

# Arts Council England's analysis of its investment in large-scale opera and ballet

## Briefing and Outline

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### Background

After the last investment round in 2012, the Arts Council identified the need for an analysis of its funding for large-scale opera and ballet companies. We knew the companies had been under considerable financial stress in recent years, partly because of ever-increasing pressures on public funding and also as a result of their fixed business models.

All together, these seven opera and ballet companies currently receive 22% of National Portfolio funding. We wanted to understand how these organisations could best be served by likely future levels of investment. We wanted to be sure that investment decisions would represent best value for public funds, in order to address the needs of the companies and to meet the expectations of audiences.

This analysis involved the seven large-scale lyric companies (the Royal Opera House (ROH), English National Opera (ENO), Welsh National Opera (WNO), Opera North (ON), English National Ballet (ENB), Birmingham Royal Ballet (BRB) and Northern Ballet (NB)).

*National Council agreed all of the recommendations of the analysis in September 2013.*

### Introduction

Opera and ballet are important and popular artforms in England. They are rooted in our shared European cultural history and make a unique contribution to contemporary culture.

Opera and ballet bring together large numbers of skilled artists, technicians and craftspeople and the seven companies listed above play a significant role in England's arts economy. They employ more than 2,000 people full-time, around 40% of whom are musicians, singers or dancers. Every year they engage more than 2,500 artists on a freelance basis, including leading international soloists. They develop local talent

and their programmes reach a wide range of audiences and communities, from large-scale performances in major venues to small arts and health projects.

These major companies have an important role in championing England's artistic reputation and in attracting international visitors. They are generally less reliant on public funding as a proportion of turnover than their European counterparts.

These are important achievements and we are conscious of the precious resource that these companies represent. We started this work in order to make the most of the benefits that come from our investment.

It was intended that the outcome of the analysis would inform the applications these organisations would make for National portfolio organisation (NPO) funding from 2015-2018, and ensure that the public would get best value for that investment.

The analysis aimed to:

- explore the value created by our investment in these organisations
- develop, with the companies, a better understanding of the stresses and weaknesses in their business models and how we can achieve the best public value from our investment
- discuss the companies' artistic output, reach and engagement, in order to achieve the most cost-effective national provision
- understand how any future changes to investment would impact on achieving the goals set out in our strategy, *Great art and culture for everyone*

The analysis ended with the Arts Council making suggestions to each company that will result in some cases in substantial changes to business models and to the level of our investment.

We would like to thank all seven companies for the full part they played in the analysis. All provided extensive data and other information and attended group and individual meetings.

Conversations were also held with Ambassador's Theatre Group and some of the independent venues that regularly present performances by the companies.

## **The analysis**

The opera and ballet analysis was led by the Arts Council's Executive Board, which reported regularly to National Council on the progress of the work from June 2012 to May 2014.

In arriving at our suggestions we looked at; the artistic quality and repertoire of each company, its contribution to the artform and talent development; its geographical spread; its audiences; its financial resilience and its operational efficiency. We believe that it is particularly important to ensure that each company has a robust, resilient business model that is able to operate sustainably within the parameters of current and future limits of public funding.

Working with specialist external consultants, the Arts Council undertook both qualitative and quantitative analysis, and examined existing business models. These consultants included:

- Anthony Blackstock
- The Audience Agency
- Prue Skene
- Thoughtsmith

While the consultants were commissioned to offer analysis and advice, all conclusions and recommendations are the responsibility of the Arts Council's Executive Board and National Council.

The analysis included a review of audience trends, carried out with a combination of box office analysis and research with the companies and venues. It also included detailed financial information that was both supplied to us by the seven companies and taken from their Annual Reports (made available to the Arts Council each year by all funded organisations).

Information and data from venues and other companies in the opera and ballet sector were used to help us analyse and compare business models. We looked at: earned income and contributed income as a proportion of the companies' total income; the number of seats sold compared with the capacity of each venue; total ticket income as a proportion of the capacity of each venue; pricing policy; average ticket yield; artistic production and running costs; administration and overhead costs.

As much of the financial data we analysed is commercially sensitive (including details of artist fees) it is not possible for us to publish it. Also, as the Arts Council is not the only funder of these organisations, to release it could potentially undermine the confidence of other investors.

