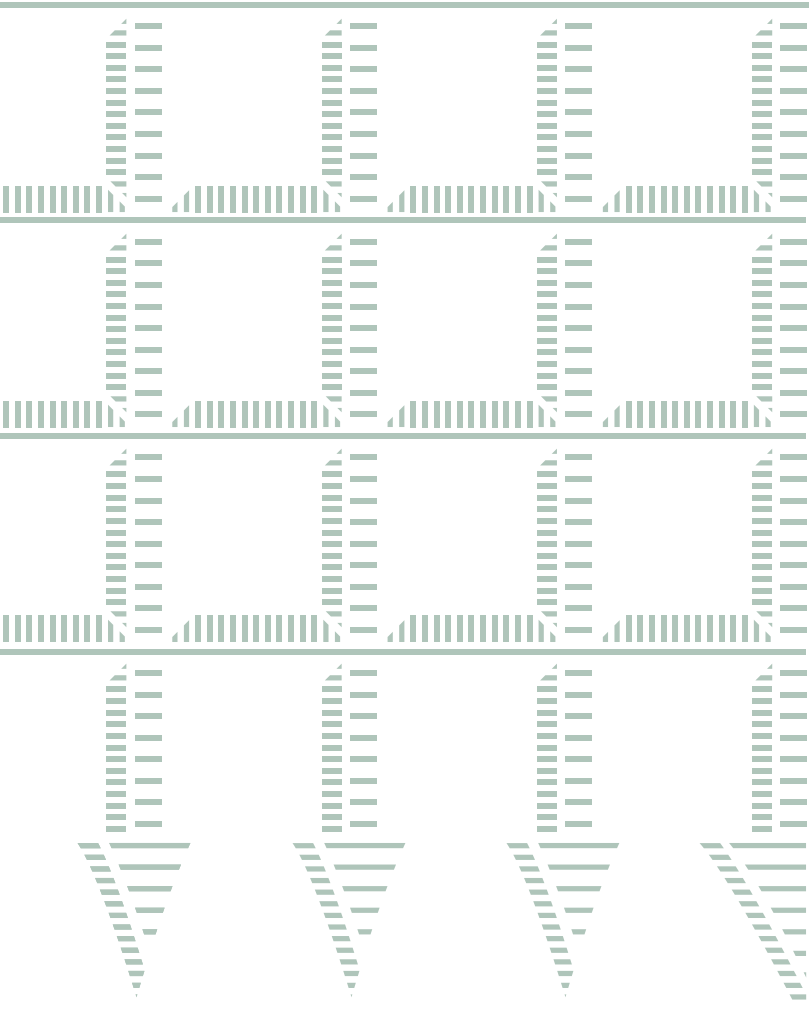


Culture, Media and Sport Committee

Grassroots music venues: Government response

Third Special Report of Session 2024–25

HC 380



Culture, Media and Sport Committee

The Culture, Media and Sport Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Culture, Media and Sport and its associated public bodies.

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Third Special Report

Our predecessor Culture Media and Sport Committee published its Seventh Report of Session 2023–24, [Grassroots music venues](#) (HC 527), on 11 May 2024. The Government response was received on 7 November 2024 and is appended below.

Appendix: Government Response

Introduction

The Government welcomes the Culture, Media and Sport Committee’s report on grassroots music venues, which was published in the last Parliament on 11 May 2024. We agree that an economically sustainable grassroots sector is essential for the continued success of the UK’s music industry.

The passion and dedication of the people behind grassroots venues across the country, and their commitment to give opportunities to artists and bring live music to audiences is one of the UK’s strongest assets. Grassroots venues have intrinsic cultural value. They provide shared social experiences, which contribute to the UK’s music heritage. They offer emerging artists their first opportunities to perform and develop their craft, providing the essential pipeline for tomorrow’s megastars and household names. They also stimulate local economies, generate employment, and support a wide range of jobs across the creative industries, from sound engineers to stage crews. Most importantly, they provide phenomenal enjoyment to many thousands of people as the opportunity to hear live music up close is an essential part of our cultural life.

However, in recent years the sector has faced considerable challenges, not just from the pandemic. Too many parts of the country have become cultural deserts and seen their grassroots music venues close - with a net loss of 125 venues in 2023 alone.

