ANALYSIS OF THEATRE IN ENGLAND: A STRATEGIC OVERVIEW

Introduction

Arts Council England's investment in theatre accounts for about 30 per cent of the National Portfolio spend, or around £300 million between 2015 and 2018. In addition to this core funding, theatre is also supported through Grants for the Arts, Strategic Funds or categorised under combined arts, which includes theatre produced at multi-disciplinary festivals or arts centres. It is also worth noting that, in addition, between 2012 and 2018 the Arts Council has committed £100 million in capital funding in theatre buildings, improving the infrastructure and their financial resilience.

In response to the range of funding challenges now faced by a number of theatres and theatre companies, the changing nature of the artform and increasing concern about career progression routes in the industry, the Arts Council commissioned an analysis of the current theatre landscape. This research was undertaken by Burns Owen Partnership (BOP) and Graham Devlin Associates between November 2015 and May 2016; the result is published here as ***Analysis of Theatre in England***.

The theatre industry in the UK is a combination of independent, commercial, publically-funded and not-for-profit organisations. It functions most effectively when there is a flow of people, talent, ideas and finance between these partners. This successful interplay ensures British theatre maintains its rich variety, is widely celebrated and makes an important contribution to the artistic and financial strength of our creative industries.

However, it is perhaps inevitable that elements of this structural fabric can come under stress in different ways at different times, potentially damaging the sector as a whole. The Arts Council is the national development agency for art and culture in England and so it is imperative that we understand the current strengths and weaknesses of the theatre industry in its entirety. BOP Consulting and Graham Devlin Associates were therefore tasked to look beyond those organisations in which the Arts Council currently invests to draw a picture of the industry as a whole – funded, non-funded, for profit and not for profit.[1]

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[1] Prevalent thinking used to dictate that profit and not for profit theatres were distinctly different but this is clearly not the case today. In his report, *The Interdependence of Public and Private Finance in British Theatre* (2015), Stephen Hetherington notes in his two central conclusions that "Any notion of there being a simply 'commercial' and 'subsidised' theatre is misleading" and that "… while direct subsidies make up the smaller portion of financial turnover [of the theatre industry], indirectly they support nearly every part of British theatre".

Alongside the analysis, we have recently published ***From Live-to-Digital: Understanding the Impact of Digital Developments in Theatre on Audiences, Production and Distribution***. This was commissioned jointly with the Society of London Theatre (SOLT) and UK Theatre to improve our understanding of how organisations that produce, present, exhibit and distribute theatre are being affected by the emergence of 'live-to-digital' work. It looks at audiences and explores how and why they are engaging with theatre in digital formats.[2]

In this overview we look to foreground areas we believe are of particular significance to the Arts Council and the organisations we fund. In shaping it we have drawn not only from the analysis but also on our wider understanding and experience of the theatre industry in England, accessing evidence not used by, or available to, the authors of the report. In particular, we looked in further detail at data from National Portfolio Organisation returns from 2010-15.

We also set out at the end of the paper five outline proposals designed to strengthen the theatre sector. Over the next 12 months we will further develop these proposals, consulting as appropriate, with a view to implementation during the 2018-22 investment period.

1. Audiences

It has not been straightforward to gather accurate and comprehensive audience numbers for the theatre sector *as a whole*. This makes it difficult to know the extent to which these audiences reflect the contemporary demographics of the country. The analysis sets out that overall audience demand for theatre has been increasing since 2010, but points out that the UK Theatre/SOLT database used indicates considerable regional variations with respect to changes in attendances.[3]

We have examined our own data to establish a more detailed picture about what has been happening to audiences for companies we have invested in regularly over the last five years. We looked at the 157 theatre National Portfolio Organisations that were consistently in the portfolio throughout 2010 and 2015. This cohort includes theatres (buildings), theatre companies and some festivals. Whilst this is a smaller sample than the UK Theatre/SOLT dataset used in the analysis (albeit with some crossover), it is consistent over a longer period of time, with more available detail.

[2] That report, and our response to it, can be found here

[3] The analysis section 3.3, page 29.