We also undertook an equality impact analysis because the Arts Council must ensure that the work of our funded companies is inclusive of and accessible to all. The equality impact analysis looked at evidence that would help us to address and eliminate discrimination, and promote equality of opportunity in relation to gender, race, disability and sexual orientation.

## Audiences

Our research told us that, in general, while the audience numbers for large and mid-scale live performances of the ballet companies involved in this analysis are rising, those for large and mid-scale live performances by the opera companies have not increased during the last few years.

Between 2008/9 and 2011/12, audiences for large and mid-scale performances of ballet by the three companies involved in this analysis grew from c.700,000 to c.850,000 per annum and was accompanied by an increase in performances from 515 to 536 per annum.

For the four opera companies, audiences declined for large-scale and mid-scale performances over the same period, from c.700,000 to c.650,000 per annum. This was accompanied by a decrease in performances from 448 to 415.

It should be noted that all seven companies deliver work, including concerts, small-scale performances and education programmes which are in addition to the performances outlined above.

Ballet companies have regularly been able to attract new audiences for well-known works, and have further developed by adjusting their repertoire and introducing work for children (for instance ENB's *Angelina Ballerina*). They have continued to attract new attenders to well-known works but can struggle to get bookings for less well-known repertoire.

Opera companies have tended to focus on presenting a broad repertoire and, in some cases, commissioning new work.

Cinema screenings, both of live and recorded performances of opera and ballet, are demonstrating considerable potential for garnering new audiences. These screenings are increasing in number and popularity.

We recognise that audiences for opera and ballet in this country are not limited to the seven companies at the centre of this analysis. In particular, English Touring Opera, Glyndebourne Touring Opera and numerous 'country house' operas reach audiences that are not necessarily served by the seven companies involved in this analysis.

## Touring companies and venues

Challenges to audience development were evident in the working relationships between the touring companies and venues.

In general, the companies are frustrated by what they see as a lack of support from venues for their attempts to broaden their repertoire, the refusal to share detailed audience data and the imposition of booking fees and restoration levies. The venues for their part often feel that the companies regard certain weeks to be 'theirs by right', do not value the venues' expertise in selling tickets, and do not consult over repertoire, prices and education programmes.

Our belief is that there is considerable scope to build audiences for the full range of opera and ballet repertoire and that this can be achieved by venues and touring companies working more closely and effectively together. The Arts Council should play an active role in supporting this work.

Lessons learnt from our Strategic Touring Programme suggest we can help the touring companies to work with their core venues on long-term audience development strategies, encouraging a consortium approach.

We will expect companies and venues to agree ambitious audience targets and co-design long-term audience strategies; we believe that there is scope for companies to pay more attention to the role that repertoire plays in attracting audiences, and venues must recognise that all parties have an interest in developing audiences for less familiar work.

There needs to be a more equitable approach to the sharing of data. We believe that there is a considerable opportunity for further research and data analysis to enable the venues and companies to understand much more about current and potential audiences for opera and ballet and to tailor their marketing and communications strategies accordingly. We will expect a joint approach to building audiences and we will make it a priority to invest in touring to venues that work in this way.

The Arts Council believes that audience development work should also consider how to increase the box office revenue for companies and venues. In many cases, we are recommending that earned income can be improved through a better-informed management of ticket yield. Price plays a part in ensuring broad access, and Arts Council funding is necessary to ensure this continues to be the case; but more nuanced pricing is necessary to ensure that discounts and promotions benefit those for whom they are intended, as well as helping to extend the market for this work.

## **General recommendations**

From April 2015, Arts Council will expect the following from companies involved in this analysis.

- These companies to develop long-term audience development plans with their core venues through a consortium approach. These should address the issue of equitable sharing of audience data, as well as consultation over repertoire. This will be a condition of funding agreements for our touring companies.
- Companies to find alternative venues, adjusting their touring plans accordingly, if venues are not prepared to be full partners in these development plans.
- External expertise to be secured to shape research and test projects and programmes based on the gathering, analysis and use of data and other digital resources to enable the whole sector to understand more about current and potential audiences for large-scale opera and ballet and to test new approaches to growing audiences.
- To invest Arts Council resources, both in terms of staff and funds, to facilitate these audience development initiatives. These initiatives and the level of investment will be developed during 2015-18.
- Companies to include screenings of opera and ballet as part of their success measures. We recommend that more research be undertaken to understand the audiences for screenings and other forms of streaming and what impact these screenings might be having on live audiences. This research should include the exploration of opportunities to cross-sell digital and live performances. We have asked the ROH to take an active role in this work.

