

## Written evidence submitted by Music Venue Trust

### GRASSROOTS MUSIC VENUES: RECOVERING FROM THE PANDEMIC AND BUILDING BACK BETTER

#### Music Venue Trust - Call For Evidence: Reimagining where we live: cultural placemaking and the levelling up agenda - February 2022

##### PURPOSE

- To identify and describe to the Department of Digital, Cultural, Media and Sport (and other key stakeholders) opportunities to support a strong recovery from the pandemic in the grassroots music venue sector
- To establish a resilient, economically viable sector that is more able to deliver its primary purpose; the development of new British music talent.
- To describe policies initiatives that intergrate cultural placemaking into the levelling up agenda

We welcome the opportunity to submit to the DCMS Call for Evidence: Reimagining where we live: cultural placemaking and the levelling up agenda.

##### Summary recommendations:

In order to place culture at the heart of the levelling up agenda the follow points will need to be addressed:

35% of UK GMVs have closed in the last 20 years - their ability to thrive has been undermined by two decades of failure to understand their value. Deep, historical challenges to effectively delivering these creative and community roles have emerged.<sup>1</sup> This has been further compounded by the Covid-19 crisis which magnified these existing challenges and highlighted the need for sustained reform to help stabilise the GMV sector.

The most pressing challenges impacting the long-term sustainability and resilience of the GMV sector are: punitive VAT rates, inequitable business rates, poor air quality in GMVs and an inappropriate ownership model within the GMV sector. Unless these challenges are proactively addressed with thoughtful policy solutions, the outcome will be the continued closure of grassroots music venues and an increasingly fragile live music ecosystem that will struggle to recover from the Covid-19 crisis. All of these factors can be addressed via the Levelling Up agenda to create resilient towns and cities where culture is placed at their core.

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<sup>1</sup> Music Venue Trust (2017) *Sound and Vision Report* - available on request

Each topic is summarised for its impact on the GMV sector. Fully costed policy solutions are described in summary and detailed in relevant appendices. Addressing each policy point will help strengthen cultural placemaking and the levelling up agenda.

## **THE LEVELLING UP AGENDA PRESENTS OPPOTUNITIES TO ADDRESS:**

### **1. VAT**

16.3% of the value of every ticket sold at a Grassroots Music Venue event is lost to VAT.<sup>2</sup>

The United Kingdom has the highest level of taxation on cultural tickets of any comparable country in the world and the highest rate in Europe.<sup>3</sup> HM Government did not make use of cultural exemptions from VAT available to it while a member of the EU (Annex III of the VAT Directive). It was unique in failing to apply the available exemptions among all our comparable live music markets; grassroots music venue ticketing is taxed more highly in the UK than any other country in Europe, resulting directly in a reduced ability to invest and puts UK venues at a competitive disadvantage in comparison to their EU counterparts.

VAT on Grassroots Music Venue tickets is a direct taxation on Research and Development, removing the potential of investment into new and developing talent, and adding to the burden of cost for the delivery of live music opportunities.<sup>4</sup>

### **2. Business Rates**

Business rates are determined on the basis of economic viability, which fails to take into account that GMVs are the Research and Development arm of the music industry, with the sector investing 125% of ticket money received on the delivery and promotion of music.<sup>5</sup> Two different calculation methods (square meterage and fair maintainable trade) are used when business rates are determined, this leads to unfair variation between GMVs. Additionally they do not benefit from the increased footfall acuity a centre provides for businesses like retailers. Unlike retailers, GMVs can only have one gig limited by their capacity per evening. These factors drive GMVs out of city centres, removing them from their role as destination spaces which encourage footfall. This depresses high street activity, particularly in the night time economy - for every £10 spent at a GMV £17 is spent in the wider economy.<sup>6</sup> GMVs' individual profit margins are negligible. Historically, GMVs have remained under commercial business structures due to the lack of support and financial means to convert to a not-for-profit model which better recognises the cultural output and activity taking place. This is evidenced by the fact that the percentage of GMVs with a not-for-profit business model rose from 3% in 2015 to 31% in 2020 with MVT's help.<sup>7</sup>

