

Dionasia

Dionasia is a country with a population of approximately 80 million people. The national currency is the Dionasian pound (£). It is a parliamentary democracy, and members of the national parliament are elected for a term of up to five years in single-member constituencies.

Dionasia has an established national welfare state provision, which includes a national health service, housing provision, free education to the age of 18, and income support. These services are funded through a national income tax on citizens, a profit-based tax on companies, and a range of other taxes and user charges.

A local property tax is administered by local government organisations, and the rate set annually by each local government body is based on property values for both businesses and households. Local government organisations also receive income from central government grants (general and ring-fenced), from user charges on certain services, and from other commercial activities. Revenues from these sources fund the provision of local transport and highways, refuse collection, some aspects of local school provision, and other local services.

Dionasia has a strong financial centre in its capital city of Musen, and is therefore an affluent country. However, it also has areas of significant deprivation, with low incomes and poor health affecting the less affluent population.

COVID-19 pandemic

Globally, financial markets and economies had already been suffering a prolonged period of significant uncertainty prior to the COVID-19 pandemic that swept the globe from early 2020. COVID-19 affected Dionasia significantly from February 2020 onwards. The Dionasian national government imposed a strict national lockdown and restrictions to business operations in late March 2020, which continued until July 2020. Beyond this lockdown, the government lifted restrictions gradually, focusing first on areas of the country with the lowest infection rates, but kept its borders closed to all but the most essential international travel until late 2021. The Dionasian government has been praised for its cautious approach by the World Health Organisation, as it achieved one of the lowest COVID-19-related death rates of anywhere in the world.

By January 2022, cases of COVID-19 in Dionasia were rare and generally mild, as a vaccination programme of all adults had been completed. Case levels have continued to be low in 2022, but the government still has a clear message regarding the need to maintain social distancing, as the vaccinations are not proving to be completely effective against new strains of the virus as they arise. Organisations that operate public spaces and events have been provided with guidance around ongoing measures to promote social distancing and mask-wearing, but these have not been compulsory in law since February 2022.

Due to the high levels of restriction on activity, the effect of the pandemic on Dionasia's economy has been particularly severe. Many businesses have gone into liquidation, with hospitality, retail and the arts sectors some of the worst hit. By early 2022, Dionasia's Gross Domestic Product had fallen by 15% compared to pre-pandemic levels, and inflation has been steadily rising in recent months from very low levels. In response to these economic issues, from early 2022 onwards, the national government has begun to plough funds into capital projects and to provide grants for the worst hit businesses and sectors. As a result of this, the fiscal deficit and public debt in Dionasia are both at an historic high. With inflation and interest rates rising, the government is keen to reduce the deficit as soon as possible.

Arts and culture in Dionasia

Dionasia has a rich cultural background, and some of history's most well-respected writers and artists were born there. Pre-pandemic, funding for the arts was therefore a priority for successive Dionasian governments, in the form of grants, tax breaks, and other incentives for creative work.

The Dionasian national government has a Department for the Arts, Sport and Entertainment (DASE), which aims to promote the country's artistic heritage and support organisations and projects of artistic and cultural merit. Reporting to the DASE is the Arts Commission, which invests in artistic experiences that enhance people's lives. It funds and supports a range of endeavours across the arts, including theatres, museums and libraries.

Theatres in Dionasia

Dionasia has a history of internationally well-respected playwrights, and a significant number of theatres and art centres which were generally well-attended by members of the public, and by tourists, pre-pandemic. In 2019, an international arts organisation published the 'Dionasian Dozen', a list of 12 playwrights from the country whose works are thought to have shaped and changed world literature in the last 500 years. The 'theatre quarter' of Musen boasts around 20 professional theatres, staging plays and musicals of the calibre of New York's Broadway or London's West End, with many productions regularly attracting high profile actors and directors with excellent reputations internationally amongst critics and the public. There are also specialist theatres in Musen, such as those with large areas for standing audiences (generally for a lower ticket price), and cabaret-style 'dinner theatre' venues that stage plays while the patrons enjoy a meal.

The majority of theatres in Dionasia are charitable companies, with objectives around providing cultural experiences and high quality performances of artistic merit. The Arts Commission provides funding for theatre that is deemed to have artistic or cultural merit, and/or provides benefits for local communities.

