

## VII. BUDGETING

A budget first step in the preparation of a festival is the construction of a provisional budget, which has to balance best both income and expenditure. The budgetary balance is *a priori* nought if the resources are based on public subsidies. If there is a surplus, the festival provides a matching contribution of its cash, which reduces the perception of a need for public funding by local authorities. The provisional result can be negative if a cash reserve allows a levy as compensation and if it is a relevant objective for the future development of the structure's activities. This can lead to a negative perception of the public authorities if they involve the provision of a loss to a lack of spending control.

The construction of the initial budget must be based on an assessment of the needs by prioritizing in order to make appropriate adjustments if the expected revenues fluctuate to what was anticipated first. Uptake of funding opportunities relaxes the balanced budget constraint while the contraction in public and private funding initially planned force festival organizers to change the scale of artistic, technical and administrative expenditures.

Risk management continuously accompanies budget management. Slippages in expenditures and a deterioration in the quality of services may occur due to failures of suppliers, tension in the team, pressures to increase production costs and promotion costs. The risks for budget products cover subsidy payments, which may be delayed or canceled or frozen, as well as attending shows. If the festival organizes shows for large gauges, a failure of attendance may question the viability of the structure.

Cash management is a particularly burdensome constraint for small matrix organizations involved in the installation and operation of a festival. Indeed, the administrator must perform timely prioritization bill payment and align them with revenue inflows undergoing vagaries during the payment period by public authorities, but also cultural institutions for their pledged contributions or payment for services rendered. The people involved in that management must exercise daily vigilance and diplomacy in relations with stakeholders of the festival. This means to observe meticulously the cash inflows and disbursements from the bank account of the structure, revive by phone calls and e-mails the co-producers or institutions that purchased services for the promised payments, learn about the time of payment of state subsidies, make wait suppliers prioritizing according to the urgency of bill payments for their financing needs and to maintain a relationship of trust. These tasks can grab 70% of the timetable of the person in charge of budget management and accounting of a small structure. A capacity of distancing is thus needed to address this cash management control in minimum serene conditions.

The resources of a festival or of the matrix structure that organizes it are composed of public subsidies and individuals' resources on the one hand, revenues of activity and specific contributions of the organization on the other hand. Expenses can be broken down between the general operating expenses, based primarily on the wage costs of the permanent staff of the structure, artistic expenses related to the production, operation and promotion of the

scheduled shows. A specific sub-budget can possibly affect investment spending and capital grants received.

Table 8.1 - average intensity rating of the income sources of importance

	Current state	Desired state in three years
Ticketing revenue	2.12	2.55
Public subsidies	3.47	3.55
Sponsors and philanthropy	1.91	2.87
Merchandizing	0.48	1.03
Catering and bar recipes	0.72	1.08
Rentals	0.30	0.57

One question asked to rank the top four sources of income festival. A rating of 4 was awarded for first place, 3 for second, 2 for the third, 1 for the fourth and 0 otherwise. Of the 49 answers, public subsidies are ranked first, followed by the ticket sales and corporate sponsorship revenues. Merchandise sales, catering and bar recipes, and rentals are marginal sources of income. At the three-year horizon, the answers anticipate a stabilization of public subsidies and a rising fluctuation related to the sale of goods and rentals, and then corporate sponsorship revenue, and bar and restaurant.

#### A. The contributions of public and professional institutions

##### *grant, government contract and public service delegation: how to distinguish?*

**A subsidy** is a financial contribution from a public authority justified by the general interest, but which is initiated and conducted by a third legal entity of private law or public law. The public body must therefore have no expectation of return in exchange for its contribution and the organization which benefits must be at the initiative of the project.

**The government contract** is a contract for value with a "contracting authority" to meet the needs of the concerned public authority (the "Contracting Authority") in terms of supplies and/or services. The subject of the contract is set unilaterally by the administration according to its own needs.

**The public service delegation** is a contract that is to entrust / to "delegate" the management of a public service fixing a 'remuneration' substantially related to the results of operations. The financial liability / the delegate is thus committed to the hazards of its management.

#### 1. Public subsidies

The European Union has sought to develop the logic of free trade within the national markets of Member States. Government grants may be accused of causing unfair competition effect in particular by allowing the beneficiaries to offer lower prices. Therefore a mission of general interest should be recognized to guarantee payment of a compensatory subsidy for activities that may be offered in a logical commercial profitability. In addition, government subsidies should not be significant enough to hinder intra-European trade. The regulations of the

European Union on services of general economic interest recognize an annual threshold of 200 000 for a period of three years. Beyond this threshold, the European Commission has a right to examine the proportionality of the financial compensation granted by the public authority for the mission of general interest that it has entrusted with a mandate to the supported organisation<sup>41</sup>.

Finally a rule of neutrality and equal access must in theory be respected in public grants distribution process. Records must be completed by the applicant organizations of public aid and filed on time. It is not possible to negotiate the examination of a file sent after the fixed deadline. In addition, missing and partially completed parts cause a rejection of the application. This equality rule nevertheless concerns the frame of the review process for grant applications. In fact, decisions are influenced by political horizons of local politicians and the aesthetic standards and ethical values of reference of experts and professionals invited to issue an opinion on the quality of the cultural and artistic projects which are proposed . The level of corporate and media reputation of the institutions asking for grants mostly focuses the allocation of the grants requested process. Indeed, the notoriety of a territory's artists is the cultural appeal of it for tourists and business location decisions to a certain extent. The corporate reputation establishes a trust level in anticipation of the artistic quality of the projects proposed. The diffusion capacity of the shows at a national and international scale is also dependent on the reputation of their creators / producers and facilitators.

Table 8.2 - Average scores intensity of the importance of public funding festivals

Department for Culture	Other Departments	Municipalities	Departments	Regions	EU
1.57	0.61	2.07	1.18	1.16	0.50

One question asked to rank the top three public financiers. A rating of 3 was awarded the first rank, a score of 2 in the second, 1 third and 0 otherwise. Of the 44 answers to this question, municipalities are ranked first, followed by the Department for Culture. The weight of subsidies from this department (ministry) is positively correlated to the size of the festivals. Departments and regions occupy a central position while the European Union and other departments (ministries) are classified in the lowest ranks (Table 8.1).