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<sup>2</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>3</sup> EFA and Pearle (2021) *VAT in an international context Update 2021* - available at: <https://www.pearle.eu/publication/the-ultimate-cookbook-for-cultural-managers-vat-in-an-international-context-update-2021>

<sup>4</sup> Music Venue Trust (2017) *Sound and Vision Report* - available on request

<sup>5</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>6</sup> Mayor of London (2017) *Rescue Plan for London's Grassroots Music Venues* - Available at: [https://www.london.gov.uk/sites/default/files/rescue\\_plan\\_for\\_londons\\_grassroots\\_music\\_venues\\_-\\_progress\\_update\\_-\\_jan\\_2017.pdf](https://www.london.gov.uk/sites/default/files/rescue_plan_for_londons_grassroots_music_venues_-_progress_update_-_jan_2017.pdf)

The existing Business Rates mechanism also penalises physical cultural space in comparison to digital space.

### **3. Air Quality**

The lack of any long-term public health investment into the GMV sector prior to the Covid-19 crisis has resulted in a significant challenge for our sector. GMVs are placed at a competitive disadvantage compared to other public spaces that have had the means to upgrade their air purification systems, which are therefore more effective at mitigating airborne transmission. In general GMVs have not had sufficient financial means to invest in upgrading their air purification systems. In addition, 93% of GMVs are tenants with an average of 18 months left on their tenancy, this means GMVs are hesitant to invest large amounts of money into a venue they might lose in the short term.<sup>8</sup> As a result, they are less able to effectively mitigate the threats presented by airborne transmissions.

### **4. Ownership**

93% of GMVs are tenants, paying commercial rent to landlords who do not share their aims.<sup>9</sup> This is a problem specific to GMVs and not to other cultural institutions (theatres, art centres etc.) in the UK. GMVs do not have this issue to equivalent levels in either the EU or US.<sup>10</sup>

It is increasingly difficult to justify investing money back into the freehold when your long term tenancy is not assured; the average amount of time left on a GMV's tenancy is just 18 months.<sup>11</sup> The existing private freehold owner/leasehold tenant model is a significant weakness and threat within the sector. It results in poor use of available resources resulting in under investment, a lack of security, resilience and sustainability, less investment in British talent and intellectual property training/apprenticeships. Additionally it results in the decline of high streets and town centres and a permanent loss of vital cultural spaces.

## **PRINCIPAL RECOMMENDATIONS**

### **1. VAT**

Principal policy recommendation: Eliminate VAT from Grassroots Music Venue Ticketing.

**Cost: £4.5 million**

*\*subsidiary recommendation; extension of VAT reduction (at 5%), cost £3.38 million*

*VAT recommendations and costs are explored further in Appendix 1*

### **2. Business Rates**

Principal policy recommendation: Exempt Grassroots Music Venues from Business Rates.

**Cost: £22,236,474 per year**

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<sup>7</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>8</sup> *ibid.*

<sup>9</sup> *ibid.*

<sup>10</sup> Live DMA (2020) *The Survey: Live Music Venues & Clubs in Europe - Facts and Figures* - Available at: <http://www.live-dma.eu/wp-content/uploads/2020/01/Live-DMA-Survey-Report-Live-Music-Venues-data-2017-publication-January-2020-1.pdf>

<sup>11</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

*\*subsidiary recommendation; extend the Grassroots Music Venue Discount offered in January 2020 to allow the sector to recover from the impact of Covid, cost £11,118,237 per year  
Business Rates recommendations and costs are explored further in Appendix 2*

### **3. Air Quality**

Principal policy recommendation: A Public Health Intervention in upgrading the Air Quality Systems of GMVs.

**Cost: Between £2,500,000 and £25,000,000** (based on the on the installation of UVC filtration systems or full mechanical fresh air ventilation)

*\*minimum recommendation; a proactive UK wide air quality audit in GMVs, cost £366,800 - £733,600  
Air quality recommendations and costs are explored further in Appendix 3*

### **4. Ownership**

Principal policy recommendations:

1. Expand the scope of the Community Ownership Fund to encourage Communities to acquire their local Grassroots Music Venue through Co-Operatives, Community Benefit Societies and other mechanisms which can issue Community Shares.
2. Optimise Social Investment Tax Relief so it can be offered to enterprises undertaking leasing and rental activity of premises hosting cultural performances to allow for MVT's ownership project 'Music Venue Properties' (MVP) to be able to take advantage of the fund.