The impact of the COVID-19 lockdown and subsequent restrictions on theatres was severe. The government mandated that theatres were to remain closed to audiences from the start of the lockdown in March 2020 right through until July 2021, at which point they were permitted to reopen but generally with smaller audiences and social distancing measures in place. From February 2022, social distancing measures became no longer compulsory, though still advised, in indoor spaces.

While closed to in-person audiences, many theatres attempted to cope by cutting costs and exploring other forms of income generation, such as:

- live-streamed performances with small groups of actors
- selling access to back catalogues of recorded performances, where available
- selling merchandise
- renting out auditoriums and other spaces as COVID-19 testing centres and/or vaccination clinics
- staging outdoor performances, when outdoor gatherings were permitted by COVID-19 restrictions.

While the uptake of live-streamed or recorded performances was variable, audiences in Dionasia remained positive about wishing to return to live theatre performances when possible, and after a gradual start, many venues are now close to their pre-pandemic audience levels. Some theatres have also continued some of the services provided during the pandemic, such as selling recorded performances, as a way to further supplement their income.

Fabula

Fabula is a medium-sized city in Dionasia, with a population of around 500 000 residents. It has a well-developed retail sector at its centre, with many high-end fashion boutiques, art shops and home décor stores, as well as many restaurants and bars. The average income of residents of Fabula exceeds that of Dionasia as a whole, as many of its residents either own productive agricultural land around Fabula, or commute, mainly by high-speed train, to highly-paid jobs in the financial centre of Musen, which is 50 kilometres from Fabula. In addition, Fabula has historically seen a thriving tourist trade, due to its fashionable feel, heritage buildings and cultural attractions, and this has been facilitated by its proximity to Musen and excellent national travel routes.

The city of Fabula and its surrounds are under a single local authority, Fabula City Council (FCC). FCC's mission is to ensure the wellbeing and quality of life of Fabula residents, in a vibrant and resilient city. Its strategic priorities are:

1. To make Fabula an attractive place to live and work, with a thriving local economy
2. To create opportunities for residents to improve their lives and reach their full potential
3. To nurture a diverse and inclusive society, with provisions for our older population, young families, and disadvantaged people
4. To stand out, nationally and internationally, as a productive, creative and resilient city.

Fabula Arts Complex

Fabula Arts Complex (FAC) is based in a large heritage building close to the centre of the city of Fabula. It is a charity and company, run as a wholly-owned trading subsidiary of the local authority, FCC. It pays tax on its profits, but can claim the majority of this back through cultural tax relief schemes.

Up to and including the 2019/20 financial year, FCC permitted FAC to retain £4 000 000 as reserves, an amount based on its annual expenditure level prior to the pandemic. Any restricted grants or donations are also retained by FAC as part of its reserves, to ensure that they are used for the purpose they were intended. If FAC makes an annual surplus that would take its reserves over the £4 000 000 target, it surrenders the excess surplus to FCC. If FAC makes a loss, it is expected to cover this from reserves, and return to a surplus in the following year to build reserves back up to the target level of £4 000 000.

Like other Dionasian companies, FAC is able to borrow from traditional markets to finance investment, and the amount of borrowing is at the discretion of FAC's Board of trustees and its judgement about affordability. It is also permitted to dip into reserves to fund investment, but must provide FCC with a business case for how the investment proposed will restore the reserves to agreed levels within two years.

FAC's mission is "To enrich the lives of the local community through high quality theatrical productions and other cultural events."

FAC's strategic objectives, set in 2018, are as follows:

- To explore the diversity of Dionasian playwriting, and facilitate the development of new works
- To consistently deliver high quality theatrical productions
- To attract, cultivate and retain highly skilled staff in all areas of our organisation

- To create more opportunities for creatives in Fabula and its surrounds
- To build a substantial and loyal audience for our programme of activities
- To provide valuable leisure time experiences for the local community
- To educate the local community and young people about artistic creation and careers in the arts
- To break even or generate a surplus every year.

The complex has two theatrical auditoriums: the Main Stage with a 1 500-seat auditorium, and The Roundhouse with 300 seats. Both can accommodate plays, concerts or other events, and these can run at the same time in each auditorium. FAC also has an art gallery on the first floor, and the spacious licensed Cantina bar/café serving drinks and food to patrons and other centre users. There is also a small shop that sells playscripts, art books, crafts made in the area, and local souvenirs. Plays and events largely run in the evenings on Mondays to Saturdays, with matinee performances in the afternoon generally twice a week. The gallery, bar/café and shop are open from 12 noon to closing time on Monday to Saturday. Closing time is either the end of the last performance, or 5pm on non-show days. The complex is closed on Sundays.