### *The State*

The Ministry of Culture can support the intermediation of its decentralized services of festivals such as matrix organizations proposing them during their season. Part of the operating subsidy of the past can thus be used to fund the festival activities as is the case to some extent for the Centre du Théâtre de l'Opprimé with MigrActions. The grant of the DRAC represents just under 10% of the company's products.

In France, however, there is a tendency of disengagement of the Ministry of Culture in the number of festivals supported while maintaining a relatively stable total financial contribution. Thus the number of festivals supported increased from 344 in 2002 with a

<sup>41</sup> <http://sieg.unblog.fr/glossaire/a-propos/> (p. consultée le 14/01/2017).

commitment of 18.99 million euros to 205 in 2010 with a contribution of 19.25<sup>42</sup>million. Aid of the DRAC focus more on supporting the production of shows and are much more minimal for cultural projects.

Alongside the Ministry of Culture, other ministries engage in cultural spending that can support some of the activities of the festival or matrix structure that organizes it. This may involve artistic activities in hospitals with support programs such as Culture in the hospital, the Agency for social cohesion and equal opportunities (l'Agence pour la cohésion sociale et l'égalité des chances) in the context of artistic inclusion programs for socially stigmatized areas. In conjunction with the Ministry of Justice, there may be support of artistic activities to prevent crime and develop an aesthetic relationship with prisoners. The Centre du Théâtre de l'Opprimé thus receives support from the Inter-Delinquency Prevention Fund, representing 3% of its product. Compagnia della Fortezza has engaged in a long-term partnership with Volterra prison and the staging of its artistic director which involves a large number of prisoners and professional artists (performers, musician, set designer, costume) is the flagship show of the VolterraTeatro festival with a series of daily performances. The company is supported by the Ministry of Justice to approximately 13% of its product

It is therefore necessary to diversify the sources of corporate funding for festivals and matrix structures that organize them. According to the main festival guidelines, aid may be requested from various public administrations. The files to fill can be downloaded from the sites of these bodies. It may be CERFA type of folders (Registration and Revision Center for Administrative Forms) to provide in France, in some cases with supporting documents, as it is required by the DRAC. The presentation of the festival project must resonate with the objectives of the Ministry's cultural policy and the sought to attract sympathetic consideration in the examination of the application and increase the likelihood of support. The understanding of the vision of cultural policy carried by the relevant public administration is therefore a necessary preliminary step.

### ***Local authorities***

Local authorities are the main public funder of performing arts. In the case of France, excluding the major national public institutions fully financed by the state, local governments contributed three-quarters of its public funding to them, of which slightly more than half by the municipalities in<sup>43</sup>2010. The overall distribution between state and local authorities is similar for festivals supported by the state, but the number of festivals supported only by local authorities is more important. In addition, the shares of the department and the region are higher for festivals supported by the State at the expense of municipalities (21%, 18% and 35%<sup>44</sup>respectively).

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<sup>42</sup> MCC-DMDTS. « Financement public du spectacle vivant subventionné par l'Etat en Région de 2002 à 2004 », *Repères DMDTS* n°2, 2007, p. 7 ;

Aude Jolivel. « Cartographie nationale du spectacle vivant et des arts plastiques en 2010 », *Repères DGCA* n°1, février 2013, p. 5.

<sup>43</sup> Aude Jolivel, *op.cit.*, p. 5.

<sup>44</sup> *Ibid.*

Public funds are thus often crossed between the different types of local authorities. For the Centre du Théâtre de l'Opprimé, the grant of the City of Paris is about 8% of the company's products and that of the region almost 3%. The municipality of the 12th district pays a small grant, ranging between 2,000 and 5,000 euros for the MigrActions festival. For the VolterraTeatro festival, credits of local authorities have tended to decrease significantly. Between 2010 and 2015, the total revenue was reduced almost by half from the municipality of Volterra and neighboring stakeholders towns' contributions decreased from 31% to 26% of revenue. The subsidy from the province of Pisa, amounting to 5,000 euros, was abolished in 2013 and the share of the grant of the Tuscany Region increased from 18.5% to 31.1% of the products between 2010 and 2015 due to the much smaller decline of it. For the Organizing Association Carte Blanche, the share of public funding in its overall budget has however risen overall between 2010 and 2015; the grant of the region went from 30% to 45% and that of the commune from 2% to about 11%.

Each local authority can have a specific constitution process and file review. The people in charge of the search for funding opportunities, in theory the administrator of the organisation together with the artistic director, must diversify the application files in the formats required by each local authority. Beyond the creation of a file, the expectations of local officials must be understood, as well as their cultural policy in the context of the strategic priorities defended by the local political majority. Personal knowledge of the elected people is necessary for mutual understanding and facilitate the building of a relationship of trust. A cultural action which has a greater impact to the local population is considered more important by local authorities than by the Ministry of Culture, which favours the so-called artistic standards criteria. A sensitive and cognitive contact with an artist of a scheduled show allows to humanize the figure of the artist, *a priori* biased by televisual representations of his image. The conditions for a dialogue on the content of stage actions can thus be created, allowing at least to form emotional bonds and awaken to some people involved an intellectual curiosity for the shows programmed by the cultural organizer. In the case of Rencontres Chorégraphiques Internationales of Seine-Saint-Denis, programmed companies must engage in educational activities with some classes in cultural institutions to make the students more familiar with the languages of contemporary dance. Students in middle and high schools are better prepared to live the aesthetic experience of choreographic performances. You can see a key to the sustainability of this festival.

However, the goals of social inclusion of people in disadvantaged neighborhoods or social pacification, often shared by local government officials, may come into friction with the aesthetic goals of arts organizations. This differentiation does not necessarily generate a crippling tension in the direction of socio-political instrumentalization of cultural action. The divergence of objectives can make room for a margin of artistic autonomy for the organisations involved in cultural projects. An educational work by the administrators and artistic directors of festivals with local government officials may eventually get the recognition of the aesthetic value of artistic activities in addition to their social value.