Cost: Expanding the scope of the Community Ownership Fund, the financial impact is budget neutral; amendment to the application criteria can achieve the purposes of the fund while supporting Music Venue Trust's Community Ownership initiative. Optimising Social Investment Tax Relief so it can be offered to enterprises undertaking leasing and rental activity of premises hosting cultural performances would cost **£6,555,000 per year and £65,550,000 across 10 years.**

*Ownership recommendations and costs are explored further in Appendix 4*

## **SECTOR DESCRIPTION**

### **How can culture reanimate our public spaces and shopping streets:**

MVT represents over 900 Grassroots Music Venues (GMVs), members of the Music Venues Alliance (MVA). GMVs are at the heart of their local communities, providing early-stage access for artists and creatives to experiment, grow their skills and develop their talent in an open, non-profit driven model which enables creativity to flourish. They are the Research and Development labs of the £5.8 billion per annum UK Music Industry - a world leader in music and culture. 21% of GMVs are Not-for-profit organisations compared to 3% 5 years ago. They host 231,379 performances hosting audiences of over 37 million people annually with a total gross turnover of £371 million, including £129 million in ticket sales. The sector directly employs 12,051 people, while providing over 6 million individual work and development opportunities for freelancers/contractors every year.<sup>12</sup>

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<sup>12</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

Grassroots Music Venues act as hubs of community and cultural activity helping to create vibrant towns and cities. Utilising these venues as a core component in the levelling up agenda will present new and plentiful opportunities to cement culture's importance in creating well-rounded, prosperous towns and cities.

The remaining call for evidence questions will be addressed in turn via the policy initiatives mentioned above.

## **APPENDIX 1 - VAT**

### **How should Government build on existing schemes to level up funding for arts and culture?**

#### **VAT**

##### **CHALLENGES**

16.3% of the value of every ticket sold at a Grassroots Music Venue (GMV) event is lost to VAT.<sup>13</sup> Based on 2019 data (latest available) GMVs sold tickets to a total value of £129 million, with a total potential VAT liability of £21.5 million. GMVs invested £161.5 million in the delivery of live music events, with a total potential reclaimable VAT of £27 million.<sup>14</sup>

Live music is a not-for-profit activity within the Grassroots sector, which generates huge potential tax returns in future for the government. Delivery of it should be supported and encouraged by a tax regime that promotes the highest possible investment in that future potential. Right now, VAT on GMV tickets is a direct taxation on Research and Development, removing the potential of investment into new and developing talent, and adding to the burden of cost for the delivery of live music opportunities.

The United Kingdom has the highest level of taxation on cultural tickets of any comparable country in the world and the highest rate in Europe.<sup>15</sup> HM Government did not make use of cultural exemptions from VAT available to it while a member of the EU (Annex III of the VAT Directive). It was unique in failing to apply the available exemptions among all our comparable live music markets; GMV ticketing is taxed more highly in the UK than any other country in Europe, resulting directly in a reduced ability to invest and putting UK venues at a competitive disadvantage in comparison to their EU counterparts

##### **SOLUTIONS**

###### **Primary Recommendation**

Eliminate VAT from Grassroots Music Venue Ticketing

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<sup>13</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>14</sup> *ibid.*

<sup>15</sup> EFA and Pearle (2021) *VAT in an international context Update 2021* - available at: <https://www.pearle.eu/publication/the-ultimate-cookbook-for-cultural-managers-vat-in-an-international-context-update-2021>

## **Subsidiary recommendation**

### Extension of VAT reduction

The reduced 5% VAT rate on ticket sales was an important Government intervention in 2020. This policy was a recognition of the direct cash injection the industry needed during this period. However, the forced closure of the industry and dramatic reduction in ticket sales meant there was minimal benefit of this policy in real terms. The extension provided by the Government in the March Budget was warmly welcomed, but with the tapering of the policy that is set to end in April 2022 the sector faces a cliff edge in terms of relief at a time when it is just getting back on its feet.

