

ITEM 2. GRANT TO SUPPORT A DIGITAL THEATRE PASSPORT SCHEME**FILE NO: S122766****SUMMARY**

On 25 August 2014, Council endorsed the Creative City Cultural Policy and Action Plan 2014-2024 (the Policy and Action Plan). A culmination of nearly three years of work with the community and creative sector, the development of the City's first Cultural Policy and Action Plan aligns with Sustainable Sydney 2030's direction seven, *A Cultural and Creative City*.

The Policy sets out the vision and foundation principles for supporting Sydney's cultural life and the Action Plan contains six strategic priorities accompanied by relevant actions through which the Policy is to be delivered. The actions include new initiatives (augmented by previously announced commitments) to create a comprehensive picture of the City's cultural priorities over the next 10 years.

Strategic initiative 4.2 of the Policy and Action Plan outlines the City's interest in piloting a 'Theatre Passport Scheme' (the Scheme) that makes affordable tickets available to high school students by using the unsold ticket stock in Sydney's cultural venues. Based on a similar scheme that operated in Adelaide between the 1970s and 1990s and supported by the South Australian Government, the Scheme would leverage unused, unsold seats in cultural venues across Sydney so as to nurture audience development of young people.

City staff conducted sector stakeholder discussions with 16 small, medium and large performing arts organisations and cultural venues in the City of Sydney Local Government Area (LGA) to talk about piloting a contemporary version of the Scheme for Sydney. These organisations were supportive of the Scheme, and enthusiastic about the City's commitment to the sector by trialling new ways to activate unused assets (empty seats) and support youth audiences to access performances across the LGA.

City staff also commissioned research into the potential market demand and size of the high school market within the Sydney metro region. This research confirmed strong support with positive responses from high school students and teachers.

In May 2016, a two-stage Expression of Interest was conducted to find a suitable organisation who could consult with the performing arts sector, engage with a youth market and develop a business model and technology platform to operate the Scheme.

Stage one called for innovative concepts to deliver the Scheme and 18 submissions were received. Stage two shortlisted two applicants that were provided \$20,000 (excluding GST) each to develop their concept into a business plan.

The two shortlisted applicants presented their business plans to an assessment panel of City staff and an external specialist assessor. The panel recommended providing one applicant, Shopfront Arts Co-Op Ltd (Shopfront), \$75,000 (excluding GST) as one-off seed-funding to support the establishment of the Scheme.

Shopfront is a respected not-for-profit arts organisation with a 40 year history as a key organisation within the youth arts sector. Located in South-West Sydney, Shopfront is supported by state, federal and philanthropic funding, recently receiving \$1M operational funding over four years from the Australia Council for the Arts (2017-2020).

Shopfront's model demonstrates a carefully considered approach to the implementation of an online ticketing platform, the youth market and their engagement needs, and the requirements of the sector to participate in the Scheme. Importantly, their model shows a commitment to people-centred digital service delivery and financial sustainability and is supported by the sector, with cultural venues guaranteeing a collective 12,500 tickets to the Scheme in year one.

City staff have identified a grant agreement as the most appropriate method of providing the seed funding to Shopfront to administer the Scheme. This seed funding would support year one of the Scheme, after which the Scheme will be managed and supported by Shopfront.

As this would be a new online digital business model for the organisation involving young people, City staff recommend that Shopfront have the child safety and working with children plans and procedures for the Scheme independently assessed and evaluated by a third party accreditation authority. This independent assessment and certification was outside the scope of the initial project budget.

It is therefore recommended that the City provide up to \$85,000 (excluding GST) as a one-off seed funding grant to Shopfront to support the establishment of the Scheme, which includes a provision of up to a maximum of \$10,000 (excluding GST) for an independent operator to conduct a "child safeguard" certification.

RECOMMENDATION

It is resolved that:

- (A) Council approve \$75,000 (excluding GST) as a one-off cash grant to Shopfront Arts Co-Op Ltd to support the establishment of a Theatre Passport Scheme;
- (B) Council approve an additional provision of up to a maximum of \$10,000 (excluding GST) to Shopfront Arts Co-Op Ltd in the form of a grant to have a "child safeguard" certification for their Theatre Passport Scheme conducted by an independent operator; and
- (C) authority be delegated to the Chief Executive Officer to negotiate, execute and administer a funding agreement with Shopfront Arts Co-Op Ltd for the establishment of their Theatre Passport Scheme and to conduct a "child safeguard" certification.

ATTACHMENTS

Attachment A: Shopfront Expression of Interest Business Plan (Confidential)

(As Attachment A is confidential, it will be circulated separately from the Agenda Paper and to Councillors and relevant senior staff only).