### ***The European Union***

The European Union's 2014-2020 Creative Europe Program<sup>45</sup> is supporting the international movement of artists and works by financial supports to partnerships between cultural institutions belonging to different countries (at least three to six depending on the scale the partnership). Festivals can apply for funding to European platforms which promote mobility and visibility of artists who have not yet international influence, program shows from other European countries, and help to expand their audience. The formation of inter-organizational networks is likely to be supported financially if they are intended to allow professionals to gain experience and specific skills, particularly for the adaptation to digital technologies that are used in shows, to cooperate internationally and open new opportunities for its members. Support may be granted to publishers for translations of literary works. This program also allows to distinguish cities which gained the label of European Capitals of Culture for one year with loans to develop artistic activities, which may have potential benefits for festivals.

***An example of an Interreg program: DEMO***

In the field of music, the association La Passerelle / Le Grand Mix, labeled a contemporary music venue in Tourcoing, was recognized as the leader of the DEMO project by the Interreg program for the period 2016-2020. This project combines structures from northern France, Wallonia and Flanders. Three festivals (Cabaret Vert, Dour Festival, Ieper Hardcore Fest) are in partnership with four concert halls (De Kreun, Lessines cultural center, Le Grand Mix, Les Quatre Ecluses) three operators of sustainable development (IMOG, IDEA, Extra Cité). Building on a collaborative effort since 2014, the aim is to "pool their resources and their engineering to design and test innovative and creative solutions for the sustainable development of the cross-border cultural and natural heritage, with the aim of strengthening attractiveness and sustainable development of the

The main source of European cultural funding actually comes from the European Regional Economic Development Fund (FEDER). The budgets granted to regional development plans in the poorest areas of the EU include cultural expenditures that are part of the structuring actions of the economic and social construct of the territories. The European Special Fund (ESF) also supports artistic and cultural initiatives in the framework of cities' policies to stimulate a rise of socially stigmatized districts and / or economically poor.

Cross-border networks can also be supported to encourage the development of adjacent areas by pooling resources to stimulate innovative activities and exchanges. This is the case for example for the Interreg France-Wallonie-Vlaanderen. The possible financial support in the field of culture is here rather oriented to actions to increase the attractiveness of cultural heritage for tourism purposes, or a territorial area by the implementation of innovative cultural action devices<sup>46</sup>. The arts can include overlaps in these actions by providing unprecedented aesthetic experiences on heritage sites.

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<sup>45</sup> [https://ec.europa.eu/programmes/creative-europe/culture\\_fr](https://ec.europa.eu/programmes/creative-europe/culture_fr) (p consultée le 14/01/2017).

<sup>46</sup> <http://www.interreg-fwvl.eu/fr/citoyen-acteur-operateur-partenaire/la-strategie-interreg-2014-2020> (p. consultée le 14/01/2017).

Other devices may provide financial support for training through the Erasmus + action programs. This methodological guide has been compiled with its support to conduct research activities on the three partner festivals of the project and collect responses to a questionnaire distributed to festivals including beneficiaries of the European Festivals Association label. It appreciates the practical teams festivals according to their positioning and strategies. This label provides distinctions that affect corporate reputation and media festivals.

Folders complement to solicit public financing of the European Union are quite complex to achieve. The assistance of expertise from people who know the expectations of European officials and the mode of deliberation for the file review is desirable to increase the probabilities of success of the application. The National Agencies of European organizations can provide useful pieces of advice to festival of promoters.

## **2. Government contracts**

The procurement process allows to mandate a legal person of private law or public law for a mission by specifying a specification and a price for the purchase of required goods and services. Legal uncertainty about the acceptable extent of government grants could encourage some local authorities to use this approach. It may be also the will to control the negotiation on the terms of the contract in terms of price and expected counterparties.

### ***The stakes***

The European Directive 2004/18 / EC defines procurement as "contracts for pecuniary interest concluded in writing between one or more economic operators and one or more contracting authorities and are designed to the performance of work, provision of products or the provision of services under this Directive. "

The fundamental principles, recalled by European community law, are freedom of access to public procurement, equal treatment of candidates, transparency of procedures for all public procurement from the first euro paid. This implies a clear definition by the authority of the needs to meet, taking into account the objectives of sustainable development. This work provides consultation documents so that traders develop their offer from the exempt information. Candidate files must be reviewed by a Board of permanent calls organized by the contracting authority. It is based on a scoring of proposals based on the selection criteria and on the calculation of a weighted average according to the weight given to these criteria. The contract is awarded to the bid the highest rated.

European community law provides for exclusions for certain categories of activities. This includes the so-called integrated services when the authority exercises control comparable to the one it made on its own services (as in the case of a city that controls the board of an international opera festival ), the broadcasting of audiovisual programs, purchases of works of art. The contracting authority may be exempted from advertising and competitive bidding if they are unnecessary or impossible to implement given the characteristics of the market. However, the administrative judge can punish abuses in assessing the scope of these exemptions. The public procurement code also provides in France a lack of publicity and of competition when markets are assigned to a particular service provider for artistic reasons.

Flexibility is offered for entertainment, artistic workshops, the cultural action interventions with an "appropriate procedure", which is freely determined by the contracting authority according to the need to satisfy and the number of operators likely to answer to.

The procurement process can substitute for the distribution of operating grants for the organization of festivals. This creates uncertainty about the continuation of the festival management in a single structure. This shift is the subject of debate on its artistic relevance. For example, the National Arts Federation French street tends to undermine this process by saying it gives an advantage to cultural engineering companies have an organizational know-how to build records providing competitive responses tenders to not necessarily guarantee a good level of artistic quality for the services. Some incumbents who created a festival has lost its management to an engineering company. Territorial officials oppose the critical need for public authorities to more clearly define their needs in terms of artistic creation and cultural activity to write the specifications of public procurement. The procedure is thus likely to clarify the concrete guidelines of cultural policies.

The accuracy of the expectations of public authorities reduced *a priori* the degree of autonomy of the festivals organizers in the construction of their programming in relation to a grant application that does not require specific counterparties. The spirit of invention in the predefined framework and gained artistic experience are nevertheless an undeniable asset to generate interest and commitment of public partners. Personal knowledge of local elected representatives is difficult to avoid in order to better grasp the extent of the expectations and modes of interpretation of the data of the file based on specified criteria.