The live music industry operates with large upfront costs to stage and produce activity. The prolonged closure of the industry resulted in extremely limited cash flow across the industry, which will take years to rebuild. The single most effective way to direct cash into the bottom line of struggling companies would be to extend the VAT reduction on ticket sales for the following three years. We urgently call for the Government to reconsider this decision, in order to provide a lifeline for the sector as it begins to rebuild.

This would be a transformative intervention and if the VAT rate was returned to its 5% rate it would save the industry £765 million over a three period; money which could then be reinvested to support jobs, supply chain businesses, local communities and boost the economic recovery across the UK.<sup>16</sup>

Whilst this policy is currently linked to several industries, we request the retention of this policy for the live entertainment industry. This would recognise the unique business model that our businesses operate under with very high up-front costs, significant preparatory time needed ahead of large events and the extended closure period in comparison to other industries.

This policy reform would build on existing Government policy by exploiting our levelling up potential and enabling more investment in the cultural activity that the UK already excels at.

## **COST**

Elimination of VAT within Grassroots Music Venue ticketing initially appears to be a cost neutral measure. However, all 918 venues within the grassroots circuit operate a mixed economy business model in order to underwrite the cost of live music (typically bar and catering services).

*Based on 2019 data (latest available):*

- £372 million – total turnover
- £62 million – potential VAT liability
- £344.5 million – total expenditure
- £57.5 million – potential reclaimable VAT

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<sup>16</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

- £4.5 million – total potential cost of an exemption for Grassroots Music Venue ticketing to support investment into Research and Development of new talent.
- £3.375 million – total potential cost of a 5% rate for Grassroots Music Venue ticketing to support investment into Research and Development of new talent.

The small-scale cost of exemption, less than £5 million per year, is a measured and intelligent step that advocates for investment into Research and Development.<sup>17</sup> It makes best use of the opportunities for a uniquely British approach to culture and investment afforded by Brexit.

A rate of 5% would bring the UK into line with our closest European competitors and create a level playing field. Brexit provides an opportunity for a UK advantage on R&D Investment.

## **APPENDIX 2 - BUSINESS RATES**

**How can the Government support places without established artistic infrastructure to take full advantage of the opportunities that the levelling up agenda provides?**

### **BUSINESS RATES**

#### **THE CHALLENGES**

The core challenge that the current Business Rates system presents is the creation of an inequitable taxation system that penalises the GMV sector, preventing its ability to mature into a resilient and sustainable cultural sector.

These issues stem from the fact that the current system is anachronistic, inconsistent, and outdated. It fails to meet the principles of good tax design as it does not provide fairness, efficiency, convenience, or certainty for GMVs. Instead, what is evidenced is a tax design that varies wildly from location to location with little consistency. GMVs are placed, without explanation, into broad categories of rateable value premises which do not recognise GMVs as a distinct category with specific characteristics which are unique to the sector. The result of this is that GMVs across the country are paying disparate rates that demonstrate no logical relationship between the amount charged in business rates and the business operating from that premise.

These issues are exacerbated by the fact that there are two different calculation methods used when business rates are determined. Venues who have their business rates calculated by fair maintainable trade have, on average, a rateable value that is 18% higher than venues who have their current rateable value calculated by square meterage.<sup>18</sup> This leads to a high degree of variation within the business rates system, which leads to inconsistency, causing venues with similar characteristics of operation and location to be treated differently by the tax system.

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<sup>17</sup> Music Venue Trust (2021) *Budget Submission Report* - available on request

<sup>18</sup> Music Venue Trust (2021) *Business Rates Analysis Report* - available on request

The business rates system is, by design, a blunt taxation collection system which addresses the activity taking place at a premises purely through the lens of economic viability. This fails to recognise that GMVs are the Research and Development arm of the music industry, with the sector investing 125% of ticket money received on the delivery and promotion of music - a financially non-viable activity which is essential to the wider industry's long term viability.<sup>19</sup>

Their individual profit margin is negligible. Historically, GMVs have remained under commercial business structures due to the lack of support and financial means to convert to a not-for-profit model which better recognises the cultural output and activity taking place. With MVT's help the number of GMVs with a not-for-profit business model rose from 3% in 2015 to 31% in 2020.<sup>20</sup> We anticipate the continued rise in GMVs converting to not-for-profit status. This rapid growth in not-for-profit operators clearly demonstrates that most operators are motivated by cultural objectives rather than commercial motivations.

