



**Scottish Arts Council
Planning Guidance 2005-10**

1. Introduction

- 1.1 The purpose of this paper is to present planning guidance for approval by Council. The planning guidance will help us prepare the Corporate Plan 2005-10 and more specifically the detailed plans and budgets for 2005-06. The Corporate Plan will be presented to the Minister for Tourism, Culture and Sport for approval in April 2005.
- 1.2 The delay in the Scottish Executive's Comprehensive Spending Review (CSR) announcement until 30 September limits the scope, at this stage, for a radical shift of resources. The CSR announcement will confirm our grant in aid for three years from 2005-06 to 2007-08. Should the CSR announcement bring significant changes in resources, then there will be an opportunity to bring forward some of the more strategic thinking.

2. Principles

- 2.1 The fundamental principles behind the planning guidance are expressed in the Vision, Mission, Values, Corporate Aims and Corporate Objectives. These provide the overarching framework for the Plan 2005 – 2010. Consequently, our Corporate Objectives will only be modified if we decide:
- we no longer have the resources to achieve them
 - they need to be refocused to deliver the targets more effectively
 - they could be more appropriately worded.
- 2.2 Different departments will contribute in different ways and at various levels to the aims and objectives. The successful delivery of the Corporate Plan is dependant on a strong and viable arts sector. The corporate aims and objectives, therefore, should be underpinned by departmental strategies which:
- reflect the corporate aims and objectives
 - are achievable within known resources
 - are viable
 - are coherent - i.e. balance the competing demands of strategic versus operational and artform development versus national policy themes.
- 2.3 The construction of the Plan allows us to extract individual artform plans 2005 – 2010 which could be published as separate annexes to the main plan. These would provide artform sectors with an overview of our priorities for their area.
- 2.4 The Plan 2005-10 will include three year headline budgets for Voted and Lottery funds from 2005-06 to 2007-8 (as per Lottery table in 8.1 below).
- 2.5 We will publish detailed budgets only for 2005-06 as agreed by Council in January 2004. These will be presented under our Aims and Objectives as well as broken down by department.

- 2.6 We will also make a commitment in the Plan 2005-10 to awarding core funded organisations a 2½% inflationary increase in 2006-07 (subject to the outcome of the CSR announcement).

3. Planning procedures

- 3.1 There are a number of factors which will have an impact on our longer-term thinking:
- 20:20 Arts Vision (formerly known as the National Network) – establish by 2007
 - Arts Around Scotland – establish by 2007
 - the delay in the CSR announcement due 30 September 2004
 - the decline in Lottery funds
 - the re-alignment of Lottery funds to Lottery strategic priorities
 - the Commission reporting in June 2005
- 3.2 In order to allow time to take these factors fully into account, we recommend to Council that we start our 2006-07 planning cycle in July 2005 with the intention of approving detailed two year budgets for 2006-07 and 2007-08 by November 2005 in order to make the strategic shifts required to achieve our long-term objectives.

4. Long-term: up to 2010

- 4.1 In the budget presentation made to Council last year, reference was made to the need for a slow turn in the Council's largely historical based funding patterns towards the new Corporate Plan aims and objectives. It is anticipated that the mechanism by which this turn will be achieved will be the work currently taking place on the 20:20 Arts Vision informed by the conclusions from the Cultural Commission and artform development priorities.
- 4.2 To assist in this process, budget holders will provide a strategic statement which identifies their priorities including any major strategic shifts they propose over the next five years and describe briefly what activity this would cover. Budget holders will be asked to indicate on a template:
- which corporate plan objective the activity will contribute to primarily
 - whether the activity can be achieved within known budget and staffing resources
 - if the activity cannot be achieved within known resources, they will be asked to estimate staffing and budget resources needed.
- 4.3 Budget holders will have the opportunity to bring a first draft of their strategic statements to a meeting with Group Heads and the Head of Planning and Area Development on 15 October 2004 at which they will receive feedback. Following the meeting and using feedback received, the budget holders will have until 29 October to fine tune their papers. The papers will then be reviewed by Group Heads with the Head of Planning and Area Development and the emerging strategic options refined. Options and recommendations will then be presented to the Performing and Creative Arts Committees to discuss at their meeting, now scheduled for 11 November 2004 and to the Capital Committee on 9 November.
- 4.4 Council will be asked to decide at their meeting on 30 November which strategic priorities should be progressed in furtherance of the Corporate Plan objectives.