#### ***An example: the municipal contract for the festival VolterraTeatro***

In 2014, the new municipal majority of the city of Volterra has decided to change its public support system to organise the festival VolterraTeatro, abandoning the distribution of a public subsidy to the association Carte Blanche, historical founder of the festival, in favor of a tender under the procedure of public procurement. The aim of the community of municipalities was to introduce a spirit of competition with other arts organizations to boost efforts in the relationship between quality and price without sacrificing artistic requirements. In fact, the package offered has declined notably in 2016 with a decrease of about 20 000, or a quarter of the original municipal<sup>47</sup> effort.

Specific requirements were firstly focused on the artistic director's experience with a minimum of ten productions produced or co-produced by his company, five workshops and seminars with the audience of national theaters, of universities, internationally and the direction of a for at least five years over the past decade. On the other hand, the administrative structure was to be funded at national and local level for at least ten years, rely on a stable core of three confirmed artistic, technical or administrative collaborators, have continuous management experience of festivals, both nationally and internationally, in the past five years, have relations with a national press office for at least five years and have staff specialized in welcoming the public for at least three years.

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<sup>47</sup> Pour rappel, une somme de 65 000 euros, soit 53 278 euros IVA déduite.



The rating of the proposal consists of three parts: the experience of the artistic director (35 points), the strength of the administrative structure (35 points) and the quantitative determination of the scope of the project (30 points). The experience of the administrator is based on a score from 1 to 10 depending on seniority (one point per year of activity) from 1 to 10 depending on the number of productions produced or co-produced by his company (a point by staging), 1 to 5 depending on the number of artistic distinctions obtained, 1 to 5 depending on the number of publications on its work from 1 to 5 depending on the number of training or coaching activities, workshops or lectures.

The administrative structure is subject to a scale of 1 to 10 depending on the number of years of experience, from 1 to 10 depending on the number of productions and co-productions organized in the last five years, from 1 to 5 according to the number of professional live performance involved in the organization of the festival, a rating of 5 if partnering with an experienced structure in the search for private financing.

The proposal for the organization of the festival is finally graded from 1 to 5 according to the number of proposed co-productions, from 1 to 5 depending on the number of collaborations with other theater groups, from 1 to 15 depending on the number of shows programmed beyond the minimum required, from 1 to 5 according to the number of extra-theatrical activities like seminars and lectures.

The municipal scoring responses to the call for proposals takes into account first the longevity of the career of both the staging director and the administrative structure, the production capacity, diversification of co-production funding or the pursuit of business revenues, open to artistic training and cultural activities. The assessments of aesthetics are mediated by the distinctive marks received by the stage director through awards or publications on his work. The call for applications did not allow candidates to estimate a budget for the proposed benefits. The envelope was predetermined through a tight fiscal logic with an aggregate decline compared to the previous year. The response therefore implies adaptation to offer an attractive and sustainable enough content, forcing the organizers to diversify their income.

### **3. Grants from professional institutions**

#### ***Grants of collecting and distribution rights societies (DPRS) (sociétés de perception et de répartition des droits)***

The civil societies are responsible for collective management of copyright. These include the Society of Dramatic Authors Composers (SACD) in the field of writing and the Society of Authors, Composers and Music Publishers (SACEM) in music. More recently the recognition of neighboring rights in 1985 in France, especially for control of the exploitation of recorded performances of performers, generated revenue development of the DPRS dedicated to these activities. This is ADAMI for performers whose names appear in the credits of films or on CD covers, and SPEDIDAM for other performers who have played a secondary role. A mutual fund was established for each DPRS with the payment of a quarter of the tax on private copying, levied on purchases of equipment or recording tools according to the power of their memory, and copyrights that have not yet been distributed in ten years.

This fund provides funding for civil grants to support creative projects, broadcasts of shows, training as well as employment subsidies for partial coverage of the wage cost of the artistic and technical distribution of social aid as supplementary pensions for authors. SACEM supports up to 12% of expenses incurred for the artistic programming of musical works listed by the civil society and not in the public domain from the second edition of the festival. Two conditions are required: a period of at least two days and at least ten concerts. The presence of training workshops during the festival is a considerable dimension which is favoured during the review of the file.

ADAMI may grant additional subsidies up to a third of the budget if the festival is organized by a legal entity of private law, lasts at least two days with a paid ticket (except for street arts) and if the number of performances is at least eight or ten depending on the nature of the festival. Spedidam can also award a grant to a maximum of 50% of payroll performers contracts incurred directly by the festival.

In addition, a Fund for Musical Creation (FCM) was established as an association of the DPRS of copyright and related rights (SACD, SACEM, Adami Spedidam and the SSCP and SPPF in particular), professional and labor organizations and public authorities. This fund supports the production and distribution of music. Triennial aid may be granted to festivals that have a predominantly musical program with a paid ticket. The grant is diminishing for the duration of the three year agreement.

The organizers of a festival so may file a request for assistance to one or more DPRS or FCM to complete their budget based projects. Each request is subject to a specific case examined by a committee of experts. The grant award decisions must be approved by the Board of Directors of DPRS with a majority of at least two-thirds.

### ***The income-pooling arrangement***

Revenue pooling organizations may exist in some countries. This is to levy a tax on the tickets which is then managed by a professional organization to provide aid for the operation shows, their production and investment.

In the case of France, the private theater Support Association (ASTP) levies a tax of 3.5% on ticket sales-tax on dramatic or choreographic shows created by private producers, and benefits a supplement in the form of grants from the State and the City of Paris, which make up about half of its budget. The funds are distributed mainly among the active members of the<sup>48</sup>ASTP. Support for touring shows produced by members of the ASTP may eventually facilitate their programming in some festivals.

The National Center of the song, variety and jazz (CNV) also levies a tax of 3.5% on ticket sales variety shows. This represents an essential resource fund (public subsidies represent only a share of 3% of the budget). The CNV includes a number of more important members ASTP (about 1800 affiliated organizations and 800 recipients of aid) and may indirectly participate in festival funding by aid granted to the creation and distribution of entertainment but also to the development of artists' careers. The CNV grants subsidies to organizers of festivals that program at least 15 performances of which two thirds are at least indebted of NVC the tax with a budget exceeding € 152,000 and a minimum attendance of 300 spectators.

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<sup>48</sup> 59 salles dont 57 à Paris et 20 tourneurs en 2016.

