Chapter 2: Funding for Major Performing Arts Groups

Introduction

2.1 Major performing arts groups are important cultural assets and their performances reflect the arts development in Hong Kong. In the past four decades, more and more performing arts groups have made their presence in the Hong Kong arts scene. While a few of them are receiving funding directly from the government; a number of the others are supported by government funding as disbursed by the Hong Kong Arts Development Council (HKADC) in the form of 3-year grants, 1-year grants, project grants, devolved grants and other grants which have evolved to address the changing needs of the arts community. The four performing arts groups funded by the government via LCSD and the six 3-year grantees of the HKADC have established themselves as major arts groups that contribute to shaping the cultural scene in Hong Kong.

Existing Arrangement

2.2 LCSD’s funding responsibility for the four performing arts groups, namely the Hong Kong Philharmonic Society (HKPS), Hong Kong Chinese Orchestra (HKCO), Hong Kong Dance Company (HKDC) and Hong Kong Repertory Theatre (HKRT) is inherited from the former Urban Council. While the HKPS has been an independent company from the outset, the HKCO, HKDC and HKRT were corporatized in April 2001 as independent companies with government funding support guaranteed to be maintained at 2000/01 level for the first four years of their operation; this was later extended for another year, i.e., up to 2005/06 to tie in with the Committee’s review on the public funding policy for performing arts groups. The funding covers the companies’ production and programmes costs, employment of artists and staff and administration overhead.
2.3 HKADC at present provides 3-year grants to six performing arts groups, namely, the Chung Ying Theatre Company, City Contemporary Dance Company, Hong Kong Ballet, Hong Kong Sinfonietta, Theatre Ensemble and Zuni Icosahedron. This is the second round of 3-year grants which should have ended in 2004/05 but was likewise extended for one more year to 2005/06. The HKADC has invited application for a new term of three-year grants covering the period from April 2006 to March 2009.

2.4 HKADC’s 3-year grants are meant to support the performing arts groups’ operation, e.g. employment of artists/staff and administration costs, etc. LCSD provides support to them by presenting selected productions/programmes and offering programme fees, free use of venue and ticketing service. If these performing arts groups hire LCSD venues for their own activities, they are eligible for a reduction of venue and ticketing costs.

2.5 In 2004/05, public funding support for these major performing arts groups amounts to a total of $230.65 million. The distribution is as follows:

<table>
<thead>
<tr>
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<th>2004/05 budget ($ million)</th>
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<tbody>
<tr>
<td></td>
<td>LCSD</td>
</tr>
<tr>
<td><strong>Music</strong></td>
<td></td>
</tr>
<tr>
<td>Hong Kong Philharmonic Orchestra</td>
<td>59.08</td>
</tr>
<tr>
<td>Hong Kong Chinese Orchestra</td>
<td>50.34</td>
</tr>
<tr>
<td>Hong Kong Sinfonietta</td>
<td>2.57*</td>
</tr>
<tr>
<td><strong>Dance</strong></td>
<td></td>
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<tr>
<td>Hong Kong Dance Company</td>
<td>28.50</td>
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<tr>
<td>Hong Kong Ballet</td>
<td>11.28*</td>
</tr>
<tr>
<td>City Contemporary Dance Company</td>
<td>3.43*</td>
</tr>
<tr>
<td>Drama</td>
<td>Hong Kong Repertory Theatre</td>
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<tr>
<td>-----------</td>
<td>-----------------------------</td>
</tr>
<tr>
<td>Chung Ying Theatre</td>
<td>1.32*</td>
</tr>
<tr>
<td>Zuni Icosahedron</td>
<td>1.99*</td>
</tr>
<tr>
<td>Theatre Ensemble</td>
<td>1.34*</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
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* Amounts include cash support of programme fees and support in kind for marketing and publicity, venue and ticketing costs, rental subsidy/reduction for the groups’ own bookings of LCSD venues.

Limitation of Existing Modes of Funding

2.6 The two modes of funding adopted by HKADC and LCSD for major performing arts groups have evolved from different historical backgrounds and have been continually adjusted to changing situations over the years. The present funding arrangements and the lack of a single set of assessment criteria for all major performing arts groups are perceived to be not conducive to the provision of a level-playing field for them to compete for public funding resources in a fair and open environment.

Recommendations

Assessment Mechanism and Criteria

2.7 As mentioned in paragraphs 2.2 and 2.3, the overall effectiveness of the funding provided to the major performing arts groups needs to be assessed and reviewed. In developing a new funding system, the Committee considers that a common set of assessment mechanism and criteria to assess all major performing arts groups should be devised and jointly developed with individual performing arts groups, having regard to the special nature of their specific art forms. The new mechanism and criteria should be established upon the broad principles of advancing arts development of the sector and the community at large, increasing accountability of the use of
public money and enhancing fairness, openness and transparency. The emphasis of assessment should be extended from ‘output’ evaluation to ‘impact’ evaluation, taking into account the tangible and intangible results, such as audience building and sponsorship, the effects on other sectors of the community and the international image of Hong Kong.

2.8 We consider that the major features of the assessment mechanism should include the following –

- a set of assessment criteria focused on artistic output and impact on the community. Public funding should give the performing arts groups a base upon which they can create multiplying effects through active and in-depth involvement of the community and be benefitted in return;

- a “reward and penalty” system in the form of increasing or reducing funding based on performance assessment so as to heighten accountability and encourage distinguished performance; and

- an “entry and exit” system which allows new groups to join and those under-performed to go. This should be developed in the context in which other forms of public funding support are available, such as 1-year grants, devolved grants and project grants, so that an organic environment exists to enable performing arts groups to develop from budding artists to established major arts groups.