5. Short-term: 2005-06

- 5.1 As well as ensuring the Council has a strong sense of its long-term strategic approach, the more detailed annual operational plans require to be updated. This is because work plans, human resources and funding guidelines need to be aligned. Consequently, by 29 October budget holders will be asked to describe their objectives, outcomes and timescales for 2005-06 on a template provided.
- 5.2 As an output of this operational planning, additional resource requirements will become known for 2005-06. Using this information, combined with the strategic statements described above the Group Heads and Head of Planning and Area Development will present options and recommendations to the November Committee meetings (see 4.3 above) on how the small voted contingency of £428K in the 2005-06 budget should be used.
- 5.3 Three priorities are recommended for guiding the allocation of the small voted contingency of £428k in 2005-06 budget:
- in principle commitments
 - at risk areas
 - emerging corporate priorities.
- 5.4 At the same meeting, proposals for funding CFOS in 2005-06 and 2006-07 will be brought for review and recommendation to Council (see paragraph 7.2 below). Depending on the results of the review of CFOs on one year funding agreements¹, Committees will be asked to recommend one or two year funding as appropriate.
- 5.5 Council will be asked to decide at their meeting on 30 November the allocation of the voted contingency of £428 and the funding for CFOs for 2005-06 and 2006-07. Should the CSR announcement contain an inflationary increase it is proposed that this would be passed on to CFOs in the form of a 2½ % increase to their revenue grant for the year 2006-07.

6. Budget Context

- 6.1 The budget for 2005-06 was agreed along with the budget for 2004-05 in January 2004. The grant available from the Scottish Executive was known and the voted grants and overhead budget set accordingly. The Lottery budget was set at a higher level than income forecasts from DCMS suggested at the time, but in line with the budget agreed in 2004-05. This was a conscious decision on the part of the Council to over-commit.
- 6.2 CFOs were granted an inflationary increase in 2005-06 after a year on standstill. Most other budget lines remained constant. A voted contingency was set at £428k to allow the council to respond to the findings from the cultural review.
- 6.3 Operating costs were increased by 3% which was the estimate of the likely rate of inflation at the time. Staffing was assumed to be constant over the period and there was an operating costs contingency of £75k.

¹ 1 Year funded CFOs refers to organisations who were awarded funding up to 31 March 2005 and whose future funding is subject to the review process carried out in Autumn 2004.

7. Scope for Change Voted 2005-06

- 7.1 The budget for 2005-06 has been published so there is limited scope for change. At the time the CSR bid was submitted in March 2004, the Council were asked by the Scottish Executive to plan on the basis of no change to the 2005-06 budget and there has been no advice contrary since then. For planning purposes then, the total unrestricted voted budget announced for 2005-06 remains unchanged. Restricted funds – i.e. those linked to a specific project are likely to increase and the Council has already been notified of an injection of monies in relation to disability.
- 7.2 When the budget paper was produced, there were a number of CFOs who were on one year funding agreements and who were to be reviewed in the Autumn of 2004 – noted with an * in the budget paper. Monies were earmarked for them in 2005-06 but subject to satisfactory reviews. At the time of writing the results of the reviews are not known. It is conceivable however, that following a review a CFO may not be allocated monies earmarked for it and consequently those monies become freed up. If this is the case Council are asked to approve that the resulting monies will fall back to the corporate budget for re-allocation.