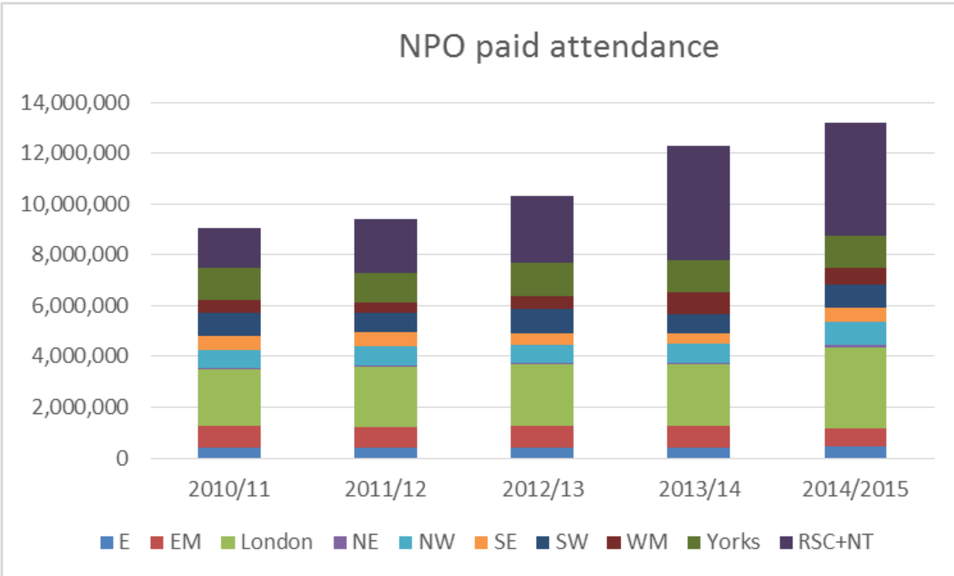
From analysing those figures, we can say the following about audiences for those National Portfolio Organisations:

- ticket sales have been rising steadily between 2010/11 and 2014/15 from 9.1 million to 13.2 million[4]

- the growth in paid attendance for National Portfolio Organisations over this period was significantly enhanced by the performance of the Royal Shakespeare Company (RSC), which reopened in 2012 having been partly closed during capital works, and the National Theatre (NT). By 2014/15 these two organisations had nearly tripled their audiences to a combined total of 4.5 million, or a third of the cohort total. However, even without these two organisations, the rest of the portfolio's attendance grew by a healthy 17 per cent

There are considerable regional variations for audiences in our data as there are in the data from UK Theatre/SOLT. National Portfolio Organisations in London, the North West, West Midlands and the North East showed very strong growth (although the latter is from just five National Portfolio Organisations) while the East Midlands, Yorkshire and South West showed declines or near stasis. These regional variations are somewhat different to those outlined in the analysis which found, for example, a big decline in the North West. Whereas, by contrast, our own analysis of the theatre National Portfolio Organisation data suggests there has been an increase in tickets sales in the North West.

[4]Of course theatre and theatres engage with people beyond ticket sales (workshops, free performances, etc) and while the numbers of these "extra" individuals are hard to estimate it is likely to be an additional extra 2 or 3 million beneficiaries per year.



Arts Council England theatre National Portfolio Organisation data 2010/11 to 2014/15

Looking at the National Portfolio Organisation data, it is worth noting that overall audience capacity figures (ie percentage of available tickets that were sold) during 2010/11 to 2014/15 have stayed largely the same. Higher footfall has been achieved through increasing the numbers of productions and performances.

The analysis notes that there are more than 400 buildings in England that could be classified as theatres. The Arts Council invests in only about 60 of these. However, as our investment in these buildings makes up just under 90 per cent of the total theatre National Portfolio Organisation budget, we have looked at them in more detail:

- of the total theatre National Portfolio Organisation audiences in 2014/15, about 88 per cent were generated by buildings including the RSC/NT
- excluding the RSC/NT, 55 per cent of all attendances were generated by the remaining National Portfolio Organisation buildings. Audiences at these have grown by an average of 14 per cent over the period[5]
- average capacity achieved for buildings (excluding the RSC and NT) has been consistent during this period and ranges from 70 per cent to 80 per cent[6]

[5] Disparities in the figures, either large increases or significant drops, can be attributed to capital works and auditoria being closed and/or re-opened.
[6] It is to be noted that these average attendance figures mask significant variations in attendance. Five theatres achieved less than 60 per cent capacity over this period and as a result some have been struggling financially.