Additionally GMVs struggle to afford to pay business rates in city centres as they do not benefit from the increased footfall acuity a centre provides for businesses like retailers. Unlike retailers, GMVs can only have one gig limited by their capacity per evening. With the COVID-19 crisis exacerbating the decline of the high street, reform of the business rates system is needed to stimulate the economic revival of our high streets.

The existing Business Rates mechanism also penalises physical cultural space in comparison to digital space. GMVs are physical spaces in which talent and intellectual property is developed, created and showcased. The current business rates system places a tax on these physical spaces which is in no way replicated in digital and virtual spaces. This results in a taxation mechanism which does not meet the aims of fairness or equity.

The Government is currently conducting a consultation into reform of the rates systems. Music Venue Trust has submitted responses to this consultation alongside other industry bodies and has highlighted the challenges above. The proposed reforms as outlined in the consultation documents range from more funding to the Valuations Office Agency to more frequent reviews. However, the reforms so far proposed do not go far enough in redressing the fundamental inequalities inherent in the rates systems. Further policy solutions are needed that focus on the specific challenges noted above.

## **SOLUTIONS**

It is imperative that a bold reform of the Business Rates system takes place to redress the issues laid out in this submission and prevent a painful decline of the GMV sector as witnessed between 2007 and 2016. Music Venue Trust has a principal and a number of subsidiary recommendations to address these challenges. In the event that our principal recommendation cannot be achieved, our subsidiary recommendations work together to ensure that the principles of good tax design, including fairness,

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<sup>19</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>20</sup> *ibid.*



consistency, effectiveness and certainty, are better delivered within the current rates regime.

### **Principal Policy Recommendation**

#### **Exempt Grassroots Music Venues from Business Rates**

The current Business Rates system struggles to satisfy the principles of good tax design. Keeping GMVs within a system that does not achieve fairness is not equitable. The Treasury should therefore take this opportunity to remove GMVs from the business rates taxation mechanism entirely.

### **Subsidiary Policy Recommendations**

1. Extend the Grassroots Music Venue Discount offered in January 2020 for a significant period to allow the sector to recover from the impact of Covid

Relief should be made broader in order to target all GMVs. A 3 year moratorium on paying rates for all GMVs, including venues with a rateable value of over £51,000, will encourage the recovery of the GMV sector in the aftermath of the COVID-19 crisis. GMVs need an extended period of relief in order to combat the damage that COVID-19 is having on our sector's ability to trade. We are pleased that in the most recent budget this discount was included and we would urge ministers to consider extending this discount for a longer period to allow our sector to recover.

2. Create a specific relevant category for GMVs within the Business Rates Mechanism

Establish a sector specific category within the Business Rates framework for use by the Valuation Office Agency. The creation of a category for cultural usage that recognises the economic, cultural and societal contribution that GMVs provide would mitigate many of the inconsistencies of the current mechanism.

3. Reform Business Rates to establish a connection between payee and benefits

A reform of business rates so that there is a direct link between the payment of rates and tangible benefits that can be reinvested back into the GMV sector.

4. Mandate Rates Relief for Not-For-Profit Entities

All GMVs that have a not-for-profit structure should be able to access 100% rate relief. A failure to mandate this at a national level results in lack of equity and fairness within the Business Rates mechanism.

### **COST**

The current cost of the rates system to our membership is £22,236,474. This is the total value of all business rates paid by Grassroots Music Venues in 2019.<sup>21</sup>

Reform of the business rates section would go a long way in supporting places establish artistic infrastructure that was resilient and competitive. It would allow towns and cities to harness the power of physical infrastructure to support the development of artists by giving them places where they can hone their craft and build their fan bases.