Furthermore, the objectives and contents should be judged by the expert commission and be situated in tune with the interests of the working environment. A refundable cash advance can also be attributed to fund the event. Aid may also be granted to theaters with a tonnage of less than 3000 people, a program comprising at least 80% of indebted shows tax CNV and minimal variable performances according to the density of the population of the place implantation.

## **C. Other income**

### **1. Income activities**

Artistic companies can rely on profits from previous years that have been set aside to finance the activities of a festival. This possibility also applies to non-profit organizations since the benefits are permitted provided they are not distributed in the form of personal income. However, operating profits of a show require a series of lengthy performances, a large enough attendance and / or willingness to pay high enough from cultural institutions to enable programmers revenue collection beyond depreciation assembly costs. In fact, as was already stated in the introduction to this chapter, the performing arts companies often subsidized manage cash flow strung between receipts and expenditures to limit premiums during periods of overdraft.

#### ***Ticket sales***

An adjustment variable to optimize ticket sales concerns tariff policy discussed in the chapter on the development of public (see above). The ticket sales also depend on the attractiveness of the shows with the local population, but also non-local. Programming can generate consent to move that varies according to the arts groups and the curiosity aroused by events.

In the case of the first edition of Travessuras Culturais festival on the island of Madeira in February 2017, the Centre Théâtre de l'Opprimé has proposed two shows, a recent creation *I am Don Quixote of La Mancha* with dialogues in French, subtitled in Portuguese, and *Venetius. The poet of poets*, created five years ago, with songs and Portuguese texts of Brazilian singer. Representations were made in a cultural center located in Ponta do Sol, a town about 25 km from Funchal, the administrative capital of the island. An information campaign was conducted with television and radio, and the local press. The organizers have noted that about 90% of viewers were Portuguese from other cities on the island, including Funchal. When selling tickets, Portuguese spectators also expressed spontaneously to the coordinator of the festival the pride of having a French company performing there. In the case of VolterraTeatro festival, the reputation of the director Armando Punzo attracts a loyal audience, mostly national, for the shows performed Volterra prison.

The presence of renowned shows and large format, to form attractive headlines for the festival, justifies higher prices to cover costs, and can be accepted due to the anticipation of a more certain appreciation for a representation having a distribution and a smaller set design. The high price strategy is practiced in the festivals that program celebrities of variety music. Musicals on the model of the Broadway League were a particularly popular genre since 2000. The report of the National Center of the song, variety and jazz (CNV) on the dissemination of

shows, musicals covered by this pooling organization thus represented 2% of the performances in 2015 and 6% of ticket sales. This is the relative difference between volume and revenue, the highest among the musical and comedy genres, before the category "rap, hip hop, reggae and<sup>49</sup>similar". Stage Entertainment, which has appropriated 21 theaters in Europe, specifies the choice of high tariffs at a level twice as high at the Théâtre Mogador than the average price of Parisian private theaters (60 euros<sup>50</sup> against 29.6 euros on average in<sup>51</sup>2015) but with musicals with the presence of an orchestra, acting and choreography.

Creating subscriptions in the form of "pass" for festivals is a tool to retain viewers. The payment of a fee can give the right of access to a number of shows during the festival or to all performances during a given day. The attractiveness of this tool requires a fairly substantial programming and sufficient disclosure for the viewer to appropriate its experience. Experimental introduction of a "pass" on a festival for a relatively short time may not produce the desired results as we have already seen for editing MigrActions in 2016.

## Product sales

The presence of a bar is a prerequisite for the sociability of the outing. A beverage and snack service is tailored to the needs of a significant audience. The income of the bar and catering can be either direct if the producing staff is holding the venue, or indirect when an operator is in charge of catering.

Sales of derivatives provide additional income. T-shirts marked with the label of the festival VolterraTeatro are sold during the duration of the festival. Festival posters, detailed programs or dedicated magazine numbers, postcards can also be offered for sale. Derivative sales began in 2014 and were halved in 2016 compared to this initial year. The objective is not necessarily to obtain a large margin of profit, and can be centered on the generating of the written traces of the life of the festival. For example, the Rororo format paper published by the Edzioni Clichy of Florence on the philosophical theme of the edition's festival of VolterraTeatro is only sold for one euro. Numerous other objects associating the mark of the event can crystallize a memory of an experience of aesthetic and social life. The sale price can thus exceed the cost of manufacturing and transporting the objects.

## 2. Philanthropy

Philanthropy (*mécénat*) differs from sponsorship by limiting counterparties available to companies in exchange for their support. In France, these counterparties, especially in the form of invitations or insertions of the donor's logo in communication materials of artistic organization, can not exceed one quarter of the donation. The 2003 law in France has doubled

<sup>49</sup> CNV, *La diffusion des spectacles de variétés et de musiques actuelles en 2015*, Paris, CNV, p. 16.

<sup>50</sup> Michaël Porier, Raphaël Moreau, *Main basse sur la culture. Argent, réseaux, pouvoir*, Paris, La Découverte, coll. Cahiers libres, 2014, p. 146.

<sup>51</sup> ASTP, *Rapport d'activité 2015*, Paris, ASTP, 2016, p.4.

the tax advantage granted to donors: 60% of the amount of sponsorship entitles to a tax reduction on income within the limit of 0.5% of turnover. A law extended on December 25, 2007 the associations of the performing arts the benefit granted by household donations sent to general interest association, provided their management remains nonprofit. Individuals have the opportunity to deduct from their income tax 66% of the donation within 20% of annual income. The Persche instituted in January 2009 the principle of extending national tax benefits for donations to charitable bodies in all countries of the European Union.

Sponsorship can be financial but also industrial, with the gift or the graceful loan of equipment or premises, and skills with the provision of a company's employees work time for the development of projects supported in the form of a partial detachment or volunteer outside of their professional obligations. Theater and dance are not usually the most attractive artistic sectors for corporate sponsorship. The development of artistic patronage implies partnerships between companies with different organizational cultures. Foundations select projects from the examination of the applications in terms of their preferred directions. Households are solicited by personal networks, family and friends first and by advertisements on a larger scale.