The analysis suggests that the idea of a homogeneous “audience” for theatre in a place or for a particular organisation is largely meaningless. Many institutions are able to reach wholly different audiences through different programmes of work and activity. It is encouraging to note that the analysis indicates that there is strong and increasing demand from younger audiences, as well as a growing appetite for adventurous work.[7]

The analysis confirms the Arts Council’s own findings that the diversity of the audiences in terms of ethnicity, those with disabilities and those from different socio-economic backgrounds has not greatly increased,[8] although amongst National Portfolio Organisations it should be noted that there are a small, but growing, number of exceptions.

The analysis notes that “non-mainstream” theatre including site-specific and immersive theatre, circus arts, puppetry, visual and experimental, has increased in popularity, particularly amongst young audiences. Although the increase is noteworthy, these need to be seen within the context of overall audience numbers. The number of tickets bought for this kind of work still almost certainly represent less than 1 per cent of total theatre sales.[9]

2. Financial resilience

It is difficult to deduce with any certainty the overall financial health of the theatre sector. This is largely because it is hard to find figures that are representative of the industry *as a whole*.

However, we do have detail on what has been happening to our theatre National Portfolio Organisations. For the 157 theatre National Portfolio Organisations referenced above:

- total income grew from £343 million in 2010/11 to £446 million in 2014/15 – a 30 per cent rise or about 7 per cent per annum

[7] The analysis section 5.1.2, page 60 and appendix page 110.
[8] The analysis section 5.1, page 58.
[9] The analysis, page 85. It should be noted that as the bulk of the additional 30 million tickets not analysed by the Audience Agency were sold in large commercial theatres including the West End, the true figure may be significantly less than 1%.

- once we remove the NT and RSC from these calculations then total income for the remaining 155 National Portfolio Organisations grew by a more modest 12 per cent – equivalent to about 2.9 per cent per annum and therefore largely in pace with inflation over this period

At the same time there appears to have been a shift in the mix of income sources for National Portfolio Organisations. Income for National Portfolio Organisations is split between **Arts Council England funding**, other **public funding** (local authority and similar), **contributed income** (income from trusts and foundations, donations – also known as "philanthropic income", sponsorship and the like) and **earned income** (box office, fees, retail sales, etc).

In relation to **Arts Council England funding**, the follow changes have happened:

- a 4 per cent cash reduction from £105 million in 2010/11 (when there were 204 theatre National Portfolio Organisations) to £101 million in 2014/15 (when there were 180)
- most of this reduction was absorbed by the RSC and NT. Excluding these two organisations, the change was from £69 million to £68 million, a fall of circa 1.5 per cent
- for the 157 National Portfolio Organisations consistently in the portfolio between 2010/11 and 2014/15, Arts Council funding reduced from an average of 29 per cent of turnover in 2010/11 to 22 per cent in 2014/15