The Government is committed to working closely across the music sector - from the largest commercial players to small venues, not-for-profit organisations, artists, the creative workforce and music fans - to enable a truly sustainable grassroots music sector. The grassroots music sector is the backbone of the entire music ecosystem, extending far beyond venues to include promoters, artists, the creative workforce, recording studios, rehearsal spaces, and outdoor events and festivals. Grassroots is where experimentation happens, where new genres are born, and where audiences can experience raw, unfiltered performances that are central to the continued cultural evolution of our music scene. It is the driving force that serves as the foundation of the entire music industry, fostering creativity, innovation, and cultural expression.

We recognise the value of the entire music ecosystem, including the largest arenas bringing British and global stars to mass audiences, and the revenues they bring to the UK's economy. We agree with the Committee that the largest commercial players can and should do more to safeguard the future of the grassroots music sector. New industry-led investment in the grassroots sector will bring long term benefits to the entire music ecosystem and bring back added value to larger commercial players. It is the definition of enlightened altruism.

This Government will play its part too, and the Department for Culture and Media and Sport will work across Government to champion the grassroots music sector, and ensure we are creating the right fiscal and regulatory conditions that protect the future of the sector.

The Government has responded to each recommendation from the report in turn below, noting that some recommendations are primarily for the music sector to address. In addition to the points set out in our response, we are taking action to strengthen the ability of communities to own assets of community value. Through the English Devolution Bill, we will introduce a strong new 'community right to buy', which will make it easier for local communities to take ownership of cherished assets, including music and cultural venues, when they come up for sale.

We recommend that the Government launch a fan-led review of live and electronic music in the summer of 2024, to bring together all parts of the ecosystem and report within the next twelve months. (Paragraph 23)

This Government has set out our vision for a modern Industrial Strategy, which includes the creative industries as one of eight priority sectors. The music sector will be at the heart of our approach. We want a successful live and electronic music sector that supports growth and opportunity across the country. A successful music sector must work for the entire ecosystem, from fans, artists and workers to rehearsal spaces, recording studios and venues.

We will engage fans this autumn with our upcoming consultation on improved protections in the secondary ticketing market, and our call for evidence on price transparency for live events ticketing. We encourage fans to respond.

In light of the Industrial Strategy, alongside the upcoming ticketing consultation and call for evidence and our work across touring and streaming, we will not introduce a Government-led fan review of music at this time. We would welcome any sector-led initiatives to better understand the voice of fans on issues beyond the ticketing market.

We recommend that the live music industry introduce a voluntary levy on arena and stadium tickets no later than September 2024 to support grassroots music venues, artists and promoters. (Paragraph 41)

We further recommend that the Government should undertake and publish an assessment of the effectiveness of the voluntary levy on grassroots music venues no later than 12 months after its establishment. (Paragraph 42)

If a voluntary levy is unable to be agreed by September 2024, or if the assessment of the voluntary levy concludes it is not collecting the income required to support the GMV sector, the Government should introduce a statutory levy at the earliest subsequent opportunity. (Paragraph 43)

The Government recognises the cultural and economic value of grassroots music spaces at the heart of local communities. Grassroots venues enable fans across the country to access live music. They provide a platform for artists, sound engineers and promoters to learn their trade, incubating the talent needed for the national and international success of the UK's music sector. We are deeply concerned with the rate of closures in the grassroots sector, and want to work with industry to enable a sustainable grassroots music sector.

We agree with the Committee's recommendation that the music industry should introduce a voluntary levy on arena and stadium tickets to support grassroots music venues, artists and promoters. We believe this would be the quickest and most effective mechanism for a small portion of revenues

from the biggest shows to be invested in a sustainable grassroots sector. This would create social and economic value not only for the grassroots sector, but also for the health and future success of the UK's live music ecosystem. Our view is that a small industry-led levy within the price of a ticket would benefit fans in accessing local music venues, provide greater opportunities for up and coming talent, and benefit the UK's live music ecosystem as a whole. To build confidence with fans, the music sector should make sure there is clear and transparent communication to fans about the voluntary levy, and how it will support the grassroots music sector.

We welcome steps already taken by the live music sector, coordinated by the umbrella industry body LIVE (Live music Industry Venues & Entertainment), towards the establishment of a voluntary industry levy and a charitable organisation to manage and distribute its proceeds. However, there is more to do to agree concrete proposals and implement a cross-sector approach, with buy-in from across the live music ecosystem. We want to see a voluntary levy come into effect as soon as possible for concerts in 2025. We welcome the example set by artists such as Coldplay and Sam Fender in donating a proportion of their upcoming tour revenues to support the grassroots sector.