## ***APPENDIX 3 - AIR QUALITY***

### **AIR QUALITY**

#### **THE CHALLENGES**

The challenges presented by airborne pathogens are of particular significance within Grassroots Music Venues as they are spaces where the public and local communities gather indoors to enjoy live music, displaying characteristics which, without mitigation, are associated with higher risk from airborne pathogens.<sup>22</sup>

In the aftermath of the pandemic Music Venue Trust has taken an interest in the growing body of evidence that suggests that airborne pathogen risks can be significantly reduced in public spaces with improved ventilation and air purification systems.<sup>23,24</sup>

Consistent scientific evidence has developed over the last 18 months which shows that viruses such as SARS-CoV-2 can spread by airborne transmission in enclosed spaces. The lack of any long-term public health investment into the GMV sector prior to the Covid-19 crisis has resulted in a significant challenge for our sector. GMVs are placed at a competitive disadvantage compared to other publicly funded spaces that have had the means to upgrade their air purification systems.

In general GMVs have not had sufficient financial means to invest in upgrading their air purification systems and therefore the systems that the sector currently uses are largely outdated and ineffective. In addition, 93% of GMVs are tenants with an average 18 months left on their tenancy. GMVs are hesitant to invest large amounts of money into a venue they might lose in the short term.<sup>25</sup>

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<sup>21</sup> Music Venue Trust (2021) *Business Rates Analysis Report* - available on request

<sup>22</sup> Zhang R., Li Y., Zhang A.L., Wang Y. and Molina M.J. (2020) Identifying airborne transmission as the dominant route for the spread of COVID-19. *Proc. Natl. Acad. Sci.* 117 (26) - Available at: <https://www.pnas.org/content/117/26/14857>

<sup>23</sup> Sun C. and Zha Z. (2020) The efficacy of social distance and ventilation effectiveness in preventing COVID-19 transmission. *Sustainable Cities and Society*, 62 (2020) - Available at: <https://www.sciencedirect.com/science/article/pii/S2210670720306119>

<sup>24</sup> Begs B. and Avital J. (2020) Upper-room ultraviolet air disinfection might help to reduce COVID-19 transmission in buildings: a feasibility study. *PeerJ* (2020) - Available at: <https://peerj.com/articles/10196/>

<sup>25</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

The impact of this is that our sector is at a disadvantage when public health is threatened by new airborne pathogens. As a result they have been less able to effectively mitigate the threats presented by airborne transmissions. This is a public health challenge; the principal long term beneficiaries of improved air quality in grassroots music venues is Public Health England, both economically and medically. Prevention is better than cure. There is no short term financial benefit to Grassroots Music Venues which would instigate action by these premises.

Given the magnitude of the Covid-19 crisis and its economic and social impact on the GMV sector, it is an appropriate and proactive exercise to consider how airborne transmission may occur within the Grassroots Music Venue sector, and the possible solutions that can lessen transmission in our venues to be better prepared for any future outbreak.

## **SOLUTION**

### **Principal Policy Recommendation**

#### Public Health Intervention in Upgrading Air Quality Systems

A major intervention in upgrading ventilation infrastructure within the Grassroots Music Venue sector across a 3-5 year period to address the public health issues associated with the existence of airborne pathogens in GMV's.<sup>26</sup>

The Supporting Grassroots Live Music<sup>27</sup> fund should be repurposed and redefined to support this policy.

### **Subsidiary Policy Recommendations**

#### A Proactive UK wide air quality audit in GMVs

A UK wide independent audit that assesses the scale of the issues and the effects of improved air quality and ventilation systems within the GMV sector on public health. Such an audit, if funded as a sensible first step in a wider public health intervention, is the most cost-effective and preventative way to reduce the range of potential risk from airborne pathogens, to explore mitigation measures and review the opportunities for coordinated interventions.

Any major public health policy needs reliable data and research to ensure the effectiveness of the intervention. We are requesting an independent audit of our sector to help provide it with that accurate information supporting a longer-term public health impact assessment into the need for enhanced ventilation in our venues. This is a highly specialised area of research and this type of expertise does not currently exist within our sector. In addition, the venues within the Music Venues Alliance vary

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<sup>26</sup> Music Venue Trust (2021) *Airborne Pathogen Audit Letter* - available on request

<sup>27</sup> <https://www.artscouncil.org.uk/funding/project-grants-supporting-grassroots-live-music#section-1>

considerably in size, structure, shape and capacity. An audit is the only effective way to identify enhanced ventilation measures that could meet the varying needs of our sector.

An independent audit would enable the UK to achieve a high level of pre-emptive protection against further airborne viruses reducing our future need for emergency reactive measures in the years to come, protecting lives, reducing the strain on our health services and saving the taxpayer money.

