

ECONOMIC EAR

Musical notes, bank notes and big data

Antony Feeny looks at the trend in sources of funding for major classical music organisations over the last 20 years

So-called 'big data' seems to be ubiquitous at the moment. Crunching through vast quantities of data in the search for relevant trends or conclusions in the hope of identifying meaningful information which can be used or exploited appears to be not just flavour of the month but now a constant feature of our involvement with all organisations – even though we may be suspicious of what they then do with our data.

In a sense musicians have been involved with big data for decades. For what is taking a score comprising hundreds of thousands of squiggles on a page and interpreting them in ways that are unique, complex and enlightening if it's not in fact an (advanced?) form of computerised analytics and exposition?

The trouble is that the results of this data crunching are often difficult to position, and different analyses often appear to reach conflicting conclusions. Take, for example, two studies that have appeared recently.

A study by MTM for Arts Council England (ACE)¹ published in early December found

that 'private investment in arts and culture has grown over the last three years and the sector appears to be becoming less reliant on public funding'. Nothing surprising there, you might think, since that's probably what we would expect in the current economic environment.

But then figures had been released only a month earlier by ACE as one of the outcomes of the Annual Submissions of National Portfolio Organisations (NPOs) and Major Partner Museums which (and I quote here from a website summary)² showed that '40% of ACE's core-funded NPOs saw their combined income from trading, grants and philanthropy fall in 2014/15 ... Despite the portfolio's total income growing by nearly £25m that year, 307 of the 700 NPOs saw their revenues fall.'

Now these two data-based conclusions are not necessarily contradictory. For example, private investment in culture could have grown to replace public funding in general, but the benefits could have been concentrated on a relatively few recipients. The picture may, how-

ever, be slightly confusing to the average reader who does not have time to wade through the detail. And in this article I'm going to add a historical dimension to this analysis in a way that may be either confusing or enlightening, depending on your point of view.

Some of the value derived from looking at large amounts of data comes from this historical perspective. Most of us probably believe that in recent times the amount of public funding being channelled to classical music in the UK has fallen, although last month's Economic Ear showed that although this was true in the most recent six to seven years, it should be seen within the context of a large growth in public funding of the arts over the last 60-70 years. So intuitively we'd probably expect that over the last couple of decades there would be a clear fall in public funding (and in the case of classical music, also of corporate sponsorship), and probably an increase in box office income and private philanthropy.

To test this, the Economic Ear has waded through the accounts of the largest 15 (by income) UK classical music organisations to see how their sources of funding have changed over the 20-year period 1995-2015. These comprised five opera companies (Royal Opera, English National Opera, Opera North, Welsh National Opera, Scottish Opera), three ballet companies (Royal Ballet, Birmingham Royal Ballet, English National Ballet) and seven orchestras (London Symphony, London Philharmonic, Philharmonia, Royal Scottish National, Hallé, City of Birmingham Symphony, and Royal Liverpool Philharmonic). Collectively these 15 organisations account for around 50% of the total annual income for all classical music performing organisations so should provide a reasonable perspective.

Broadly speaking, the results are as one might expect. Chart 1 shows the proportion of total funding for these organisations deriving from four sources: Box Office and Commercial (which together are often classified

CHART 1: SOURCES OF INCOME FOR THE UK'S 15 LARGEST CLASSICAL MUSIC ORGANISATIONS 1995-2015 IN ANNUAL PERCENTAGES

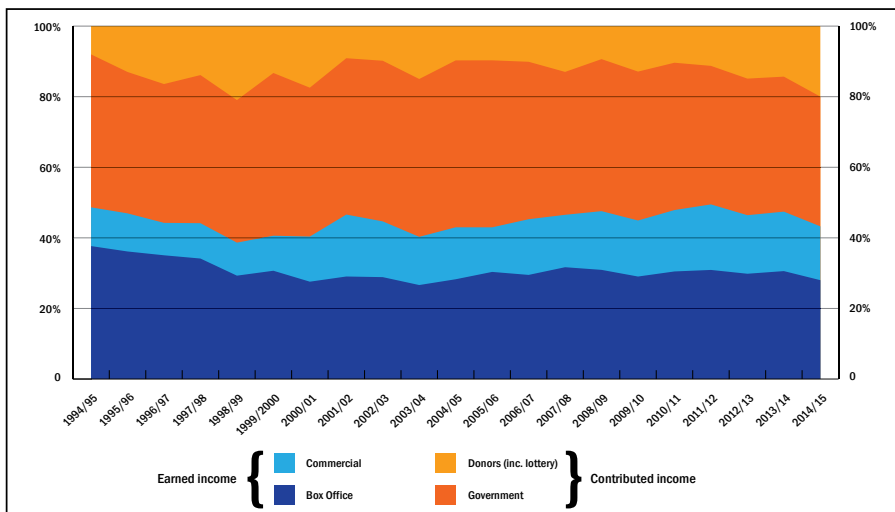
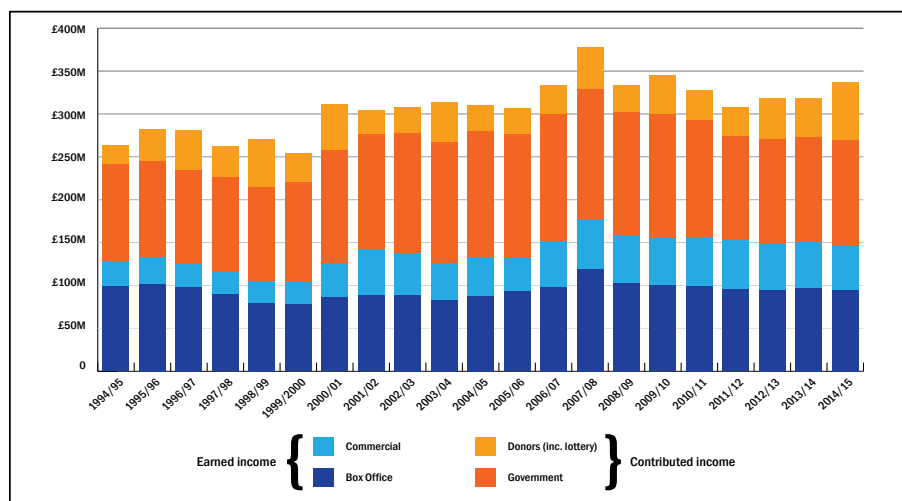