We encourage the music sector to invest in an independent evaluation to assess the effectiveness of the impact of a voluntary industry-led levy in supporting the grassroots sector. We believe it is appropriate for the sector, rather than government, to take responsibility for assessing the effectiveness of an industry-led levy. We will work with the sector as a critical friend on assessing the impact of the levy.

The Government understands there is recognition across the music industry of the need to support a sustainable grassroots sector, and the benefits this brings to the UK's music ecosystem. We urge the live music industry, and in particular the biggest commercial players who will have the biggest impact on the success of an industry-led levy, to act now, and to do so swiftly. The Government is ready to use its convening powers to bring people to the table in short measure to start this process if that is thought necessary. The Government will also consider progress made on the implementation and effectiveness of a voluntary levy and whether further action is needed to support a sustainable grassroots music sector. We note action taken in France to introduce a statutory levy and we will continue to monitor developments in other jurisdictions. We reserve the right to return to this matter if no satisfactory progress is made.

There is broad consensus that a charitable organisation is best placed to administer the levy funds. While Arts Council England is already well-established and well-placed to distribute funding, we accept

that a trust led by a sector umbrella body, such as the LIVE Trust or Music Venues Trust, is the best way to collect, manage and distribute a voluntary fund.

For this to succeed, we recommend that it contains broad representation for all stakeholders, including venues from GMVs to arenas, artists and their business partners and national and independent promoters among its trustees. A trust must provide the utmost transparency and due diligence for its decisions to ensure it can maintain the confidence of all stakeholders within the fragile live music ecosystem. (Paragraph 50)

We agree that a charitable organisation led by a sector umbrella body would be best placed to administer funds from a voluntary industry levy. We welcome steps taken by LIVE to establish a charitable organisation, and encourage broad representation from across the live and electronic music ecosystem on how the fund is managed and distributed. We agree on the need for transparency and due diligence and encourage the LIVE Trust to engage with leaders in grantmaking, such as Arts Council England (ACE), to understand the principles of best practice. We will continue to engage closely with the sector on these proposals, and ACE is committed to continuing its existing partnership with the sector.

The Government should introduce a temporary cut to VAT, based on venue capacity, to stimulate grassroots music activity and the wider economic benefits to local areas that grassroots music shows provide. (Paragraph 59)

We recommend that the Treasury and DCMS undertake a comprehensive economic analysis of the impact on a cut to VAT in line with recommendations made in this report, including modelling: a cut to a 10% rate, which is the European average, on tickets, as well as alternative approaches such as VAT on food and beverages; a targeted intervention for different sizes of venue; and the indirect impacts to VAT revenues of venue closures and a reduction in live and electronic music events. (Paragraph 60)

In July 2024 the Government published an audit of public spending. This set out £22 billion of in-year pressures. These pressures were not limited to 2024–25, with the vast majority recurring in future years.

The Government is now fixing the foundations by delivering economic and fiscal stability, supporting public services, boosting investment, and setting the public finances on a sustainable path. These are essential foundations for long-run economic growth, and require tough decisions on tax, spending and welfare.

While the Government recognises the economic and cultural importance of the grassroots music sector to the UK, and keeps tax policy under review, we have no plans to introduce a temporary cut to VAT based on venue capacity or to undertake a bespoke economic analysis of the impact of a VAT cut to 10% on tickets.

VAT is a broad-based tax on consumption, and the 20% standard rate applies to most goods and services. Any request for new reliefs must be considered within the context of the Government receiving numerous requests for VAT relief from different sectors every year.

The temporary reduced VAT rate (5%) for the hospitality and tourism sectors, including grassroots venues, was introduced by the previous Government in July 2020. It was appropriate that as COVID-19 restrictions were lifted and demand for goods and services in these sectors increased, the temporary tax reliefs were first reduced and then removed in March 2022. Furthermore, VAT reliefs can add complexity and administrative cost to the tax system and create opportunities for non-compliance.

From a broader economic perspective, using VAT reliefs to redirect economic activity into one area does not necessarily increase economic activity overall, but may only displace it from other areas, particularly when taking into account the need for raising tax revenue elsewhere to fund the relief.

The Government is providing £5 million to Arts Council England's Supporting Grassroots Music investment programme over 2023–25. This includes grants to recording and rehearsal studios, promoters, music festivals and live and electronic venues to grow their businesses, and develop their workforces and audiences in order to support musicians and others at the grassroots of England's music sector. Following the 2024 Autumn Budget, the Government reaffirmed its commitment to strengthening England's grassroots music sector by extending the Supporting Grassroots Music Fund for 2025–26, ensuring continued support for musicians, venues, and industry professionals.