8. Scope for Change Lottery 2005-06

- 8.1 The DCMS forecasts produced in September 2003 were the latest available at the time the budgets for 2004-05 and 2005-06 were finalised in January 2004. The DCMS forecast produced in March 2004 on which any revisions for 2005-06 could be made, paints a worsening picture:

DCMS Forecast	2004/05	2005/06	2006/07	2007/08	2008/09
September 2003	17,518,200	17,195,700	16,821,600	16,679,700	16,563,600
January 2004 (adjusted for Olympic Bid)	17,350,500	16,641,000	16,189,500	16,021,800	15,673,500
Amount budgeted for by the Council	20,000,000	20,000,000	15,000,000	15,000,000	14,500,000

- 8.2 On the basis of the above table, it would imprudent to budget at a higher level in 2005-06.

9. Voted budget from 2006-07

- 9.1 It had been anticipated that there would have been a budget announcement in mid September which would have outlined the Voted funds available to the Council for 2006-07 and 2007-08 but the announcement has been delayed. The Council now anticipates the budget information will be released at the end of September – post the Council meeting.
- 9.2 Due to the timescales involved it is envisaged that it will not be possible to make any substantial changes to the funding of Core Funded Organisations until 2007-08. Appendix A outlines the timelines and critical events in relation to the CFOs. This would suggest a major review of CFOs in autumn 2005 in the light of the 20:20 Arts Vision and the conclusions of the Commission.

10. Lottery budget from 2006-07

- 10.1 Based on the latest forecasts the original proposal to over-commit for two years – 2004-05 and 2005-06 and then to reduce the lottery budget in 2006-07 to bring it into line with actual income still remains valid. The Lottery budget will reduce by £5 million in 2006-07 to £15 million.
- 10.2 This reduction will have a considerable impact on the organisation and the implications will require careful thinking through. The opportunity will also be taken to re-align Lottery monies more closely with the Lottery strategy. As part of this planning process we will take into account the high demand for certain application-led lottery funds in particular Access and Participation and Children and Young People.

11. Integration of Budgeting and Corporate Planning

- 11.1 In the past Corporate Planning and Budgeting in the Council have not been as aligned as they could have been - this guidance is an attempt to bring the two processes closer together. Appendix A details the timeline and milestones involved in ensuring the two processes merge over the next planning period.

12. Recommendation

- 12.1 Council are asked to **approve** the principles and timelines of the planning guidance.

Caroline Docherty & Liz Sams
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20 September 2004

	September 2004		October	November			December	January
Vision Mission Aims	→							
Corporate Objectives	→							
Planning Process	Council approves Planning Guidance 2005-10	CSR announced 300904		Group Heads review and recommend options in strategic statement	Committees recommend strategic priorities	Council agrees strategic priorities and communicat- ions strategy	Write Plan 2005-10	→
Departmental Strategies 3 – 5 years	↙		Draft departmental strategic priorities	↗	↓	↓		↗
Departmental Plans 1 year			Draft departmental Plans 2005-06		↓	↓		
Budget 2005-06	Detailed budget approved by Council Jan 2004				Committees recommend Cfo 2005-06 grants and allocation of £428 conting	Council approves Cfo grants, £428 contingency allocation		

Budget 2006-07	Not known				Committees recommend cfo grants for 2006-07		Start re-alignment of Lottery funds with Lottery strategy	
	February 2005	March 2005	April 2005	May 2005	June 2005	July 2005	Aug - Nov 2005	March 2006
Vision Mission Aims								
Corporate Objectives								
Planning Process	Council approves near final draft of Plan	Plan submitted to Minister of TCS	Minister approves Plan	Publish Plan 2005-2010	Commission reports	Council agrees Planning Guidance inc investment plan criteria for 20:20 Arts Vision	Review and write Plan 2006 - 2011	
Departmental Strategies 3 – 5 years		Departmental strategies updated – short in-house						
Departmental Plans 1 year								
Budget 2006-07							Agree strategic priorities and 2 year budgets 2006 - 2008	Cfos put “on notice” as required
Budget 2007-08							Agree strategic priorities and 2 year budgets 2006 - 2008	