## **COST**

### **Installation**

- Air Filtration - at an average cost of £4,800 per venue, the network requires £4,454,400 to substantially reduce the risk from airborne pathogens
- Mechanical Ventilation (fresh air system) - at an average cost of £16,000 per venue, the network requires circa £15million to substantially reduce the risk from airborne pathogens

A mixed economy of Filtration and Ventilation is likely to be adequate for purpose and reflects the physical structure of differing premises and their ability to install different systems.

*Note: As a 5 year policy, using the Supporting Grassroots Live Music Fund to support this policy aim would generate £7.5million of potential funding and deliver this policy budget neutral.*

### **Audit**

In order to get a sense of the cost of such an audit, Music Venue Trust commissioned a paper auditing a GMV in London called 229.<sup>28</sup>

The audit cost £800 and helped establish a range of investments tailored to the needs of 229 that they could implement to improve the air quality of their venue. This research has been delivered to DCMS previously. The type of audit needed for our sector is not unprecedented, in fact, we have seen it used to great effect already within public health spaces such as GP surgeries and other health operations. It is time to build upon that existing work and integrate this learning into cultural spaces so that in the next 3-5 years we will deliver effective, sensible and managed improvements to public health within our Grassroots Music Venues.

MVT has a partnership with several independent assessment organisations that can carry out such audits. Depending upon the number commissioned, the price ranges from £400 to £800. This would mean that an audit of the sector would cost in the region of £366,800 - £733,600.

## **APPENDIX 4 - OWNERSHIP**

### **How can creative contribute to local decision-making and planning of a place?**

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<sup>28</sup> Enki Music (2021) 229 *Infection Control Audit Report* - available on request

Reforming how Grassroots Music Venues are owned would present a clear policy opportunity to place creatives at the heart of decision making and planning in their local area whilst simultaneously helping to build strong and resilient grassroots music venues for the long-term cultural benefit of the public.

## **Ownership**

### **CHALLENGES**

93% of GMVs are tenants, paying commercial rent to landlords who do not share their aims.<sup>29</sup> This puts operators in a precarious position, their future security a subsidiary consideration to landlords whose primary objective must be to maximise their investment. The existing private freehold owner/leasehold tenant model is thus a significant weakness and threat within the sector. It results in:

- Poor use of available resources resulting in under investment
- Lack of security, resilience and sustainability
- Less investment in British talent, intellectual property and training/apprenticeships
- Less investment in Britain's high streets and town centres
- Permanent loss of vital cultural spaces

The challenges of having to negotiate with landlords over repairs, rent rises and lease renewals impacts on the operator's ability to plan for the future and meet challenges such as ventilation, climate change, improving diversity and mental health. It is increasingly difficult to justify investing money back into the premises when your long term tenancy is not assured; the average amount of time left on a GMV's tenancy being just 18 months. A recent case study showed that venues who do not own their venue spend 15% of their total turnover on rent whereas GMVs who own their venue and pay a mortgage only spend 8% of their total turnover.<sup>30</sup> Venues have already maxed out their potential earnings, to increase their resilience and their ability to invest, their costs must be addressed and reduced.

This issue of ownership underlies almost every other challenge that GMVs have faced during the last twenty years; gentrification, noise complaints, under investment, poor economic model and an inability to plan for the future. This issue of ownership is a problem specific to GMVs and not to other cultural institutions (theatres, art centres etc) in the UK. GMVs do not have this issue in the EU or US.<sup>31</sup>

### **SOLUTION**

The UK has the potential to have the best grassroots circuit in the world, supporting new talent, investing in artists, investing in carbon neutral buildings, creating safe spaces, improving facilities like ventilation. To achieve that, we need to make a fundamental change to the ownership of these buildings.