### ***Corporate philanthropy***

Motivations for firms to engage in sponsorship activities are part of their communication strategy since their image is associated to the projects supported. The ordinal ADMICAL question of the survey on the prioritization of motivation is the contribution to the public interest first, a regular answer. Between 2013 and 2015, three reasons were deemed priority: the expression of the company's values, building relationships with local actors, and the enhancement of the corporate<sup>52</sup>image. From an internal perspective, the company may seek to strengthen the cohesion of staff, choosing actions to which employees can identify, to the causes defended and make them want to engage alongside supported project leaders. From an external point of view, it is to ensure the visibility of the company's image through positive actions deemed by consumers of this firm and selected targets to try to expand their clientele. If participation in the region's appeal still remains the motivation advanced by companies to justify their cultural patronage, it is experiencing a decline in favor of the rise of a desire to create opportunities to build relationships between employees to educate employees to art or to develop their<sup>53</sup>creativity.

Theater and dance are not the most attractive activities because of representations often limited to a small audience and risks of a nuanced reception if the staging and choreography explores a deconstruction of the codes of fable or gestures punctuated by music. Executives of enterprises will be *in principle* more satisfied with the privatization of an auditorium to attend an opera or a classical concert. Music is thus the kind of live performance supported by corporate sponsorship. Support for sporting events can be integrated into a campaign to mobilize energies of staff to achieve higher productivity targets or stimulate a spirit of intra-organizational competition. According to the ADMICAL survey in France in 2015, the preservation of built and landscape heritage represented 35% of the cultural patronage of

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<sup>52</sup> Admical / CSA, *Le mécénat culturel en France 2016*, Paris, Admical, 2016, p. 24.

<sup>53</sup> *Ibid.*, p. 66.

companies, and music 27%, to 16% for the performing<sup>54</sup>arts. In Japan, cultural patronage is initially focused on the music and the fine and traditional<sup>55</sup>arts.

The corporate image is more easily enhanced by support for solidarity action by making them appear like organisations concerned to repair the social damages caused by the economic crisis. As for households, humanitarian causes are the most attractive for sponsorship to them. Supporting arts education outreach and facilitation of access to theaters by the management of the ticket price is more often likely to motivate companies that supply, to produce and disseminate new shows . The ADMICAL survey confirmed in France in 2015 the prevalence of support for actions of artistic awareness in cultural sponsorship (46%) for creation<sup>56</sup>(18%). The community involvement of arts organizations is a point to highlight to local businesses, *a priori* aware to consolidate the cultural and social ties to their host communities. The ADMICAL survey reported in France an increase in sponsorship activities of companies of at least one employee on a local scale between 2013 and<sup>57</sup>2015.

In addition, an extra working time must be dedicated to draw the attention of human resources director on proposals for cooperation and negotiations that could lead to support. This benefits larger organizations that can pay employees for positions dedicated to these tasks while the usual versatility members of small teams offers little availability to engage in this type of work. As interest in getting involved in cultural patronage increases according to the company<sup>58</sup>size, one can deduce a risk of clogging of requests for support from large companies with at least 250 employees, which intensifies inter-organizational competition for the quest of sponsorship. The reconciliation between different organizational cultures also requires a spirit of diplomacy and relational investment to build a relationship of trust after becoming interested in the vision carried by the objectives of non-artistic companies. This supposes that subsidized artistic teams' acceptance to enter into a partnership is animated by ethical business profitability and not by public service.

Finally, partnerships around sponsorships are fragile. They partly depend on the benevolence of a relay within the company which has to convince his leadership of the relevance of support to artistic actions. Its transfer may jeopardize the continued support as well as the communication strategy of the company. At a macroeconomic level, the sponsorship offer is positively sensitive to tax exemptions but reacts negatively to economic downturns. Thus, according to ADMICAL, the doubling of the tax benefit for corporate sponsorship in France in 2003 accompanied a rise of sponsorship revenues, estimated by an annual survey of one billion euros in 2003 to 2,5 billion in 2008. On the contrary, the 2008-2009 economic recession caused a decline in the total volume of patronage, estimated at two billion euros in<sup>59</sup>2010. According to data from Giving USA, total corporate donations decreased by 3.6% between 2009 and<sup>60</sup>2010. In the case of Italy, local patrons still present in Volterra Teatro

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<sup>54</sup> *Ibid.*, p. 70.

<sup>55</sup> Admical, *Repères : le mécénat dans les entreprises du monde*, Paris, Admical, 2012, p. 6.

<sup>56</sup> Admical, 2016, *op.cit.*, p. 68.

<sup>57</sup> *Ibid.*, p. 44.

<sup>58</sup> *Ibid.*, p. 1.

<sup>59</sup> Admical / CSA, *Le mécénat des entreprises en France. 2010*, Paris, Admical, 2010, p. 5.

<sup>60</sup> Admical, 2012, *op.cit.*, p. 1.

festival in the early 2010s cancelled their commitment in 2011 or 2012. The slight economic recovery across the European Union in 2014 has renewed corporate donations. Thus, between 2013 and 2015, the business sponsorship with at least one employee increased in France by 25% according to the survey of<sup>61</sup>Admical. Similarly, some sponsorship revenues were again collected by the association for VolterraTeatro Carte Blanche festival in 2016.

### ***Corporate foundations***

Corporate foundations organize the distribution of aid based programs defining their priorities for action and rely on expert commissions that examine the files submitted to support projects. Access is not as time consuming as canvassing the solicitation for corporate sponsorship, but the quality expectations of these foundations should be known beforehand to provide records to be examined with a thoroughly.

In the case of VolterraTeatro festival, the Foundation of the Savings Bank of Tuscany has provided financial support for the event from 2010 to 2014. The level of aid has been divided by three between 2010 and 2011 and then stabilized. There was no support in 2015. The reasons given by the Foundation are focused on the disengagement of the municipality in financing the festival. Meanwhile, the Savings Bank of Volterra decreased its monetary contribution from 2010 to 2012 before disengaging from the festival funding. This example illustrates the potential complementarity of public funding and sponsorship foundations and challenges to effect a substitution of private donations to public subsidies.

When editing in 2016, the Foundation of the Savings Bank of Volterra provided financial sponsorship reduced by 60% compared to that granted in 2014, and offered a sponsorship by industry, offering 70 nights at the *Scuola Internazionale di Alta Formazione* of the city. This is a training campus with an accommodation capacity of 93 rooms. Members of three companies, young journalists and technicians stayed there for stays of three to four days. This opportunity has helped loosen the budget constraints of the festival, which does not use the hotels downtown to provide accommodation for companies and journalists specialised in cultural affairs.

