

Written evidence submitted by #WeMakeEvents

#WeMakeEvents submission to DCMS Selection Committee inquiry: The future of UK music festivals

#WeMakeEvents welcomes the opportunity to respond to the DCMS Select Committee's call for evidence for their inquiry into the future of UK music festivals. Of the seven questions asked in the call for evidence, we have responded to those on which #WeMakeEvents has direct insight, which are:

- *What has been the impact of cancellations on local economies and those who derive income from festivals during 2020?*
- *What are the risks to festivals taking place in 2021 and beyond, and how can these be mitigated?*
- *What has been the impact of the temporary VAT cut and Culture Recovery Fund on festivals and their supply chains, and what else can the Government do to secure their futures?*
- *How has the structure of the UK festivals market evolved over recent years, and what has this meant for consumers, artists and the wider industry? What further changes might be anticipated?*

About #WeMakeEvents

#WeMakeEvents (<https://www.wemakeevents.com/>) is a voluntary organisation consisting of the supply chain to the live events industry. Most of these companies and freelancers work across multiple sectors, including festivals but also theatre, music, corporate events and almost any form of organised gatherings. Since the start of the COVID-19 pandemic we have been working with Government to identify the issues facing our industry, raise charitable funds and to help find creative solutions.

Consultation response

Executive summary

Before the pandemic, UK music festivals were world leading and a rapidly growing market. However, the cancellation of festivals in 2020 and inadequate support for the sector during the last eight months has left us on a cliff edge.

The 2021 festival season must go ahead or there will be a profound and long-term impact on the live event supply chain – waiting until 2022 for festivals to restart will be too late.

In many EU countries, governments have provided a level of support to their live event supply chain that means they can survive while they cannot work. Unless urgent action is taken to support the UK live event supply chain adequately and reopen live events as soon

as possible, it is likely that many of the large-scale festivals in future will have to rely on live event supply chain businesses and workers from the EU.

Whilst some issues are specific to festivals, the whole live events sector is in the same perilous state and needs broadly the same measures from Government if it is to be viable, and able to recover once live events can reopen. #WeMakeEvents' recommendations to the Government to ensure this is possible are:

1. Government-backed insurance for live events, including festivals, that have to cancel due to COVID-19. Including:
 - Coverage must extend to the full live event supply chain, not just cover the direct liability of organisers
 - As socially distanced live events are not economically viable, the insurance must be payable if either an event needs to be fully cancelled or is subject to reduced capacity due to changes in Government social distancing restrictions
 - Insurance should also be payable if a key act tests positive for COVID-19 and therefore, cannot perform
2. Work with the sector to pilot full-capacity live events that utilise rapid lateral flow COVID-19 tests to ensure safety of attendees and staff
3. DCMS and Arts Council England should consider how future phases of the CRF can be designed to ensure support reaches the live event supply chain
4. Backdated and ongoing financial support through SEISS for freelancers, self-employed and company directors in the live events sector who have been partly or fully ineligible for SEISS or JRS so far
5. Support to ensure that live event supply chain businesses remain solvent:
 - Remove the requirement for employers to pay ENICs for staff on furlough
 - Rates relief for live event supply chain businesses in line with relief available for businesses that are officially closed by Government social distancing restrictions
 - Grants to cover fixed overheads including rent, insurance, interest on finance agreements and building running costs
 - Long-term repayment periods on CIBLS and BBLS, and access to further credit:
 - Extend the payment free period of CBILS by an initial 6 months, to be further reviewed if necessary
 - Double the planned repayment periods backed by the Government and require banks to offer extended repayment options
 - Introduce a new lending scheme backed by match funded grants with extended payment terms and allow existing CBILS to be incorporated into the new scheme
 - Allow BBLS to be converted to tax liability loans with repayment thresholds in line with student grants
 - Offer new BBLS with wider availability as tax liability loans with repayment thresholds in line with student grants
6. Three-year extension to the reduced cultural VAT rate on tickets in line with DCMS recommendations

Question 1: What has been the impact of cancellations on local economies and those who derive income from festivals during 2020?

The cancellations of festivals, and live events more widely, in 2020 has devastated the whole live event supply chain.