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<sup>29</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

<sup>30</sup> *ibid.*

<sup>31</sup> Live DMA (2020) *The Survey: Live Music Venues & Clubs in Europe - Facts and Figures* - Available at: <http://www.live-dma.eu/wp-content/uploads/2020/01/Live-DMA-Survey-Report-Live-Music-Venues-data-2017-publication-January-2020-1.pdf>

Music Venue Trust has created a central Charitable Community Benefit Society, called Music Venue Properties, to address the need to remove venues from commercial ownership by purchasing the freeholds and renting them back to the current operators on a friendly lease. This benevolent property owner structure would achieve the same outcomes; reducing rents; making contributions towards insurance and repairs; offering rent breaks in the face of adverse conditions (such as a pandemic). This sustainable, profitable and community-led ownership model would support the GMV incubators that underpin Britain's £5.2bn music sector.<sup>32</sup> In addition, MVT will be encouraging Communities to acquire their local Grassroots Music Venue through Co-Operatives, Community Benefit Societies and other mechanisms which can issue Community Shares.

We are requesting that the government encourage private investment that supports this activity by:

1. Expanding the scope of the Community Ownership Fund
2. Optimising Social Investment Tax Relief so it can be offered to enterprises undertaking leasing and rental activity of premises hosting cultural performances

Changing the ownership model is a major opportunity which aligns the interest of freeholders, tenants, communities and artists. The existing constraints on usage of Social Investment Tax Relief arise from compliance to EU standards and practice. Brexit presents an opportunity for the government to consider how to optimise an existing policy and tax relief to address the specifics of Britain's culture and creative industries so that it specifically addresses circumstances and needs unique to the UK. Delivering this change strengthens the sector, providing:

- Protected Tenancies with greater resilience and sustainability
- Managed rent demands which reflect a shared purpose between landlord and tenant
- Opportunities for sector wide initiatives on access, diversity, and opportunity
- Focus of available resources on the primary purpose of a Grassroots Music Venue; research and development of, and investment into, new and emerging talent
- More resources to invest in local, community initiatives and plans for the future.

This request is complementary to, and will support the success of, existing government agenda and policies: Levelling up, Producing resilience, Supporting small towns and high streets, Leasehold reform and the DCMS The Culture White Paper 2016 (in particular section 4 Cultural Investment, resilience, and reform).

## **COST**

HM Treasury forecast an annual cost of up to £35million a year for Social Investment Tax Relief. In the first three years of operation it cost less than £2million, and attracted less than 100 applications.<sup>33</sup>

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<sup>32</sup> UK Music (2019) *Music By Numbers 2019* - available at: [https://www.ukmusic.org/wp-content/uploads/2020/08/Music\\_By\\_Numbers\\_2019\\_Report.pdf](https://www.ukmusic.org/wp-content/uploads/2020/08/Music_By_Numbers_2019_Report.pdf)

<sup>33</sup> Music Venue Trust (2021) *The Annual Survey* - available on request

The total estimated value of the Grassroots Music Venue freehold estate is £357.5 million consisting of 918 UK GMVs (of which 185 are in London), with an average property value of £389,428. Excluding London GMVs the average property value is £294,278 (total for 733 venues being 215.7 million). The average GMV property value in London is £770,317 (total for 185 venues being £142.5 million).<sup>34</sup> London presents some specific challenges to value and acquisition (including the high value of property and the location of operating venues within multi-function premises), which will require an alternative solution. Outside London, assuming a ten year project of acquisitions of the entire estate, the annual predicted cost of a 30% tax relief modelled on the existing Sitr would be £6,555,000, with a maximum total value of £65,550,000 across 10 years.<sup>35</sup>

### **Community Ownership Fund**

The Community Ownership Fund is a £150 million fund over 4 years to support community groups across England, Wales, Scotland and Northern Ireland to take ownership of assets which are at risk of being lost to the community.<sup>36</sup> The aims of the fund are fully aligned with the goals of Community Ownership presented by Music Venue Trust. However, access to the fund is limited to single interventions, i.e. on a premises-by-premises basis.

If the Treasury elected to amend the fund so that multiple projects could be considered within a single application, this would enable the sector to bring forward a comprehensive bid to the fund. The financial impact is budget neutral; amendment to the application criteria can achieve the purposes of the fund while supporting Music Venue Trust's Community Ownership initiative.

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<sup>34</sup> *ibid.*

<sup>35</sup> *ibid.*

<sup>36</sup> Ministry of Housing, Community and Local Government (2021) *Community Ownership Fund: Prospectus* - Available at: <https://www.gov.uk/government/publications/community-ownership-fund-prospectus/community-ownership-fund-prospectus>