FAC is the only large theatre in Fabula. There are two smaller venues on the outskirts of the city, which stage almost exclusively community theatre. Their ticket prices tend to be lower than FAC's, but their productions are not considered to be as professional as FAC's productions, and they are too small to accommodate almost all professional touring productions.

FAC aims to achieve its mission through a variety of activities, as follows:

- Staging its own productions, including appointment of the creative team and cast, sourcing/building set and costumes, etc.
- Hiring out the auditoriums to local theatre groups, orchestras and choirs, and to professional touring productions.
- Featuring local artists' work in the art gallery, and facilitating sale of artwork in exchange for commission.
- Partnering with other organisations to increase reach and profit; for example, offering 'Dinner and a Show' discount packages with local restaurants, whereby people can dine at the restaurant on the same day as attending a show at FAC and the overall cost to the purchaser is significantly lower than when the restaurant and FAC show are booked separately.
- Community outreach work with schools and charitable organisations which support disadvantaged children and adults, including theatrical workshops, dance classes etc., subsidised by local and national grants provided to FAC. Generally, FAC charges a small fee for these workshops, dependent on the organisation's ability to pay.

FAC governance

FAC is governed by a Board of twelve trustees and company directors, appointed and overseen by the City Council. The Board is responsible for FAC's strategic direction and

control, and meets four times per year. The Board's purpose is to set FAC's strategic direction and strive for effective focus on its strategic priorities, and in doing that, it is required to consider the impact on FAC's strategy of the City Council's mission and strategic priorities.

On a day-to-day basis, FAC is run by the Artistic Director, Jibril Roy, who has operational decision-making responsibility in relation to the implementation of FAC's mission and strategic objectives. Jibril has a background as a theatre director and playwright, is passionate about ensuring that FAC's activities have cultural merit, and was appointed by the Board four years ago as it was felt that he had the right background and attitude to achieve FAC's strategic objectives. However, since his appointment and during the COVID-19 lockdowns, the Board believe that he has taken many decisions in a hurry and without consulting them, often claiming that he could not afford to wait for the quarterly Board meetings as he would have missed opportunities. As a result, the Board informed him at its last meeting that it would be taking a more 'hands on' role and all major decisions, including devising the theatre's upcoming programme of plays, would have to be signed off by the Board or he would face disciplinary action and potentially dismissal.

At its most recent meeting, the Board also made clear that with the worst impact of the pandemic now over, and with the significant financial challenges facing FAC, it expects a major re-assessment of FAC's strategic priorities. To inform this, the Board made clear that it expects to see a robust and structured evaluation of FAC's competitive position in order to underpin decisions about its future strategic direction.

Five departments, each with a head of department, report to the Artistic Director. The departments, and their main responsibilities, are as follows:

- Production: overseeing the selection of the theatrical programme (in-house and external), casting, set, costumes, props, working with new writers etc.
- Technical: overseeing the equipment and manpower to stage the shows in the way devised by the Production Department. The Production and Technical Departments' staff work on all in-house productions, and FAC requires that external production companies should use some of its technical staff when hiring an auditorium at FAC.
- Fundraising: securing donations and applying for grant funding, marketing FAC's activities, running the shop, Cantina bar/café and art gallery, and managing front of house for performances (selling and checking tickets, ushering audience etc.).
- Facilities: responsible for care and upkeep of the building, including cleaning.
- Finance and Resources: responsible for all Finance and Human Resources (HR) activities. The Head of Finance and Resources, Miranda Parks, was appointed three years ago, having been headhunted by the Board from a large retail corporation with the aim of bringing more commercial focus to FAC's activities.

The Artistic Director has a strong focus on the artistic and cultural merit of FAC's activities, and regularly clashes with the Head of Finance and Resources. The animosity between the two has spread across the organisation as a whole. The Finance and Resources staff often find it difficult to get information and cooperation from the other teams, and staff surveys have suggested that, while most staff members love the work they do, they find the work environment stressful due to the personalities involved, particularly now everyone has returned to the office after working from home during the height of the pandemic.

Recently, the Head of Finance and Resources commissioned an external consultant to observe the staff issues and provide a report for consideration by the Artistic Director and the Board. Extracts from the consultant's interim report are provided at Appendix 1.

FAC finances

FAC's financial year runs from 1 April to 31 March.