2.9 We are also mindful that all and each of the existing public-funded performing arts groups has its own history of development that is contributed by generations of artists, arts administrators, governors and audience. Hong Kong has built up a pool of good quality performing arts groups and their on-going operation and future development should not be threatened by abrupt changes. Thorough and adequate consultation as well as sufficient time for changes should be allowed.
2.10 We recommend that a set of clear and measurable assessment criteria should be developed, with appropriate weighting on –

- artistic and community impact
- quantifiable outputs and achievements
- governance and management

The setting of these criteria has taken reference from the broad principles adopted in the appraisal systems in governments or arts councils overseas such as the Arts Council of England where the artistic, managerial and financial performance of a public-funded arts organization over a period of time is evaluated. The criteria have to be further developed so that structured evaluation and assessment can be implemented, and time has to be allowed for the process. It is believed that more international reference will be drawn, for example from Australia and Singapore where there is ongoing development on systems of arts funding.

2.11 We also propose that a “review and appeal” system should be featured in the new funding mechanism. This is to ensure fairness and accountability in the funding system.

Consolidated Grant

2.12 The Committee recommends that major performing arts groups should be funded in the form of a consolidated grant, i.e. the funding given is to support the arts groups in their employment of artists and staff, administration, programme production as well as venue rental. This should also apply to the HKADC 3-year grantees, which should receive a consolidated grant to cover costs for programme production and venue rental as well. This would eliminate the need for LCSD to discuss with the 3-year grantees each year on their programme plan. By introducing a consolidated grant, all major performing arts groups would have more flexibility in planning their own productions taking into account audience demand and deploying resources for the productions to take place at venues of their own choice, within the context of their commitment in the funding agreement.
Single Funding Body

2.13 The Committee recommends that the four performing arts groups funded by LCSD and the 3-year grantees funded by HKADC should come under one roof, i.e. funded by one body. This would facilitate the formulation of one set of assessment criteria to measure their performance and provide a level-playing field for them to compete for public funding resources in a fair and open environment.

2.14 The Committee fully recognizes the importance and the time element in:

(a) developing a set of assessment criteria and funding mechanism that will have bearing on the on-going planning and development of the major performing arts groups;

(b) consulting the governing bodies and management of the major groups concerned in order to develop the new funding system on a partnership basis; and

(c) aligning and modifying the funding cycles and systems under the funding arrangements of LCSD and HKADC.

2.15 The Committee considers that under this new funding body, an improved system should be developed, adopting a holistic approach in line with the “holistic principle” advocated by the CHC. There should be increased transparency and enhanced accountability, as well as more flexibility in other supporting services to be offered, such as in the use of venues, better co-ordination of programme presenters, etc. so as to facilitate the companies’ further growth and contribution to the arts development of the community.

2.16 Having regard to the above, the Committee would like to put forward the following three options for this funding body:

(a) government (HAB/LCSD);

(b) HKADC; or

(c) a new funding body.
Option (a) : Government (HAB/LCSD)

2.17 There are expertise and experience in the government in managing arts funding. Civil servants, being professional and impartial, would be able to maintain a high level of accountability and creditability in the disbursement of funding to major performing arts groups.

2.18 However, centralization of arts funding responsibilities in government would be seen as fundamentally deviating from the “change in the role of the government from administrator to facilitator” as advocated by the CHC. This may not be easily accepted by the arts community and/or the community at large.

Option (b) : HKADC

2.19 HKADC has accumulated the experience in funding arts groups and activities. Its 3-year grant funding and assessment mechanism has gradually gained recognition and credibility in the arts community. It would be well placed to take over the funding responsibilities of major performing arts groups.

2.20 However, there have been voices in the arts community as well as within HKADC on the importance of HKADC’s role in developing upcoming artists. Such emphasis may not be compatible to the relatively large proportion of resources being devoted to funding the major performing arts groups. There has been the question whether HKADC should continue to provide funding support to major performing arts groups.

Option (c) : A New Funding Body

2.21 The new funding body could be formed as a trust or a non-profit-making corporation, with members appointed by the government. Its operation should be at arm’s length from the government. The body would be mainly responsible for funding major performing arts groups and seeking resources from the community. Once established, it would take over the funding responsibilities of all major performing art groups funded by LCSD and HKADC at that time.
2.22 A body not directly under the government will enjoy greater flexibility in introducing necessary changes to the funding mechanism and criteria as well as seeking corporate sponsorship and resources from the community. This meets the general aspirations of the arts sector and is in line with the spirit of the CHC’s recommendation. This would allow greater community involvement in the administration of public funding, moving towards a “community driven” scenario as advocated by the CHC.

2.23 However, the establishment of any new body may create uncertainty to the stakeholders. For the major performing arts groups and the arts sector to accept and support the new funding body, the appointment of suitable and experienced governing members and the employment of dedicated and professional arts administrators would be crucial. This could be the key to the successful introduction of this new body and its implementation of the new funding system.

**Timetable**

2.24 To tie in with the new HKADC 3-year grantee funding cycle and address the LCSD-funded performing arts groups’ need for a clear commitment of funding, the Committee considers that any change would fit in best if implemented from April 2006. If option (c) – the establishment of a new funding body – is chosen, we expect it to be set up in 2006/07.

2.25 Whichever option, we expect the new set of assessment criteria be established in consultation with major performing arts groups in 2006/07 and be used to assess all of them in 2007/08. With the first round of assessment to complete in 12 months, the new grantees could be chosen in 2008/09 for a new term of funding to start in April 2009.

2.26 The Committee has been carrying on discussion along the line as detailed above. It has come to a point when the Committee considers that views from the arts sector should be gathered to map out a direction for developing a fairer, more transparent and effective public funding system for major performing arts groups.