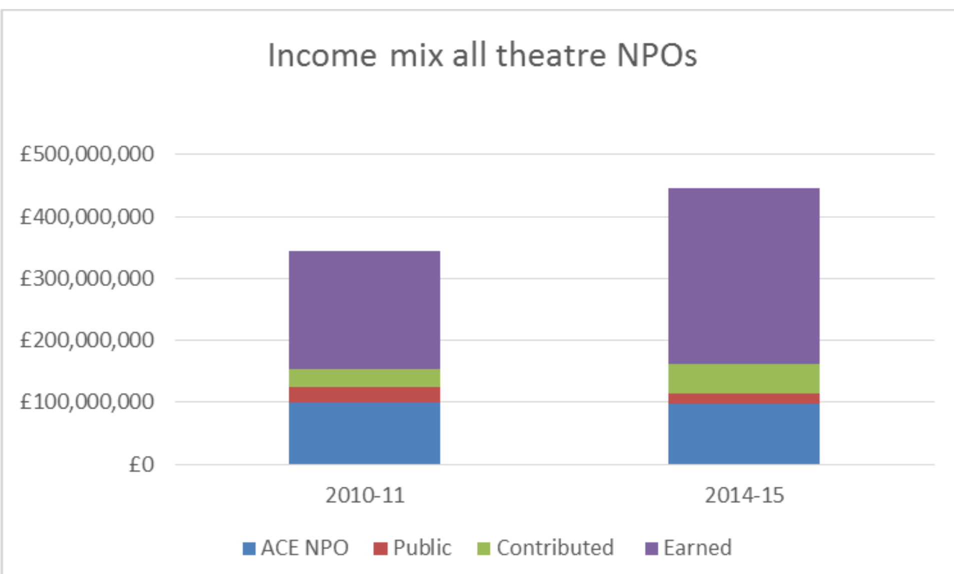
At the same time, there has also been a significant reduction in **local authority funding** of theatres (and the arts generally) of around 50 per cent over the period 2009/10 to 2014/15. This is likely to have been felt most seriously by non-National Portfolio Organisation local authority funded theatres. Within the National Portfolio Organisation theatre portfolio, the bulk of local authority funding went into buildings (but not the RSC or NT) and reduced from £22 million to £13 million – or from 11 per cent to 6 per cent of the turnover of these buildings.[10]

[10] These averages mask the fact that a number of National Portfolio Organisations have had to manage severe cuts to what had been significant grants from their local authorities and in some instances have had to seek additional investment from the Arts Council.

The 156 National Portfolio Organisations have responded to reductions in Arts Council and local authority funding by increasing other income. **Contributed income** increased from £30 million in 2010/11 to £48 million in 2014/15, or from 9 per cent to 11 per cent of turnover.[11]

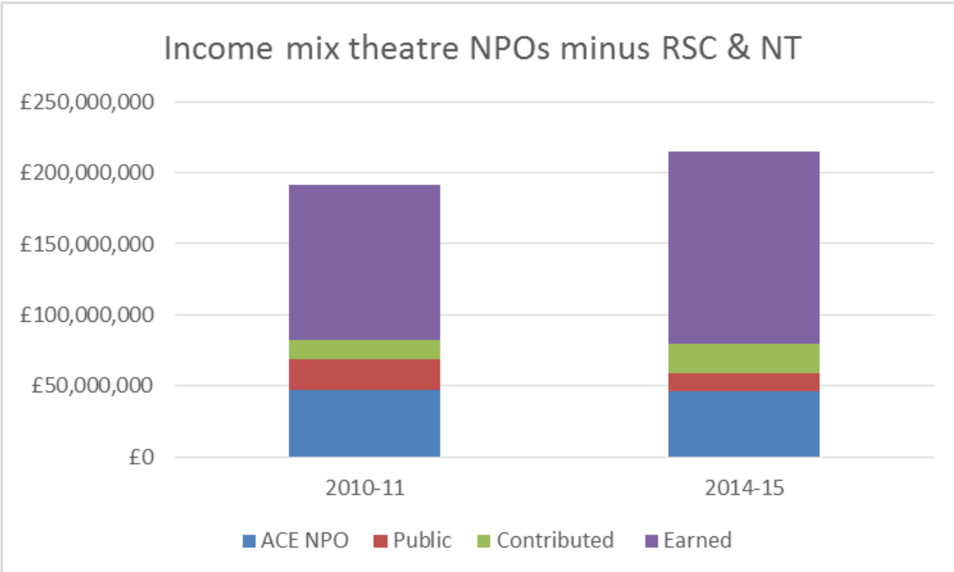
However, it has been the increase in **earned income** that has ensured that these 156 National Portfolio Organisations have, as a cohort, been able to replace cuts in public funding:

- earned income has grown from £189 million in 2010/11 to £284 million in 2014/5 – by 50 per cent or £95 million, equivalent to an 11 per cent growth per annum
- the NT and RSC accounted for about 30 per cent of all earned income in 2010/11 rising to about 40 per cent in 2014/15
- even with the NT and RSC removed, the earned income of the remaining 154 National Portfolio Organisations rose by 26 per cent over this period – that is, by about 6 per cent per annum
- the percentage of turnover coming from earned income rose, on average, from 55 per cent to 64 per cent (from 52 per cent to 58 per cent without the NT and RSC)



Arts Council England theatre National Portfolio Organisation data 2010/11 to 2014/15

[11] It should be noted that the costs associated with this fundraising need to be taken into account, meaning that the net increase is likely to be less than £18 million.