FAC generates income through:

- Ticket sales for its own, in-house theatrical productions.
- Hire charges to external organisations wishing to stage a production or event at the complex.
- A percentage of ticket sales of each external production, at a level agreed with the production company.
- Separate charges to external production companies for use of FAC's front of house and backstage technical staff and facilities, and for advertising in its brochure and on its website.
- Sales from Cantina bar/café and the shop, and commission on gallery sales.
- Fees charged for school and community outreach workshops.
- Central government grant funding, channelled through FCC, usually in relation to specific activities, and therefore with conditions and sometimes audits attached.
- Grants from other charities, both local and national.
- Donations from businesses and individuals, including legacies.

There is no direct financial support for FAC from the City Council, but FAC's building is owned by FCC and it is provided to FAC rent-free.

For a few years pre-pandemic, FAC generated a diminishing surplus each year, due to declining audience numbers and the increasing cost of staging theatrical productions. In addition, central government grant funding has increasingly had more and more conditions attached. Since the pandemic, FAC's existing income streams have been under significant threat, both from increasing competition for people's leisure time, which is partly associated with new behaviours developed by people during the pandemic, and from discontinuation by government.

Local press publications, and on occasions national media outlets, have always been interested in FAC's activities, and it has historically benefitted from extensive and usually favourable reviews of its theatrical productions from these sources and on social media, which in turn often drove further ticket sales. However, in recent years there has been more criticism from the press and public that the Main Stage has become increasingly commercial, with a 'dumbed down' programme featuring a lot of tribute acts, has-been comedians, and reality television stars rather than plays and productions considered to have cultural merit. This kind of programming has been largely due to FAC's resources being stretched, and the necessity to regularly accept bookings from commercial touring productions, which typically pay higher fees to FAC and often attract bigger audiences.

The Roundhouse has to some extent maintained FAC's reputation by staging a greater proportion of classic plays, new plays and innovative productions, but financially it was struggling even pre-pandemic. Local theatre groups often cannot afford FAC's hire charges unless it sets them so low that FAC cannot make a profit. Similarly, if FAC stages its own productions in the space it has to keep costs very low (e.g., by having small casts and

limited theatrical effects) or set ticket prices prohibitively high to generate a surplus. As a result, there are proposals instigated by the Board to cease operation of The Roundhouse as a theatrical venue, and to re-purpose the space for something else that might be more profitable, such as a children's play centre or a restaurant. Local theatre groups are likely to react badly to this, and there has already been some negative press about the proposal. FAC's buildings are heritage assets, and any building or renovation work is therefore likely to be complicated and expensive.

Prior to the 2019/20 financial year, FAC broke even as a minimum every year, but in 2019/20, it made a loss of £20 128. The Artistic Director blamed this on people beginning to avoid public spaces like theatres from February 2020 onwards once the news of COVID-19 broke, but the Board has made it clear that significant steps still need to be taken to ensure that the complex can at least begin to break even once the effects of the pandemic have finally worked their way through its operations.

The COVID-19 pandemic has had a major impact on FAC's finances, with its income sources badly hit by the restrictions. During the pandemic, FAC streamed a few performances on the internet which were well-received. FAC also staged some performances in the neighbouring park with FCC approval, but investment in an outdoor staging area and weather-proof theatrical equipment such as lighting meant there was a large initial outlay for a relatively modest income stream. It also hired out its main auditorium to the health service as a COVID-19 testing centre for a year, though this necessitated ongoing Facilities staff and cleaning costs so did not provide much net income. In addition, from July 2021 to February 2022, social distancing measures meant that audience numbers were much smaller than pre-pandemic, which had a huge impact on the profitability of theatrical productions. During the pandemic, FAC received some insurance monies to cover costs already incurred on productions which could not then go ahead, but continued to incur staff costs as government grants only partially funded salary costs of staff that were unable to work due to the pandemic restrictions. There were some quarterly COVID-19 financial relief grants awarded to FAC over the past two years, but these started to taper off during the latter part of 2021/22 and will reduce to zero by the end of the current financial year.

Due to the impact of the pandemic, FCC removed the requirement for FAC to break even for financial years 2020/21 and 2021/22, but it has stated to FAC's Board that it expects FAC to at least break even from financial year 2022/23 onwards, to rebuild its reserves to the £4 000 000 target over the next two years, and that its surplus over the reserves target should then increase year on year so that it is making an annual contribution to Council finances of £100 000 by 2029/30.

FAC's annual financial performance from 2019/20 to 2021/22 is summarised in Appendix 2.