BACKGROUND

1. The City's Creative City Cultural Policy and Action Plan 2014-2024 (Policy and Action Plan) identifies a need to address higher levels of participation and engagement in Sydney's cultural life across a diverse range of community members. This includes nurturing the cultural habits of young people and supporting their access to live performance.
2. To achieve greater levels of participation of young people in Sydney's cultural life, the idea of a 'Theatre Passport Scheme' was raised in the City's Cultural Policy Discussion Paper, and subsequently during the community and sector consultation. Based on a similar scheme that operated in Adelaide between the 1970s and 1990s, the Scheme would leverage unused, unsold seats in cultural venues across Sydney so as to nurture audience development of young people.
3. The South Australian scheme was administered centrally through the Adelaide Festival Centre, the state's largest cultural performance venue. Both in-house and independently produced productions at the Adelaide Festival Centre would estimate and allocate a percentage of unused seat stock to the scheme. High school students received a hardcopy passport (distributed by the state's Department of Education to every school) advertising upcoming performances. Students took their passport to the then largest ticketing agency in Adelaide to purchase a ticket.
4. The South Australian scheme ran successfully, however was not formally evaluated. The program ceased operation in the early 1990s due to a redirection of state government funding, the loss of private sponsorship and the sector shifting its focus to educational programming.
5. In the Policy and Action Plan, the City committed to investigating the viability of a contemporary version of a 'Theatre Passport Scheme' (the Scheme) for Sydney. It was anticipated that a contemporary model would make use of new technologies and wireless connectivity to integrate across a number of cultural organisations and ticketing providers.
6. The City discussed the concept for the Scheme with 16 cultural venue and performing arts organisations within the City LGA. These organisations were of different scale across theatre, music, dance and opera. Discussions confirmed strong sector support for a program that would nurture audience development by encouraging young people to attend live performance.
7. In addition to sector research, City staff commissioned an environmental and market analysis of the Sydney metropolitan high school market for the Scheme. This research included information on drivers, barriers, price sensitivities, and engagement projections into the high school market exploring the potential market size for such a Scheme.
8. Eight focus groups were conducted amongst students and their teachers from a range of schools within the Sydney metropolitan area. Selected schools had good public transport access to the CBD and included private schools, independent schools, public schools and a performing arts school from the inner, middle and outer reaches of Sydney.

9. This research concluded that the concept for the Scheme was well received by its target market and, if optimally designed for a youth market, would likely play a significant role in engaging young people in live performance.
10. City staff concluded that while the City is not best-placed to administer a technology start-up ticketing scheme aimed to engage young people in cultural activity, we are in a position to support a third-party operator through one-off seed funding to develop and administer the Scheme.
11. This solution was supported by research into delivery methods and the extensive discussions with cultural sector stakeholders. The research indicated seed funding would be necessary to attract a reputable third-party operator with the necessary experience to develop and support the required technology for the Scheme, manage relationships in the cultural sector and deliver appropriate marketing campaigns for a youth market.
12. The one-off seed funding would be dedicated to supporting the Scheme in its first year of operation and allow an organisation to leverage the City's networks and reach to support the launch of the program in market.
13. In May 2016, the City called for Expressions of Interest (EOI) from suitably qualified organisations to submit innovative concepts to deliver the Scheme. The EOI was conducted following standard procurement procedure and managed by the City's Procurement Unit. The assessment panel consisted of City staff and an external specialist assessor.
14. The EOI received 18 submissions from a variety of individuals, organisations and consortiums. Five organisations were asked for additional information and two applicants were shortlisted for stage two of the EOI process.
15. The two shortlisted applicants were each provided \$20,000 (excluding GST) to develop their concept into a business plan outlining how they would consult with the sector, engage young people, market the program and deliver the Scheme.
16. In August 2016, the two shortlisted applicants presented their business plans to the assessment panel. The panel recommended providing one applicant, Shopfront Arts Co-Op Ltd (Shopfront), \$75,000 (excluding GST) as a one-off seed funding grant to support the establishment of the Scheme.
17. Shopfront Arts Co-Op Ltd is a respected not-for-profit arts organisation with a 40 year history as a key organisation within the youth arts sector. They are supported by state, federal and philanthropic funding, recently receiving \$1M operational funding over four years from the Australia Council for the Arts (2017-2020).

SHOPFRONT MODEL

18. Shopfront's model is underpinned by their rich organisational knowledge of the cultural sector, history working with young people and first-hand understanding of intersecting culture with technology to engage audiences.