CHART 2: SOURCES OF INCOME FOR THE UK'S 15 LARGEST CLASSICAL MUSIC ORGANISATIONS 1995-2015 IN CONSTANT 2015 PRICES



as 'Earned Income') and Government and Donors ('Contributed Income'). The chart shows the data as a proportion of the total for these 15 organisations rather than as absolute amounts. Although the trend is not so marked that it leaps out at you, it is still clear that:

- ▶ The proportion of funding from governmental sources (including Arts Councils and local government) fluctuated between 40% and 45% from 1995 to 2011, but has gradually fallen over the last four years to around 37%
- ▶ Commercial income (eg recordings, sponsorship, programmes, advertising, food & drink, etc.) has grown and now accounts for around 15% of the total
- ▶ The pattern of donations has been erratic but is now running at over 15% (including not just philanthropy and Friends' schemes but also Lottery, since this is a voluntary not a mandatory tax source)
- ▶ The income from Box Office (domestic and international ticket sales) has declined from around 36% to less than 30% of the total.

While these figures have to be taken with several pinches of salt for reasons summarised in the neighbouring box, they do suggest a gradual shift away from Box Office and governmental income towards donations and commercial. Although these changes are not yet particularly pronounced and can be easy to exaggerate on the basis of limited information, small changes can rapidly compound and eventually become significant.


What this method of presentation does not show is the trend in the amounts of money involved. **Chart 2** shows the absolute amounts of income in constant 2015 prices (ie converted

to present-day pounds sterling) deriving from each of these sources over the last 20 years. Although the total income for all 15 organisations rose from £263m (current prices: £152m) to £337m, ie by 28% over 20 years, total Box Office income largely stagnated, Government grants rose from £114m to peak at £153m before falling back to £124m (a net increase of 9%), while commercial revenues grew relatively consistently and doubled to around £50m by 2015, although they are now exceeded by donations which rose to £44m in 2014 and over £50m in 2015.

One point of concern about these trends, however, is the distribution of the benefits. While the revenues of the Royal Opera House (Royal Opera and Royal Ballet) rose by over a third during this 20-year period, the incomes (again in converted constant 2015 prices) of all the other opera companies increased for the first decade but then fell again and have now ended up at more or less the same level as 20 year ago. This pattern is similar for many of ballet companies and orchestras with only English National Ballet, London Symphony, London Philharmonic, Philharmonia and Royal Liverpool Philharmonic (RLPO) experiencing real increases in their incomes. Given that the RLPO is in a unique position as owner of its own premises with access to other income streams, it will not escape readers' attentions that all the main 'winners' are London-based – an issue which has given rise to much discussion in recent times.

Since none of these organisations is commercial, there is of course no reason why they need to mimic private companies and

constantly target growth in income or even in their activities. Indeed there is a kind of ceiling in their incomes, at least in the short term, which comes at the point when their audiences are at full capacity and they cannot schedule further performances without a significant increase in costs. The fact that their Box Office incomes have been higher in some years in the past, however, suggests that the current financial challenges do not necessarily arise as a result of hitting this short-term ceiling.

So two decades of financial data appear to confirm that the sources of financing of classical music are indeed gradually changing and that some organisations are weathering these changes better than others. One has to hope that big data not only reveal such trends, but can also help in finding solutions to the perennial funding problems. 

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Webpage on Sources and Assumptions
www.classicalmusicmagazine.org/economic-ear-sources

References

- 1 MTM London/Arts Council England: *Private Investment in Culture Survey 2012/13, 2012/13, and 2013/14*
- 2 Arts Professional: www.artsprofessional.co.uk/news/winners-and-losers-arts-organisations-diversify-income

A NOTE ON THE METHODOLOGY

The financial information used here is taken from the 1995-2015 accounts of each of the organisations, downloadable from the Companies House website.

Categorisations of income in these accounts vary in at least three ways: (a) between the different organisations; (b) over time within the accounts of the same organisation; and (c) in differing levels of detail. The amounts and categorisations of the figures used here are therefore inevitably approximate. Constant prices were calculated using data from the Office for National Statistics and the Bank of England Inflation Calculator available from their respective websites.