Ticket pricing and hire charges

For in-house productions staged by FAC itself, ticket prices are set by the Artistic Director in consultation with Finance, and reflect the cost of staging the show and the likely demand for tickets (e.g., if famous actors are cast, the ticket prices may be set higher). There are discounts available for children, pensioners and students, and sometimes there are last minute discounts if a large proportion of the available tickets remain unsold.

For productions by an external hirer, there are standard contracts for hiring either auditorium. These state that the hirer can set their own prices and that FAC will take a set percentage of the ticket sales and an extra booking fee per ticket. There is a minimum amount that the hirer must pay over to FAC based on the number of days hired and regardless of ticket sales, which is designed to ensure that FAC breaks even as a minimum

if ticket sales are poor. The rates and minimum amounts are standardised for each FAC auditorium, regardless of the hirer. These are also standardised across the year with no element of seasonal pricing. Historically, tickets have sold best in the Dionasian summer months of June to August, and in December due to seasonal holidays.

For external productions, on top of a percentage of ticket sales income, FAC charges for use of its technical staff. FAC requires hirers to use certain members of its back stage technical staff and its front of house manager in order to safeguard safety aspects backstage and FAC's reputation front of house. FAC levies additional charges if the hirer wishes their production to be featured in FAC's marketing materials, but this is optional so hirers can choose not to pay it and not to be featured in the marketing material.

Candidate's role

The candidate is Ali Masterson, Finance Manager in the Finance and Resources department. Ali reports directly to the Head of Finance and Resources, Miranda Parks.

31 October 2022: Interim Report on staff-based issues at FAC

Due to a higher than normal turnover of staff in the first half of 2022, particularly from the Finance and Resources, Facilities and Fundraising departments, the Board requested a report into possible causes. The Head of Finance and Resources and an independent HR consultant interviewed existing staff members, and former employees who have resigned in the last year. This interim report outlines the key findings to date.

Inter-departmental working

A general theme from most of the interviews was a lack of trust and effective working together across departments. The Production and Technical departments, including both those who contribute to staging in-house productions, and those who or work with touring productions and local theatre groups, hold the opinion that Finance staff are too rigid in their dealings with the rest of the organisation. For example, a junior production assistant was told when he joined that the Head of Production has her email set up to send all emails from the Finance team to her junk folder, and that when the Finance staff are then forced to pick up the phone or come to see her, she will be deliberately obstructive as she finds it amusing. He was also told by the Head of Production "Just ignore the budget they give you for productions and spend what needs to be spent for that show – they have no idea about theatre and no one else cares if you overspend anyway."

There also appears to be a general lack of engagement with monthly budget monitoring processes operated by Finance. The Production and Technical departments rarely complete their monthly budget returns (variance explanations) on time, and any explanations given are usually vague.

Reporting lines

Many individuals interviewed in the administrative departments (Finance and Resources, Fundraising and Facilities) highlighted an issue around reporting lines. Per their contracts, individuals in these teams report upwards to their managers and through to the department heads; for example, the Finance Assistant reports to the Finance Manager, who reports to the Head of Finance and Resources, who reports to the Artistic Director. The issue arises when a departmental head and the Artistic Director disagree on something (which appears to be a frequent occurrence). At this point, the Artistic Director and, for example, the Head of Finance and Resources might ask the same member of staff to do two different things or to approach a task in incompatible ways, and the member of staff will have difficulty knowing which instructions should take priority.

One leaver noted that a particular example of this kind of conflict had resulted in them being disciplined by their head of department for having done something that the Artistic Director had asked for, and that this was "the last straw" for him and forced him to leave the organisation.

Appendix 2

Fabula Arts Complex – financial performance 2019/20 to 2021/22

	2021/22	2020/21	2019/20
	£	£	£
Turnover	2 218 764	52 743	3 768 268
Cost of sales	-2 563 775	-1 852 698	-3 693 217
Gross profit/loss	-345 011	-1 799 955	75 051
Management and administration costs	-263 278	-241 889	-234 659
Operating profit/loss	-608 289	-2 041 844	-159 608
Donations income	82 930	67 332	93 784
Grant income	926 783	1 266 403	40 472
Other income (including community outreach)	6 278	3 216	8 384
Other costs (including community outreach)	-2 675	-1 711	-3 160
Net profit /loss	405 027	-706 604	-20 128
Reserves b/f	3 273 268	3 979 872	4 000 000
Reserves c/f	3 678 295	3 273 268	3 979 872