19. Shopfront will use online and mobile technology to connect high school students to the arts, creating a platform whereby young people feel connected and enticed by live performance offered by Sydney's cultural organisations. Shopfront will attract users through the use of relevant and engaging content and create new opportunities to connect with productions, artists and venues across theatre, music, opera and cultural festivals.
20. Users will require a Department of Education student email address for authentication, and the Scheme will have two options to purchase tickets. Students will be able to purchase one-off tickets or subscribe to an exclusive membership club with additional benefits.
21. City staff recommended that Shopfront have the child safety and working with children plans and procedures for the Scheme independently assessed and evaluated by a third party accreditation authority. The independent assessment and certification was outside the initial project budget. City staff recommend providing up to a maximum of \$10,000 for an independent operator to conduct the relevant certification of the Scheme.
22. Shopfront's model is not-for-profit. They will take a percentage of the ticket sale price and reinvest it into the operation of the program, with the remaining revenue being returned to the presenting cultural organisations. Shopfront has garnered wide support for their model from the industry, with a number of cultural organisations in the City LGA providing an in-principle commitment.
23. Shopfront has indicated they will make a small calculated loss in year one and make a modest return in year two. Shopfront has guaranteed they will cover the loss in year one, and any subsequent losses made by the Scheme.
24. Shopfront has signalled additional avenues for funding of the Scheme will be pursued including philanthropic funding, commercial sponsorship opportunities, and investigation of the strong synergies with state and federal government funding priorities.
25. The City's support for Shopfront's concept demonstrates how it supports innovation in business and the ongoing development of entrepreneurialism in the creative sector. As a result of this Scheme, the City would be indirectly supporting cultural institutions and creative producers to nurture new audiences and become more sustainable long-term.
26. This method of supporting cultural entrepreneurialism through a one-off seed funding grant has been tested on previous Policy and Action Plan projects. On 3 November 2014, Council endorsed one-off seed funding support to 10 Group to deliver Art Money, which offers interest-free loans for artwork purchases. This successful program supports artists, commercial galleries and artists run initiatives, generates new customer markets, and is now offered in over 140 galleries and art fairs across Australia, New Zealand and the USA.
27. Through the provision of this one-off seed funding, the City is supporting innovative projects that plan for long-term fiscal sustainability (rather than relying on ongoing City or government support), demonstrating leadership in the sector and best practice funding models.

KEY IMPLICATIONS

Strategic Alignment - Sustainable Sydney 2030

28. *Sustainable Sydney 2030* is a vision for the sustainable development of the city to 2030 and beyond. It includes 10 strategic directions to guide the future of the city, as well as 10 targets against which to measure progress. This grant is aligned with the following strategic directions and objectives:
- (a) Direction 1 - A Globally Competitive and Innovative City – supporting entrepreneurs to start and to grow innovative businesses will potentially create more employment, boost Sydney's economy, strengthen global connections and make the city a more desirable place to live, work and visit.
 - (b) Direction 6 - Vibrant Local Communities and Economies – innovative businesses can grow into global businesses, resulting in swift economic and employment benefits locally. The City LGA is home to many performance organisations and cultural venues that will benefit from increased patronage from young audiences.
 - (c) Direction 7 - A Cultural and Creative City – supporting creative entrepreneurs and small creative enterprise is supporting the expression of innovation and creativity which, in turn, contribute to a cosmopolitan, vibrant and active city.

Organisational Impact

29. The Creative City Unit will manage the funding agreement with Shopfront, and work with the City's Research, Strategy and Corporate Planning Unit to develop, undertake and review the evaluation component of the funding.

Risks

30. The City will provide one-off seed funding to an external third party organisation. There are no associated risks as the model does not require ongoing funding from the City.

Social / Cultural / Community

31. The Policy and Action Plan provides a framework by which the City can make decisions about its support for cultural and creative activity in our city. The actions contained within the Policy, including the Scheme outlined in this report, have been endorsed by the creative sector and the community, and are underpinned by sound research.
32. The City's support for providing seed funding to a small creative enterprise demonstrates our commitment to the effective delivery of the actions contained within the Policy and Action Plan. The establishment of a 'Theatre Passport Scheme' will support the sector through nurturing audience development of young people and increasing their engagement with live performance.

Economic

33. In December 2013, Council adopted the Economic Development Strategy – a 10 year strategy which aims to strengthen the city economy and support business. It centres on further improving the solid foundations for success that exist within the city economy, as well as creating opportunities for individuals, businesses and the community.
34. The Policy and Action Plan contributes to the aims and objectives outlined in the Economic Development Strategy, and endeavours to increase participation of young people in Sydney's creative ecology.
35. As well as supporting young people, this Scheme also supports cultural organisations and creative producers to develop their audience engagement strategies to foster lifelong patronage.

BUDGET IMPLICATIONS

36. The 2016/17 City Life budget includes \$85,000 (excluding GST) for the purpose of seed funding a Theatre Passport Scheme.

RELEVANT LEGISLATION

37. The EOI was conducted in accordance with the Local Government Act 1993, the Local Government (General) Regulation 2005 and the City's Contracts Policy.
38. Attachment A is confidential as it contains commercial information of a confidential nature that would, if disclosed, prejudice the commercial position of the person who supplied it. Discussion of the contents of Attachment A in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

CRITICAL DATES / TIME FRAMES

39. Shopfront intends to launch their Theatre Passport Scheme concept in January 2017. To allow the maximum amount of time for Shopfront to plan for this launch and ensure the City's support can be appropriately acknowledged, it is important that a decision is made as soon as possible.

PUBLIC CONSULTATION

40. In May 2016, an Expression of Interest was placed in the market to find a suitable organisation to operate a Theatre Passport Scheme and 19 submissions of interest were received.

41. Consultation on the proposed development of a Theatre Passport style scheme to provide high school students with low cost access to unused ticket stock in Sydney's cultural venues was undertaken as part of the Creative City Cultural Policy Discussion Paper public exhibition and consultation held between March and May 2013.

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