part of much broader and more complex planning and local economy decisions for governments, it would not be feasible to include venue requirements in multi-partite agreements under the MPA Framework. However, a reset of the Framework could acknowledge and account for the interdependencies between the priorities and required deliverables under the Framework and venue availability and accessibility.

#### **QUESTION BOX 9:**

How, if at all, should venue-related interdependencies be accounted for under the Framework?

# Appendices

## Appendix 1

### 2017 Core Funding in \$millions

Company	Artform	Touring has been a delivery requirement of these companies <sup>^</sup>	Total (State & AC)
Bangarra	Dance	✓	3.025
Sydney Dance Company	Dance	✓	2.924
The Australian Ballet	Dance	✓	7.305
West Australian Ballet	Dance		3.807
Queensland Ballet	Dance		3.828
Australian Brandenburg Orchestra	Music	✓	0.973
Australian Chamber Orchestra	Music	✓	2.119
Musica Viva	Music	✓	2.267
Opera Australia	Opera	✓	17.194
West Australian Opera	Opera		2.412
State Opera of South Australia	Opera		3.095
Opera Queensland	Opera		3.282
Sydney Symphony Orchestra	Orchestra		14.627
West Australian Symphony Orchestra	Orchestra		9.441
Melbourne Symphony Orchestra	Orchestra		13.259
Adelaide Symphony Orchestra	Orchestra		9.540
Tasmanian Symphony Orchestra	Orchestra		8.204
Queensland Symphony Orchestra	Orchestra		10.836
Opera Australia Orchestra+	Pit Orchestra		8.120
Orchestra Victoria#	Pit Orchestra		7.364
Belvoir	Theatre		2.038
Sydney Theatre Company	Theatre		2.778
Bell Shakespeare	Theatre	✓	1.459
Black Swan State Theatre Company	Theatre		2.306
Circus Oz	Theatre	✓	2.349
Malthouse	Theatre		2.559
Melbourne Theatre Company	Theatre		2.703
State Theatre Company of SA	Theatre		3.108
Queensland Theatre	Theatre		4.585
<b>Funding by Commonwealth and State Governments \$m</b>			<b>157.504</b>

<sup>^</sup> Historically, touring outside their resident state was a delivery requirement of the funding provided to these companies. Under the 1999 Framework, the majority of these companies were designated as either International Flagship, Australian Flagship or Specialist companies with touring activity expected as part of core funding. Additional funding for interstate touring was and currently continues to be sourced from the Commonwealth Playing Australia fund and some state touring funds. Over the past 5 years, these companies have consistently delivered a significant portion of their program outside their resident state. The level and reach of interstate touring varies for these companies.

\* Funding ratios for companies have not remained fixed over time, but have been impacted by decisions by governments (both bilateral and unilateral) to provide additional funding for individual companies, and by decisions by some state governments on whether to provide indexation for funding (the Commonwealth has consistently provided indexation).

Funding ratios*								
Commonwealth (through Australia Council)	NSW	VIC	QLD	WA	SA	TAS	Commonwealth (through Australia Council)	State
2.477	0.548						82%	18%
2.650	0.274						91%	9%
5.959	0.693	0.652					82%	18%
0.773				3.034			20%	80%
0.505			3.323				13%	87%
0.504	0.469						52%	48%
1.920	0.198						91%	9%
1.722	0.545						76%	24%
13.977	2.216	1.001					81%	19%
0.477				1.934			20%	80%
1.524					1.571		49%	51%
0.659			2.622				20%	80%
11.334	3.293						77%	23%
7.166				2.275			76%	24%
10.853		2.406					82%	18%
6.974					2.566		73%	27%
6.572						1.632	80%	20%
7.757			3.079				72%	28%
6.901	1.219						85%	15%
5.995		1.369					81%	19%
1.035	1.002						51%	49%
2.254	0.524						81%	19%
0.680	0.780						47%	53%
0.632				1.674			27%	73%
2.199		0.150					94%	6%
1.359		1.200					53%	47%
2.218		0.486					82%	18%
0.608					2.500		20%	80%
0.829			3.756				18%	82%
<b>108.513</b>	<b>11.761</b>	<b>7.263</b>	<b>12.781</b>	<b>8.918</b>	<b>6.637</b>	<b>1.632</b>		

+ Funding provided to Opera Australia (OA) for the Opera Australia Orchestra (OAO) to provide pit services to Opera Australia and The Australian Ballet performances in Sydney (note, this is an approximation as OAO is no longer a separate entity from OA, and funding is consolidated under the one funding agreement with OA).

# Orchestra Victoria provides pit services to Opera Australia and The Australian Ballet performances in Melbourne.

Note there are no MPA companies in the ACT or NT.

Victorian Opera will become an MPA in 2019, and will receive \$646k from the Commonwealth and \$3.78m from the Victorian Government.

## Appendix 2

### Extract

#### *A National Framework for Governments' Support of the Major Performing Arts Sector (2011) (p6)*

##### **Definition of an MPA company**

The MPA sector consists of 28 independent companies with highly individual artistic programs, audiences and service charters. Each MPA company is prominent and significant and has a proven track record of:

- presenting work of a high artistic quality;
- fostering a vibrant and sustainable cultural sector, including building the sector's economic and
- artistic potential through collaborations with small to medium performing arts companies on the development and/or presentation of works;
- demonstrating a leadership role in the development of performing arts encompassing the development of artists, a commitment to the creation of professional development opportunities for young and emerging artists, artists in multicultural communities and Indigenous and artists with disabilities;
- demonstrating a leadership role in the development of audiences including young and disadvantaged audiences, multicultural audiences and more equal access for people with a disability;
- demonstrated commitment to engaging with audiences in regional communities;
- being governed by a responsible board that plans future activities in accordance with best practice governance guidelines and with respect to the company's financial capacity;
- strong financial management which includes a mix of strong reserves, working capital and operating margin. (Fiscal performance benchmarks to be negotiated with companies and agreed to by governments (see below) and must be met within 5 years of 2012);
- making ongoing improvements to its business which strengthen sustainability and reduce reliance on government subsidy over time including through productivity gains and establishing a broad income base comprising strong box office, sponsorship and philanthropy; and
- achieving earned (non-grant) income of a \$1.6 million adjusted annually for CPI.

MPA companies are not subject to a competitive process through peer review for their base funding.

They must, however, remain highly accountable for the significant public funding they receive and must continue to meet the definition of an MPA company as articulated above, and must meet KPIs in their service level agreement.











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