### ***Households***

Patronage household is the most developed in the USA where their donations account for three-quarters of the money collected. As for businesses, humanitarian causes or linked to actions of solidarity, education is the most attractive area for donations. Support for research on health issues is another popular area.

Households receive tax benefits that reduce the net cost of the gifts. In France, following the law of December 25th, 2007, a donation of 30 euros reduces the income tax of 20 euros. Therefore nonprofit festivals can solicit donations from people who are concerned by its programming as the performing arts companies that organized in associations. It is relatively simple to capture willingness to pay people for family and friends around the organizers of the festival. A second stage supposes to have expanded recognition of the relevance of artistic actions taken to some of the locals by playing word-of-mouth on the qualities worthy of

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<sup>61</sup> Admical/CSA, 2016, *op.cit.*, p. 21.

support. The attraction of patrons at the national and international levels requires investment in communication and the mobilization of the richest people in an address book predisposed to philanthropy actions.

The development of online participatory funding tools makes potential to collect funds. The idea is to raise an amount announced during a specified period, the pledges will become effective if the desired total was achieved. A commission of around 8% of donations received is paid to the company that operates the platform. Three action logics coexist. Some platforms such as MyMajorCompany invite individuals to engage in a co-production action by becoming a partner in raised capital to produce the show with a promise of compensation related to the outcome of the operation. Platforms can also provide a bank disintermediation offering the opportunity for individuals to lend capital with an interest rate to companies, especially those that were established too recently to be supported by a loan from a bank. The average cost is about 7% while taking the risk of losing the invested capital in case of bankruptcy of the debtor. Finally, platforms are oriented towards a logic of gift-countergift, especially for non-profit organizations that gives counterparts in goods such as posters, brochures, invitations. They can be a one-time operation or repeated. Relational benefits with the opportunity to attend for example, public rehearsals, meetings or meals with the artistic team also exist.

The expansion of these platforms has been significant since the turn of the 2010s. In 2016, 2.5 million individuals in France reported participating at least in one patronage program using this tool. The increase appears to be slowing down as the number of households affected was less than 200,000 last year. After more than doubling in 2015, the collection through crowd funding increased by only 40% during<sup>62</sup>2016. This model of co-production seems to have stalled ahead of the gift-countergift. Indeed, MyMajorCompany company announced in early 2016 to give the activity of financial intermediation in line deficit from the beginning to refocus on music production. The two industry leaders are Ulule and Kisskissbankbank, driven by the logic of gift-countergift. Nevertheless, the increase in donations collected there was three times lower in 2015 compared to<sup>63</sup>2014.

The vast majority of donors are casual. In fact, performing arts companies offer mostly a collection of limited funds, adjusted to the anticipation of the consent to the friendly and family environment. Widening the circle of donors involves the development of a communication campaign to capture the attention of a greater number of people and awaken their desire to contribute financially to the project. Some practitioners believe that a massive fund raising requires investment in communication equivalent to 20% of the expected collection. A study on successful collections for 887 theater projects on the website Kickstarter in the US in 2011 identifies several determinants. The optimal duration of the information campaign for raising funds seems to be around 60 days. The effect of the public announcement of donors is more than positive that there are no material counterpart donation. The level of donation tends to increase for structures that are involved in the raising

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<sup>62</sup> Véronique Chemin, « La finance participative attire moins les foules », *Le Monde*, 22/02/2017.

<sup>63</sup> Frédéric Cazenave, « Le 'crowdfunding' français forcé de se renouveler pour éviter l'essoufflement », *Le Monde*, 12/02/2006.



campaigns of other organizations fund, confirming the logic of reciprocity in building a citizen support network projects. On the contrary, the propensity to give is likely to be reduced when the number of calls for projects of the same organization increases as if it forced the same social network to gradually exhaust its willingness to<sup>64</sup>pay.

### C. The expenditure

The level of artistic expenses depends on the balance between all the products and fixed operating costs, known as operation theatre (théâtre en ordre de marche). A downtrend in public subsidies, if it is not offset by an increase in business revenue or capture of civil grants, tends to reduce the margin available to fund artistic expenses. The difficulties significantly increase traffic locations and ticket sales or sponsorship drive to act on reducing spending or try to strengthen control of their evolution.

#### 1. Risk management

##### *The risk anticipation*

The evolution of festival expenses is exposed to risks that need to be anticipated evaluating their probability of occurrence and<sup>65</sup>severity. The FMEA (Failure Mode Analysis, Effects and Criticality Analysis) suggests to take into account also the probability of non-detection of the risk. The calculation of a criticality index of risk is to multiply the rating assigned to the severity of its effects with its probability of occurrence and probability of not detecting. This calculation, more necessary for the organization of industrial work, allows to prioritize risks quantitatively either for the suitability of products to order, or for the use of equipment, or still in the manufacturing processes. On the expenditure side, the goal is to provide appropriate responses in the event of observed deviations and build a cost-monitoring device. If the origin of a risk can not be eliminated or transferred to a third party, the treatment of risk is to implement actions to reduce their occurrence or severity<sup>66</sup>level.

According to the synthesis proposed by Jean-Jacques<sup>67</sup>Pluchart, there are three types of evaluation of project costs depending on the form of its design: the "classic cost" design from the estimate of the need expressed by the customer; "to target cost" design based on the strategic targets of the company; "cost-driven" concept if the objective content varies during product development. As part of a festival with a non-objective, the second vision is *a priori* dominant but in between nesting with the "cost-driven" concept if the balanced budget constraint is set to change depending on the degree of confirmation public or civil subsidies,

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<sup>64</sup> Benjamin Bœuf, Jessica Darveau, Renaud Legoux, "Financing Creativity: Crowdfunding as a New Approach for Theatre Projects", *International Journal of Arts Management*, 16 (3), Spring 2014, p. 33-48.

<sup>65</sup> L'approche dite de Prouty consiste à construire une matrice des risques en distinguant quatre catégories de risques : les risques de fréquence et de gravité faibles ; les risques de fréquence forte et de gravité faible ; les risques de fréquence faible et de gravité forte ; les risques de fréquence et de gravité fortes (Olivier Hassid, *La gestion des risques*, Paris, Dunod, 2008, p. 54-55).