Arts Council England will continue to invest in the Cross-Border Touring fund at current levels for the period 2015-18. This fund provides valuable support for a number of these companies to tour throughout the UK, improving their public benefit and giving opportunities for artists to develop.

### **Development work since October 2013**

- Meetings have been held with both touring venues and companies involving relationship managers, the national directors for both Touring and Engagement, to discuss strengthening relationships. It was stressed that joint audience development objectives will be required in finalising funding agreements.
- Consultants Thoughtsmith delivered a report on 10 June setting out proposals for a programme that will enable the whole sector to understand more about current and potential audiences for large-scale opera and ballet and to test new approaches to growing those audiences.
- Companies will be required to include screenings of opera and ballet as part of their success measures within business plans for 2015-18. We are working with NESTA and BFI on a project to run later this year to explore the impacts of 'arts

event cinema' on the wider cinema and arts ecology. Further work will be commissioned, for example to explore opportunities for cross-selling.

- The National Director, Dance is starting to initiate discussions with stakeholders around the development of dance hubs in both Birmingham and Leeds.

## **Company specific recommendations**

Between them, these seven opera and ballet companies currently receive 22% of National Portfolio funding. National Council decided that the proportion of the National portfolio budget that goes to these companies should not increase in 2015-18.

Given the long planning cycles of the companies involved, National Council agreed in October 2013 that it would be advisable to give them timely planning support.

Each company was therefore given a suggested planning figure to apply for. We asked them, where relevant, to consider new business models and suggested options they might explore.

The recommendations will result in some substantial changes to levels of our investment. It will reduce the total funding to these companies by 7.3% in real terms, and shrink their share of National portfolio funding to 21%.

We believe that these suggestions will ensure a better return for public investment, will underpin greater business resilience for the seven companies and will produce new opportunities for artists and audiences.

Each of the companies submitted applications for National portfolio funding by 17 March 2014. These were subjected to the same assessment, quality assurance and national balancing processes as all other applications.

It is recognised that in some cases the planned changes to business models might require transitional funding. We will be carrying out further work to determine specific levels of provision.

In all cases the figures stated for 2015-16 would also be applicable for 2016-17 and 2017-18, in line with national recommendations for standstill funding for these two years.

## **English National Opera**

**The Arts Council gave the company a planning figure of £12.4m from 2015-16, a reduction of £5.0m per annum.**

**English National Opera** has built an international reputation for daring interpretations of mainstream and contemporary opera, for collaborations with talent across the arts, and for its role in nurturing British singers and artists.

Through partnership with international companies, ENO leverages significant additional investment in its productions, bringing enhanced production values to British audiences. This is underpinned by outstanding musical standards. The quality of its programme has been recognised through the number of awards it wins.

In spite of the indisputably ambitious quality of work and the important role this company plays in developing talent, ENO has struggled to reach box office targets and to achieve long-term stability, despite receiving stabilisation funding between 2003 and 2006 and other significant interventions in the preceding years. Whilst noting recent improved performance, ENO has drawn heavily on its reserves and both the Arts Council and ENO agree there is now a need for radical change to its business model.

In arriving at a planning figure and in discussion with ENO, we suggested to the company that it should explore moving to a reduced number of performances at the large scale, with maintenance of its occasional and valuable programme of smaller-scale work in other venues. We also suggested that the company explore ways to make the Coliseum into a more viable operation, recognising the important national role the Coliseum plays as a venue for both opera and ballet.

In the course of further discussions, ENO expressed a wish to develop an approach and plan which would incorporate the lower planning figure while maintaining a full season at the Coliseum. In its National Portfolio application, ENO has embraced the need for a new business model based on reduced funding and has committed to working with the Arts Council to achieve that end. ENO has already established new partnerships and are exploring further ideas. These ideas will feed into negotiations over a new funding agreement for 2015-18.