We recommend that Government should ensure that any future fiscal policy decisions relating to grassroots music venues gives venues certainty and long-term security. If the Treasury intends to end business rates relief for GMVs, the reduction in relief should be tapered in order to avoid an immediate shock to the sector. (Paragraph 64)

The Government will support economic growth by delivering certainty and stability in fiscal policy-making by: (i) moving to one major fiscal event a year; (ii) committing to hold a Spending Review every two years, setting budgets for a minimum of three years to avoid funding 'cliff edges'; and (iii) setting five-year capital budgets. This will give departments, families,

and businesses the certainty and stability that they need to plan. We are providing certainty to businesses on tax going forwards through the corporate tax roadmap we have published, which confirms the commitment to cap Corporation Tax at 25% - the lowest in the G7 - for the duration of this parliament.

The Government is committed to supporting the creative industries, which play a key role in driving economic growth, contributing £124.6bn GVA in 2022 and supporting over 2 million jobs. At the 2024 Autumn Budget, the Chancellor set out plans to transform the business rates system over the parliament. These reforms will provide certainty and support to businesses in the creative industries, and help to address the concerns for grassroots music venues (GMVs) set out in the Committee's report.

Since the COVID-19 pandemic, a one-year retail, hospitality and leisure (RHL) relief has been repeatedly rolled over as a temporary stopgap. However, this has meant uncertainty for businesses about their business rates bills from one year to the next, including for grassroots music venues, and has created a significant fiscal pressure for the Government.

The Government has announced that it intends to introduce permanently lower tax rates for RHL properties with Rateable Values below £500,000 from 2026-27. This reform will provide certainty for businesses regarding their bills, addressing one of the report's key areas of concern for GMVs. This tax cut must be sustainably funded, and, as such, the Government intends to fund this intervention within the business rates system by introducing a new higher multiplier for properties with Rateable Values of £500,000 and above, from 2026-27.

To provide support during the period of transition to permanently lower multipliers in 2026-27, the Government has extended RHL relief at 40% for 2025-26. Furthermore, the Government has also announced a freeze to the small business multiplier, which will ensure that GMVs with RVs under £51,000 see no inflationary increase to business rates bills for 2025-26.

More broadly, the Government recognises that taxpayers also have broader frustrations with the business rates system. As such, at Autumn Budget 2024, a Discussion Paper was published, which sets out priority areas for reform and invites industry to help co-design a fairer business rates system that supports investment, and is fit for the 21st century. As one of the Government's key growth industries, we welcome input from creative industries, including the music sector, on future reforms to the system.

We recommend that the Government and Arts Council work to reduce the administrative burden of applying for public funding. (Paragraph 75)

We recognise the many challenges faced by applicants from the grassroots sector when seeking public funding, and we are dedicated to reducing these barriers. We are working closely with Arts Council England to ensure that the Supporting Grassroots Music Fund is well-suited to its purpose, with an application process that is suitably accessible. We appreciate ACE's ongoing efforts to improve their funding processes in order to ensure that they are meeting the needs of the sector, to monitor application numbers and success rates in the grassroots live music sector, and to identify areas where guidance and support should be prioritised, both geographically and for underrepresented groups. We actively encourage continued advancement in this area.

We recommend that the agent of change principles are put on a statutory footing at the earliest opportunity. (Paragraph 95)

The Government is committed to protecting grassroots music venues, and recognises that planning should support grassroots venues and other music spaces to coexist alongside residential and other developments.

The agent of change policy in the National Planning Policy Framework applies to all forms of existing business and community activity which could be affected by development proposals in the vicinity of them, and should safeguard them from adverse effects on their operations arising from that development. Mitigations required as a result of the agent of change policy should be secured through planning conditions, and compliance with these is a legal requirement.

The Government will consider what more can be done to improve implementation of the existing agent of change requirement, alongside the wider steps being taken to improve the resourcing of local planning authorities.

We call on all venues and trade bodies in the live music sector to follow the FAC's merchandise principles. (Paragraph 101)

We note that this recommendation is for industry, and would encourage venues and trade bodies to ensure fairness for artists in their approach to merchandise commissions. The Government is committed to supporting a vibrant live music ecosystem that works for fans, venues, artists, promoters and the entire creative workforce.