THE STORM

There are bad times just around the corner. But as the fallout from economic downturn spreads towards the arts, what steps can managers take to protect their organisations from the worst effects of the gathering storm? Andrew Stewart goes in search of advice

Arts last November presented a bold long-term vision of artistic excellence, risk and innovation. He called for government to 'hold its nerve and continue to invest [in the arts] even in the most straitened of financial climates'. The Arts Council, meanwhile, will make difficult, contested funding decisions to support the risky and innovative.

When we speak shortly before Easter, Alan Davey turns to lessons learned in past recessions. Audiences, he says, are strongly attracted to the arts in times of economic uncertainty. In the recession of the early 1990s, many arts organisations retreated from the daring towards the safe. Davey is convinced that the move only accelerated a decline in public purse arts funding and box-office income. He speaks of the importance today of presenting adventurous and interesting programmes to the widest possible audience, and of the Arts Council helping to create and support world-class art.

'Audiences don't want boring stuff! The fact that *Gurrelieder*, with the Philharmonia in the Festival Hall recently, attracted return queues is a sign of the times. Some orchestras during the last recession were attracting audiences of 45%; now we have orchestras selling 85% and more on the back of some really interesting work. Boards mustn't pull in their horns and only go for the conservative blockbusters, because those works are no guarantee of secure income. The challenge is to continue doing things in interesting, innovative ways.'

Few arts managers worth their crust would deny the dangers of playing safe. But how do they convince sceptical boards and finance committees that the immediate financial risks attached to daring projects are worth taking? Alan Davey's avowal that Arts Council funding will follow risk and excellence would no doubt carry clout with managers but for the prospect of heavyweight public spending cuts to come. Fears of an arts funding bloodbath were hardly soothed by culture secretary Andy Burnham's recent suggestion of cutting year three of the present arts budget settlement. 'I think the future challenge is that we as funders don't retreat into the safe and easy,' observes Davey. 'When we get our next lot of money, whatever that is, we know we've got the knowledge, the ambition, the courage, together with the people we fund, to go for something really spectacular, where we can realise ambition. Take courage, is what I say!'

The Arts Council's chief executive also says that he has outlined the case for courageous thinking to Andy Burnham, stressing the need for funding stability and reminding the minister of the tax returns primed by public investment in the arts. Last year, Arts Council clients received grant-in-aid support of £433m and generated £564m in earned income. 'They deliver so much excellence for relatively little public investment,' observes Alan Davey. He runs in turn through the main components of the UK arts world's mixed economy, highlighting serious points of uncertainty attached to future box-office receipts, corporate sponsorship, trading income and private donations. Charitable trusts and foundations, he believes, will return to supporting arts projects, but at a level inevitably limited by lower returns on their invested capital.

'We know from past experience that recessions tend to have the biggest effect on the arts a year or so after everyone else. Next year is the crunch year! This is the argument we've used with Andy [Burnham] and I think he has taken it up with the Treasury. That £433m of public money generates £564m of other money. If you look at an orchestra, where typically we put in £2m, they generate money from box office, sponsors and elsewhere. And we end up getting world-class excellence on the cheap. If you've got that bargain in the good times, you don't walk away from it in the bad times. It becomes all the more important that public investment [in the arts] is stronger at times when everything else is so uncertain.'

Based on reasonable assumptions about box office, corporate sponsorship, charitable donations, trading income and other revenue streams, Davey expects the arts to bear 'enforced efficiencies' of around 20% in 2010. These will overlap with year three of the present spending settlement. 'For heaven's sake, don't cut the public element of arts spending, because it's all the more important when [arts organisations] will have to save money in various ways: turning the lights off, travelling in more economic ways, etc, etc.'

A Whitehall insider tells me that the Department for Culture Media and Sport is aware that 'equal misery for all' proved a deeply flawed approach to arts funding cuts following the 1991/2 recession. The idea of rewarding excellence and innovation, generally accepted within the department and promoted by ACE, suggests that some arts organisations could be more equal in misery than others when details of the 2011-14 comprehensive spending review are finally revealed. Rather than waiting for bad funding news later in the year, arts managers should be looking to make back office efficiency savings now, while considering ways of collaborating with other organisations on everything from joint purchasing arrangements to programming partnerships.

Boards and managers should focus on what goes on stage, says my Whitehall source, find more flexible ways of working and take creative steps to save money backstage. 'There's room for flexibility about the way things are put together. Boards don't need to be precious about this. Before getting to the issue of whether the Arts Council is going to give an organisation the same amount of money in future, organisations have got to deal with the realities of box office and sponsorship over the next 18 months.' Above all, nobody should expect the Arts Council to bail out orchestras and opera companies that fall into deep debt during this recession. 'People will have to manage cashflow very carefully and may have to run down their reserves. But they can't build up massive deficits hoping that someone will step in to save the organisation later.'

The Musicians' Union and Association of British Orchestras are certainly preparing for turbulent times ahead. Musicians' Union general secretary John Smith notes that the UK orchestral sector has not been affected by the specific economic pressures bearing down on endowment fund-dependent orchestras in the United States. 'It's grim there, but financial problems leading to pay freezes and pay cuts have not reached here – yet!' Germany's orchestral musi-