We recognise that it will inevitably take time for a complex organisation like ENO to develop a new business model, and that the company may require some one-off transition funding to support that change. We have allocated up to £7.6m to help ENO achieve its ambitions, all of which will be articulated in the funding agreement for 2015-2018.

## **Northern Ballet**

**The Arts Council gave the company a planning figure of £3.1m from 2015-16, an increase of £550,000 per annum on its core grant.**



**Northern Ballet** is internationally recognised for its work using traditional ballet language to tell stories in new ways. It is a highly productive company, delivering an average of six full-length ballets a year, taking more than 150 performances to large audiences across the country.

The company manages extraordinarily well with low levels of funding. It plays a very important role on the touring circuit and performs in venues that are unsuitable for other companies.

However, we believe that there is a strong case for additional Arts Council investment to enable the company to introduce new choreographers for its main stage work, to pay its dancers more, to invest more in productions, and to take more risks.

We also believe that Leeds has the potential to become a major regional dance centre. We suggested that Northern Ballet should work with Phoenix, Leeds City Council, Yorkshire Dance and others to explore how they might work collaboratively to build a broad dance culture in Leeds, capable of increasing audiences and attracting and retaining talent in the city.

The recommendations we make around improving the working relationship between venues and touring companies will require changes of culture in all our touring companies and we will be expecting the company to set out in their business plan how they intend to implement this change of approach.

We are proposing that our increase in investment should be conditional on Leeds City Council retaining their funding at current levels.

## **Welsh National Opera**

**The Arts Council gave the company a planning figure of £6.1m from 2015-16, representing standstill levels of funding**

**Welsh National Opera** has been reinvigorated by the appointment of David Pountney as Artistic Director in 2011. He is building on the company's reputation for fine ensemble playing and singing of large-scale repertoire, while looking to develop a more adventurous approach to programming and to build more international partnerships.

We believe WNO has potential to make efficiencies and could significantly increase its earned income. Its ticket yield currently reflects a commitment to low prices on principle but there is scope for further analysis to help translate this pricing approach

into a genuine access policy. There is potential, we believe, for WNO to make its marketing stronger.

We support WNO's desire to develop Birmingham into a second performance hub by performing there four weeks per year. In addition, the company would present eight weeks of touring performances, the details of which would be subject to further discussion.

The recommendations we make around improving the working relationship between venues and touring companies will require changes of culture in all our touring companies and we will be expecting the company to set out in their business plan how they intend to implement this change of approach.

We are proposing that our funding decision for Welsh National Opera is conditional on Arts Council Wales, with whom we fund WNO on a 60/40 partnership basis, retaining funding at current levels.

## **Opera North**

**The Arts Council gave Opera North a planning figure of £10.4 million from 2015-16, an increase of £0.6m per annum**

**Opera North** plays a key role in the music ecology of the country, and is an important resource for the development of British singers and instrumentalists. Alongside main stage productions, which are presented on a regular basis in Leeds, Nottingham, Salford and Newcastle, the company runs an impressive development and engagement programme through Opera North Projects, and its orchestra runs an extensive concert programme throughout Yorkshire and beyond.

The recent cuts in National Portfolio grants represent a larger proportion of the company's turnover than is the case with many other companies, and this has put Opera North's business model under considerable stress. Our suggested increase addresses this. Opera North is better than other companies at managing its ticket yield but could increase its earned income through improved relationships with its venues and more consideration of the impact that repertoire has on its audience numbers. We also believe that the company needs to focus on building its reserves.

Our funding will maintain current touring levels – ie, in general, three weeks each in Leeds and Salford and two weeks in Newcastle and Nottingham.

The recommendations we make around improving the working relationship between venues and touring companies will require changes of culture in all our touring

companies and we will be expecting the company to set out in their business plan how they intend to implement this change of approach.

## **Birmingham Royal Ballet**

**Arts Council gave the company a planning figure of £7.9m from 2015-16, an increase of £0.5m per annum**

Since 1995, under the directorship of David Bintley, **Birmingham Royal Ballet** has built up a body of acclaimed works that are regarded as part of the classical canon. It is also the holder of a wide collection of major heritage repertoire, which it tours throughout the country.