Arts Council England theatre National Portfolio Organisation data 2010/11 to 2014/15

In addition, there is growing evidence that the welcome introduction of the new **Theatre Tax Relief**[12] is beginning to have a significant impact on the financial health of both the commercial and subsidised theatre sectors. In the case of most theatre National Portfolio Organisations, we estimate it is likely to increase turnover by between 2 and 5 per cent. At the time of writing it is too soon to tell in detail what the longer term effect of this will be on future theatre productions and presentations. Because of current uncertainty over the amounts that can be claimed, the length of time for claims to be processed and the long-term political support for this initiative, most companies at this stage are treating this new income stream cautiously. However there is initial evidence that organisations are investing this money in improving the quality and quantity of productions and in talent development initiatives. As uncertainty recedes, we would expect such investment to strengthen.

[12] Theatre Tax Relief is a creative industry tax relief to encourage and support touring and non-touring theatrical productions in the UK. It operates by increasing the level of deductible expenditure available for corporation tax purposes. A proportion of these losses may then be surrendered for a payment by HMRC.

However, none of the above reflects potential changes to the cost side of the industry. Beyond general intelligence on interest rates, we do not have the data on whether costs in the theatre industry are rising faster than income and how organisations might be restructuring and re-prioritising their expenditure.

3. Artistic models and risk taking

The analysis suggests that one of the consequences of the shift in the business models of theatres towards a greater reliance on earned income (and box office income in particular) is that many theatres now have less scope for risk taking and are therefore becoming less artistically ambitious.[13] Artistic risk taking appears in some cases to have become constrained by the need to play to greater capacity and increase greater box office yield.[14] Such an approach presents a risk to the development of the artform and may, in the long term, raise questions about the value and purpose of public investment in theatre.

The analysis notes that theatre National Portfolio Organisations that do produce work are increasingly complementing their programmes with visiting or co-produced work to extend the breadth and variety of programmes as well as to spread costs and reduce financial risk. In this context the traditional term “a producing theatre” now covers such a wide range and scale of activity that it has all but lost meaning as a generic definition.

A theatre’s role within its community can now vary significantly and the traditional model of a singular artistic vision leading to selection of a largely homogenous programme of plays, is now neither relevant nor true for many theatres. Increasingly artistic directors play the role of curators, co-producing and commissioning work, with many intent on forging new types of relationships between their organisation and their communities, based on a broad sense of social and civic responsibility.[15] In this respect, many of our “producing theatres” share aspects of our most dynamic arts centres whilst art centres are taking more of an artistic lead in the work they present.

In addition, many of these building based theatres are taking on increasingly significant community roles and delivering these over and above the production and presentation of main stage theatre programmes. These community roles include:

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[13] The analysis section 4.3.1, page 45.

[14] While the ***British Theatre Repertoire*** reports of 2013 and 2014 found that new work in theatres has overtaken revivals and now accounts for about 60 per cent of performances and box office income, this was for shorter runs.

[15] This “civic” role of arts organisations is currently the subject of a Gulbenkian-funded report due for publication in 2017.

- active participation in policy and planning groups at a local and regional level
- working with strategic stakeholders such as local authorities and universities
- close involvement in apprenticeships and work creation schemes often linked to tertiary education and training
- taking on commissions to provide services that local authorities are outsourcing
- becoming training providers for a range of local businesses (housing associations for example)
- becoming hubs supporting emerging artists and companies at a local level and signposting them to funding and other development opportunities

The Arts Council welcomes these changes and will continue to encourage, where appropriate, building-based theatres to move from an artistic model focused on the traditional "in house" theatre producing model to one which is more collaborative and based on resource-sharing with an array of artists and companies from a range of artistic backgrounds. We want to see these theatres encouraging the development of the artform by taking an active and open role in supporting the broad theatre ecology and encouraging creativity within the communities they serve.