<sup>66</sup> Roger Aïm, *La gestion de projet*, Issy-les-Moulineaux, Gualino, 2016 (10<sup>è</sup> éd.), p. 138-141.

<sup>67</sup> Jean-Jacques Pluchart, *L'ingénierie de projet créatrice de valeur d'organisation*, Paris, Éd. D'organisation, Paris, 2002, cité par Gilles Garel, *Le management de projet*, Paris, La Découverte, 2003, p. 71-72.

and expected co-production contributions as was the case with the VolterraTeatro festival, exposed to a significant decline of municipal funding since the early 2010.

The risks to expenditure pressures can come from suppliers. Delivery delays destabilize management preparation schedule or conduct of the festival. The differences between the characteristics of the delivered products and the expectations of the organizers lead to additional costs when correcting quality defects or loss of time if the products are returned to the sender requesting compliance with the initial application. The establishment of a reliable network of suppliers is therefore a sensitive issue for the realization of a festival. The extra cost sources can also cover transportation and accommodation costs of scheduled airlines if they are at least partly taken in charge by the festival organisers. The management of the administrative and technical teams orientates forms of coordination in the distribution of tasks and the pace of implementation; coordination defects give rise to time delays and increased costs or overactivity graciously assumed to compensate.

Generally, the unexpected in the organization of a festival should be a budgetary provision to deal without threatening business continuity. The percentage calculation adjusts based on feedback from past experiences. In the case of VolterraTeatro festival, the margin practiced by the administrative direction amounted to about 10% of the budget. This is the rate often applied by the administrators of subsidized arts organizations.

### ***Insurance***

Insurance for non-financial risks have been addressed in the chapter on the organization of the technical work. The insurance to hedge certain risk of financial loss may involve the risk of cancellation of the shows. The evolving case law tends to retain circumstances more exceptional to recognize *force majeure*.

There is a need to prepare against a potential risk of bad weather for open-air performances and of the unavailability of performers from the cast, or technicians who are not substitutable in the short term.

Finally insurance for judicial protection helps support the costs of proceedings in disputes with others, provided to choose the lawyer recommended by the insurer. A specific segment may concern taxation with the management fees of expertise required to assist in case of control over the calculation of taxes or the payment of social contributions.

## **2. The breakdown of expenditures**

### ***The main budget items***

As in all businesses, payroll is the main item of expenditure. It is useful, especially in a matrix organization, distinguishing wages and social contributions of the permanent staff of the structure and variable wage costs for people engaged on fixed-term contracts, which are mobilized for the preparation and management of festival. It should distinguish the costs of the three major categories of employees: administrative; technical; artistic staff.

A large part of purchases go for food, fluids, administrative and specific supplies for the shows (scenery, costumes, light and sound), materials and equipment, cultural products; the

largest risks relate to the performances contracts, unless production risks are first carried on by the producers with contracts of co-direction. These are practiced by very small festivals whose budget does not allow fund transfer agreements as in the case of MigrActions. It should incorporate the costs of transportation and accommodation if some of these are supported by the organizers of the festival. Team VolterraTeatro offers companies all food costs for least remunerative performances and accommodation for artists and technicians of different troops scheduled contracts.

Other external expenses include outsourcing, rents, maintenance costs and property maintenance, insurance premiums, non-salaried personnel paid in fees, advertising, transportation and travel, telecommunication costs. Rentals can involve administrative offices, storage, or rehearsal schedules for troops. This budget item also takes into account the equipment borrowed to meet the technical conditions requested by some shows. Budgetary constraints encourage companies scheduled to be reasonable in their technical requirements and to adapt better to the material available at the festival. Sponsorship in kind deserves to be taken into account by valuation gains from lower costs for rental.

It is useful to specify communication costs by differentiating strategies to enhance the corporate image to strategies designed to promote the shows. These expenditures concern the design and production of paper documents, electronic media, relationships with opinion leaders, requiring fees for one-time use of external expertise, printing costs, telephone communication, rental of advertising space in the press or in urban spaces. The costs of the actions deserve to be broken down according to the chosen targets: the press, the audience, local authorities, the partner institutions for co-financing and the development of the audience.

Apart from social contributions, specific lines are given on accounting duties and taxes on the remuneration and other taxes as local taxes, and the tax on non-recoverable value added tax on the ticket when they exist. Other current operating expenses are about copyright payments, undertaken in principle by the organizers. Financial expenses correspond to interests paid on loans. Cash flow for small performing arts organizations can ask for overdraft when delays in grant payments or payment claims on services rendered become too important. Special charges may relate to management operations with fines, tax reminders or on elements of assets sold at a loss.

Amortization offers opportunities to achieve savings exempt from taxation during the accounting of a real or personal investment. The loss provision forecasts spendings to deal with the likely risks of non-payment of invoices addressed to certain customers or a conviction by a court to pay a fine.

### ***Budget to variable costs and full costs***

The most common construction of a budget for the organization of an event takes place at variable costs by focusing on direct costs generated by this<sup>68</sup>process. The budgeted payroll

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<sup>68</sup> François Mairesse, *op.cit.*, p. 94.

takes into account that employees engage punctually in the festival and dedicate to the implementation of project tasks. In a matrix organization, involved in multiple activities, marginal costs appear in the budget of the artistic and cultural event, that is to say the additional costs it has generated. The construction of this budget is the simplest since they are considered as specific cash flows for festival activities.

However, part of the working time of the permanent team of the matrix organization is mobilized to hold the festival and its indirect costs, which increase the purchase of supplies, fluids, and service benefits. A budget which includes total costs consists in assessing the variable direct costs and the share of fixed costs of the organization committed to expand the festival project. This requires the prior establishment of a sufficiently fine information system for analytical accounting, including the working time of the permanent staff and its share between different activities. The apparent complexity of the calculations set back many administrators of the performing arts area. However, if it appears disproportionate to introduce a timed collection of activities of members of different activities, one can make estimates on the employment share of time spent on the organization of a festival. The major advantage of a calculation to total costs is to demonstrate to stakeholders the importance of real fiscal effort of the matrix organization involved in the implementation of the festival. Communication on the comparison of budget to variable costs and full costs budget can be useful to encourage public and private partnerships to increase their financial effort.