This company has a strong commitment to touring and has the capacity to do more. We suggest an additional three weeks, replacing the performances it has lost since 2011-12, would increase the public value of our investment and the grant should be increased to enable this. We believe that there is also scope for some gains through efficiency in yield and the thoughtful deployment of staff.

BRB's touring itinerary varies, but this additional sum would ensure that it is able to serve Salford, Plymouth, Sunderland and Liverpool as well as Birmingham and add in Milton Keynes, Bristol or Norwich if ENB no longer visits. This would need to be negotiated between the two companies. Their middle-scale tours of triple bills should continue to visit Durham, York, Cheltenham, Poole, Nottingham and Truro on a regular basis.

We are proposing that, in addition, we ask the company to work with the City of Birmingham, Dance Xchange, the Hippodrome and other interested parties to make Birmingham into a regional dance centre, building a broad dance culture in the City, capable of increasing audiences and attracting and retaining talent in the city.

The recommendations we make around improving the working relationship between venues and touring companies will require changes of culture in all our touring companies and we will be expecting the company to set out in their business plan how they intend to implement this change of approach.

We will make it clear to the City of Birmingham that the increase in funding to BRB (and thereby its ability to contribute to developing Birmingham as a dance centre) is conditional on the City retaining its funding at current levels.

## **English National Ballet**

**Arts Council gave the company a planning figure of £6.2m from 2015-16, represents standstill levels of funding**

**English National Ballet** has recently appointed a new Artistic Director, Tamara Rojo, who is making impressive steps to refresh the company's repertoire by introducing more contemporary works. The plans to extend ballet audiences through participation in festivals such as Glastonbury, Latitude, and through dance and health projects, are particularly exciting.

We support ENB's proposal to replace a week of regional touring for an additional one in London. This would enable the company to present the broader repertoire as outlined in Tamara Rojo's plans, developing audiences for new work, and in the long term supporting the company's ambition to present a broader repertoire on tour. The regional touring week could, after negotiation, be picked up by BRB.

We also support the company's ambitions to broaden its repertoire, although it will need to win over audiences. ENB is planning to invest reserves to further this ambition. It will have work to do on relationships outside London, but recognises this and wants to offer more to the cities it tours to.

The recommendations we make around improving the working relationship between venues and touring companies will require changes of culture in all our touring companies and we will be expecting the company to set out in their business plan how they intend to implement this change of approach.

ENO's proposed new business model represents considerable challenges to ENB's own operating model and we will be supporting both companies to work together to resolve this.

## **Royal Opera House**

**Arts Council gave the company a planning figure of £24.77m from 2015-16, a reduction of £0.8m per annum.**

The **Royal Opera House** has built and maintained its position as one of the leading opera and ballet companies in the world, attracting major international stars to perform in productions of a consistently high standard. Tony Pappano has provided outstanding music leadership for the opera company. The main stage opera programme has recently become more adventurous and the ballet company plays a key role in the development of new repertoire. The company has taken a lead in exploring new ways of building audiences through digital relays and cinema screenings.

We believe that the ROH can find efficiency savings to cover reductions in our grant. In our view it pays a premium on salaries and fees that is in some case above the rates paid by other UK companies. Although we understand that the Royal Opera House is operating in an international talent market, we have asked the new leadership of the ROH to consider this issue.

We support ROH's plans to increase their audiences nationally for opera and ballet through digital distribution. We will also expect them to work with other companies to make the most of opportunities presented through digital broadcasts to bring audiences to the live experience.

We particularly value the contribution that the Royal Ballet makes to the development of ballet and choreographers and we will expect it to work in partnership with other ballet companies to arrive at a more coherent national approach to talent development in this sector.

## **Next steps**

On 1 July 2014, we will confirm to the companies that in all cases that they have been awarded grants in line with the planning figures that they have been given. As with all our national portfolio organisations, these grants will be provisional and will be subject to negotiating a funding agreement and agreeing a satisfactory business plan.

That process will take up to six months and will require the Arts Council to approve specific strategies and objectives within the business, audience development and equality plans of each organisation. The suggestions of the opera and ballet analysis will form the basis of a number of objectives to be agreed with each of the companies. The opera and ballet steering group, Area management teams and the Arts Council's Executive Board will have quality assurance and overview roles in approving the final funding agreements of these seven companies, by April 2015.