We believe that today's theatre ecology is likely to be better supported by a range of building-based theatres, playing a variety of roles. We will encourage our building-based theatres to consider how they might best serve their communities and the wider theatre ecology and support them to develop their producing role into one that has more of a focus on commissioning and talent development allied to a wider range of presented work.

Our National Portfolio Organisation guidance for the 2018/22 investment round will make it clear that we will expect all National Portfolio Organisations to demonstrate how they will contribute to the Creative Case for Diversity and ensure that their work is accessible and relevant to their local communities. We will also be clear that the limited number of uplifts we may offer to existing grants holders will be allied to wider Arts Council ambitions around innovation and diversification.

The Arts Council will continue to use Grants for the Arts and its strategic funds to support risk, to encourage more adventurous theatre making, to strengthen and diversify talent pathways and to encourage organisations to share resources (including knowledge and expertise) so that they are able to work more collaboratively.

4. Leadership and governance

The analysis makes clear what has been previously documented and acknowledged – in theatre, as with the arts and cultural sector generally, the National Portfolio Organisation leadership and workforce remain unrepresentative of contemporary England. This is particularly concerning given the concentration of most of our theatre National Portfolio Organisations in ethnically diverse metropolitan centres. This unrepresentative leadership is likely to be influencing the make-up of the workforce, the range of work on offer, talent development initiatives and the diversity of audiences.

With respect to developing existing and future leadership there are a number of challenges, including:

- at the lower and mid-levels (among those who would be expected to develop into the leaders of the future) there is a lack of opportunities to develop leadership skills, especially those that are appropriate to stewarding organisations that serve diverse communities and operate in an increasingly complex investment landscape
- a lack of movement at executive level in many of our National Portfolio Organisations, limiting the opportunities for a new leadership to emerge
- a lack of diversity at board level, which may in turn influence the choice of senior executives

The need for accessible, inclusive career pathways, up to and including the most senior leadership, is an issue affecting the whole of the arts and culture sector, and will be a priority for the Arts Council during the 2018/22 investment round. To that end, we will increase our investment in our Goal 4 strategic funds and take a more active role in supporting the organisations we invest in to strengthen and diversify their leadership. This will be in addition to the funding through the **Elevate**, **Sustained Theatre** and **Change Maker** programmes which have been recently announced and which are designed to diversify the organisations we support and develop a new, more diverse cohort of future leaders.

5. Touring

The analysis makes clear that the touring theatre sector, both “not for profit” and commercial, faces considerable challenges.[16] Whilst large scale touring is relatively healthy, buoyed by strong sales from musicals, the mid-scale circuit for theatre seems to be experiencing a mismatch between supply and demand, with a perception of a lack of high quality, affordable work that is attractive to audiences. Relationships between venues and touring companies, as well as with individual artists, are becoming fractured in terms of financial risk and reward. There are fewer incentives to tour and the situation has been compounded by various challenges identified in the analysis:

- increasing pressure on already tight margins, constrained resources, high and rising fixed-costs, particularly for buildings
- a perceived “squeeze” on audiences from large-scale musicals
- audience volatility, making it hard to predict demand
- a transfer of risk from larger to smaller organisations

In addition, changes to the Arts Council’s Grants for the Arts programme in 2012 to restrict access for National Portfolio Organisations appears to have had the effect of limiting the supply of touring work from many National Portfolio Organisations, particularly the producing theatres. While the introduction of the Strategic Touring Programme has supported many theatre National Portfolio Organisations to tour and to increase attendance in places of limited cultural provision, there remains a particular challenge around mid-scale touring.

6. Live-to-digital

Arguably the most recent “disruptive innovation” for the artform has been the advent of the live broadcast of theatre to cinemas and other theatres and arts centres, and still causes much debate within the industry – particularly, but not restricted to, its impact on audiences for live theatre and promoter demand for touring work.

[16] The analysis section 4, page 37.

