

Edinburgh International Festival - Funding

The City of Edinburgh Council

26 June 2003

1 Purpose of report

- 1.1 To provide the Council with further information on the financial position of the Edinburgh International Festival.

2 Summary

- 2.1 At its meeting on 10 April 2003, the Council agreed, in principle, to match the offer by the Scottish Executive of funding of up to £400,000 towards the write-off of the accumulated deficit of the Edinburgh International Festival, subject to approval by the Scottish Executive of the use of the Cities Growth Fund for the purpose and the Festival remaining within its agreed budget in future.
- 2.2 The Council also asked me *inter alia* to report further with an income and expenditure summary for the Edinburgh International Festival for the period 2000 to 2003 and explaining how the deficit of £876,987 had accrued by 26 March 2003 and why the EIF three year business plan would not result in a break even position by 2004.
- 2.3 This report provides the requested information.

3 Main report

- 3.1 Appendix 1 summarises the income and expenditure of the Edinburgh Festival Society for the three years 2000, 2001 and 2002. The data are taken from the audited accounts of the Society. The figures themselves provide much of the explanation of the accrual of the deficit. The total deficit for the three years was £522,021 and would have been £218,995 greater but for the Council's grant made in 2000. A deficit of £373,857, accumulated before 30 November 1999, has to be added, bringing the total deficit to £895,878.
- 3.2 Following the re-organisation of local government in 1995, the Festival Council recognised that the funding base of the Festival was likely to be adversely affected. Funding which had previously been provided by Lothian Regional Council and Edinburgh District Council was replaced with funding, at a reduced level, by the City of Edinburgh Council. The period during which the deficits accrued also covered the 50th and Millennium Festivals, both highly significant in maintaining the reputation of the Edinburgh International Festival as a world class event.

- 3.3 The Festival Council campaigned consistently from 1994 for the funding level to be maintained/restored and, over that time, meetings took place with relevant government Ministers and funding partners. It was a key concern that, if the reduced funding level led to a reduction in the scale or quality of the Edinburgh International Festival, the previous position might not be capable of being recovered subsequently, even with increased funding. It was against this background, therefore, that the Festival Society planned for the deficits which accumulated up to 2001.
- 3.4 The re-instatement of funding to the 1994 levels was fully implemented by the Scottish Executive, the Scottish Arts Council and the City of Edinburgh Council in March 2002, although the accrued deficit, albeit mitigated by the Council's grant in 2000, substantially remained. This will, however, be dealt with by the offer of up to £400,000 by the Scottish Executive and the match funding approved, in principle by the Council. At the time of writing, it has not been possible to ascertain whether the Council will be allowed to use part of its Cities Growth Fund allocation but the Vision for Edinburgh has been submitted in draft form and there have been no negative indications from the Scottish Executive.
- 3.5 The deficit incurred on the 2002 Edinburgh International Festival was, uniquely, not planned. The Society was able to set a balanced budget for that year but this could not be met in practice. Three main factors were identified, namely, failure to secure a Lottery funding award for access; a shortfall against sales targets (the audience numbers exceeded target but sales income did not, as a result of extensive inexpensive ticketing); and additional costs incurred in respect of the most ambitious production ever mounted.
- 3.6 The business plan, first drawn up in 2000 (and subsequently reviewed and rewritten in 2002 to cover the period 2002 to 2005) adopted the objective of balanced budgets *with funding restored to 1994 levels*. It was, therefore, in line with the business plan predictions that deficits would be incurred until that condition was satisfied.
- 3.7 In relation to the condition imposed by the Council on 10 April 2003, the Festival Council has approved a balanced budget for the Festival Society for the 2003 Festival and an undertaking has been given that the Edinburgh International Festival will work with the resources that this Council and other funders can offer.

4 Financial Implications

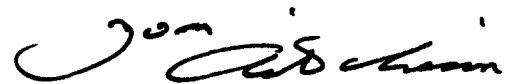
- 4.1 The Council has already approved an allocation of £400,000 from its share of the Cities Growth Fund, subject to Scottish Executive approval.

5 Conclusions

- 5.1 The funding of £400,000 from the Scottish Executive, along with the £400,000 approved, in principle, by the Council, will largely wipe out the accrued deficit of the Edinburgh International Festival and funding levels have been restored to the 1994 level. In addition, an assurance has been given that the Festival Society will work within budget in future. There will be continuing discussion with the Festival Society with the aim of ensuring that the Festival continues to meet the needs of Edinburgh and of Scotland, particularly now that the impact of the Festival, in terms of employment, cultural tourism and the status of Edinburgh and Scotland abroad is better documented and more widely recognised.

6 Recommendations

6.1 The Council is asked to note the information contained in this report.



Tom Aitchison
Chief Executive

18/06/03

Appendices	Appendix 1	Summary of Edinburgh Festival Society Accounts 2000 to 2002
Contact/tel	Tom Aitchison	469 3002
Wards affected	All	
Background Papers	Report to Council of 10 April 2003	

APPENDIX 1

Summary of Edinburgh Festival Society Accounts 2000 to 2002

30/04/03

	Financial Years to 30 November			TOTAL	%income
	2000	2001	2002	Three Years	
	£	£	£	£	
Ticket Sales	2,046,226	1,996,472	1,999,655	6,042,353	31%
Sponsorship & Donations	1,705,720	1,738,098	2,445,289	5,889,107	30%
Publications & Other Income	179,548	219,164	288,230	686,942	4%
Interest receivable	50,669	37,885	27,173	115,727	1%
Total Operating Income	3,982,163	3,991,619	4,760,347	12,734,129	65%
CEC Grant	1,200,995	1,307,418	1,432,423	3,940,836	20%
SAC Grant	775,000	875,000	1,090,000	2,740,000	14%
SAC Lottery Grant	94,779			94,779	0%
Total Grants	2,070,774	2,182,418	2,522,423	6,775,615	35%
Total EIF Income	6,052,937	6,174,037	7,282,770	19,509,744	
					%expend
Cost of Presentation	4,747,898	4,572,517	5,797,737	15,118,152	73%
Marketing & Sales	759,369	774,378	792,350	2,326,097	11%
Administration	816,803	845,471	788,326	2,450,600	12%
Fund-raising	246,665	242,124	249,120	737,909	4%
Interest payable	<>	4,250	326	4,576	0%
Total EIF expenditure	6,570,735	6,438,740	7,627,859	20,637,334	
Operating Deficit	- 517,798	- 264,703	- 345,089	- 1,127,590	
Transfers from restricted funds	118,760	110,761	118,761	348,282	
Transfer from Designated Fund			51,364	51,364	
Asset value adjustment			4,324	4,324	
Deficit Reduction Grant (CEC)	218,995			218,995	
Profit / Loss by Subsidiaries	- 34,659	61,908	- 44,645	- 17,396	
General Fund deficit for year	- 214,702	- 92,034	- 215,285	- 522,021	
General Fund Deficit at 30/11/99				- 373,857	
General Fund Deficit at 30/11/02				- 895,878	

<> EIF's "Interest payable" is included in "Administration" in 2000