Theatre organisations consulted in the **live-to-digital** report have not reported a decline in the touring market over the past two years; most reported no change, while 38 per cent reported an increase in touring activity. The exhibitors surveyed said they were keen to continue to present both live-to-digital and live performances. In addition, one of the main questions explored was the extent to which theatres in England are losing audiences to live-to-digital productions. The research reveals that for the majority of the theatres sampled, live broadcast is not displacing attendance. The report notes that:

- theatregoers are neither more nor less likely to attend live theatre if they experience it digitally
- those who stream live-to-digital work are slightly more likely to attend live cultural performances more frequently than the average theatregoer and are younger and more diverse
- many theatres say that they experienced a wide range of positive effects from live-to-digital work, including an increased interest in their live repertoire[17]

We believe that there is now sufficient evidence that distribution of "captured content" can extend the impact and reach of our original investment in the live event. We will therefore continue to encourage theatre National Portfolio Organisations to include capture in their future business plans and support them to develop the skills and resources to extend their work in this area. We will also continue to work with our media partners, especially the BBC, to encourage them to take an active role in providing resources, support and platforms for this captured content.

7. Proposals

Given the evidence in the theatre analysis, the live-to-digital report, our own soundings, and data and analysis, the Arts Council will test and develop the following proposals with a view to strengthening the theatre sector in England during the next investment period, 2018-22.

Proposal 1: new "producing hubs"

We will look to invest in up to three new "producing hubs" outside London. These hubs will test a place-based approach to supporting artistic risk-taking and developing and strengthening talent and audiences as the basis of building vibrant local theatre ecologies. We would seek out genuinely collaborative bids (involving a range of theatres, theatre companies, festivals and arts centres of different types and scales) across a defined geographical area. Successful applications would demonstrate:

- a clear sense of the intended outcomes from the new producing hub
- a genuine commitment to resource sharing – in all its forms
- strong delivery of the Creative Case for Diversity
- distribution of work within and beyond Arts Council defined areas (ie both touring and digital distribution)
- plans to develop adventurous new work for new and existing audiences tied to a credible programme of artist development that draws on best practice – locally, nationally and internationally

Proposal 2: new leadership programmes

We will explore how we can help the theatre industry – alongside other areas of the arts and cultural sector – increase its range of leadership and workforce development programmes. We will review a range of programmes both inside and outside the arts sector to see which is applicable or relevant. Any initiatives we undertake will complement others in the industry including the Arts Council's strategic funding programmes such as Sustained Theatre and Elevate. This work will be informed by the workforce strategy for the theatre and performing arts sector currently being developed by SOLT and UK Theatre in theatre management and technical skills, due in December 2016.

Proposal 3: support for a wider range of leadership appointments

We will explore ways that we can support the boards of key strategic organisations to improve the diversity of senior executive appointments by, for example, ensuring that additional support and time-limited resources are available to help new executives to "bed in".

Proposal 4: strengthening touring and supporting risk

- We will explore the development of a "guarantee against loss" scheme, which has been requested frequently in our discussions with both the commercial and not for profit theatre sectors.

- We will explore the possibility of using Grant-in-Aid funds to respond quickly to successful shows produced by National Portfolio Organisations and enable them to be remounted, extended or toured on, with a view to addressing the gap of quality drama on the middle-scale.
- We will explore providing additional funds so tours supported by Grants for the Arts could respond to the demand for additional performances/dates. This would benefit primarily small-scale touring and would provide an improved distribution of productions through longer tours and would increase value for money.
- We will explore how we can use the Strategic Touring Programme to provide a small number of “touring contracts” to enable annual tours from building based or touring organisations. The funds would be subject to confirmation of a strong tour schedule, including audience projections, a viable budget and showing that the reach of and demand for the project represents good value for money.

Proposal 5: live-to-digital

We will work with a range of interested partners on further action research projects to explore new collaborative approaches to building cross over audiences for both live and live-to-digital theatre activity.[18]

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[18] This would sit alongside other action research projects that explore the way that digital media can improve distribution and reach new audiences. These include The Space, Canvas and Performance Live. In addition, Cinegi Media have recently been supported by Arts Council England to test how a digital distribution service might bring arts and cultural content to audiences in non-traditional venues and rural touring circuits.