Effectively unable to operate for over eight months and seeing no revenue from festivals in 2020, live event supply chain businesses have seen their revenue plummet to a fraction of pre-pandemic levels, with most seeing a fall of well over 90% – and many reporting that they have brought in just a few percent of what they would have in previous years.

Examples from our members of the impact on live event supply chain businesses include:

- SSE Audio, who are based in Redditch and provide audio services to live productions, including most of the major UK festivals, brought in £14.6 million in April to October 2019. In the same period this year, they brought in just £505,500, a fall of almost 97% in revenue
- Adlib, who are based in Liverpool and Scotland and provide sound, lighting and visual solutions for the live event sector, brought in £6.1 million in April to September 2019. In the same period this year, they brought in just £284,000, a 95% fall in revenue
- Neg Earth Lights, the leading independent, London based, entertainment lighting and rigging hire company, brought in £14.3 million in April to September 2019. In the same period this year, they brought in just £750,900, a fall of 95% in revenue

Even though there have been almost no live events to work on since March, live event supply chain businesses are still considered by the Government as *technically* able to operate. This means they have been barred from schemes designed to support businesses that are unable to operate due to Government social distancing restrictions. Discretionary funds, such as the CRF and grants channelled through local authorities are also failing to reach these businesses, with just 3.5% of CRF distributions so far going to live event supply chain businesses. JRS and the Furlough scheme have been very valuable to so many businesses but with such a devastating drop in revenue, a huge proportion of event industry businesses are unable to continue to afford their other overheads, i.e. those that are over and above salary costs covered by JRS and Furlough. It is hoped that the Additional Restricted Grant may offer some support to live event supply chain businesses through local authorities, but until this scheme was introduced, feedback from our members has been that little or no support has been available through their local councils. .

This has meant the freelancers and the self-employed that work for those businesses have seen their employment – and therefore their income – dry up to a similar extent. With many excluded from JRS and SEISS, they have been left unable to sustain themselves.

The result is that many businesses are in serious and likely terminal financial difficulty, and many highly-skilled freelancers and self-employed people are having to resort to trying to find new careers to give themselves some financial stability. As a result, the live event supply chain is being rapidly and perhaps irreversibly decimated.

Question 2: What are the risks to festivals taking place in 2021 and beyond, and how can these be mitigated?

Putting on a festival requires a huge upfront financial investment and many months of laborious preparation – for example, planning for Reading Festival begins within days of the previous year’s festival finishing. This carries risk most notably for the organisers and investors, but also right through the supply chain. If Government social distancing restrictions are still in place or reintroduced during the 2021 festival season, then that financial investment is likely to be completely lost. The sector cannot afford to take that risk right now.

Rapid lateral flow COVID-19 tests and the likelihood of a COVID-19 vaccine rollout starting imminently, mean it should be possible for a full-capacity festival season to take place this year safely. However, it is not a given that a vaccine will be rolled out to a level by the spring that means a festival season can safely go ahead and rapid lateral flow testing on the required scale will only work if preparations begin now. Therefore, Government must:

- **Work with the sector as soon as possible to pilot full-capacity live events that utilise rapid lateral flow COVID-19 tests to ensure safety of attendees and staff**

However, it is not guaranteed these advances will be in place in time and deliver the required levels of protection.

Whilst any uncertainty remains, the live event supply chain cannot afford to start work on festivals because of the losses they would incur if they were forced by Government social distancing restrictions to cancel. The model on which festivals operate is that the live event supply chain takes on much of the upfront investment in wages and equipment, this is recovered if the festival goes ahead but if it is cancelled, the live event supply chain bears this loss.

Even if festivals are not completely cancelled but instead are permitted to take place in a socially distanced manner, the impact would still be disastrous for the live event supply chain for two reasons.

Firstly, in practice, a socially distanced festival is impossible. Anyone who has ever stepped foot in a festival will know that, even if overall capacity were reduced, attendees would still find themselves in close contact for much of the time. It is not only attendees that would find social distancing impossible, the nature of the role of the live event supply chain requires fast-paced work in confined spaces, meaning real social distancing is just not going to happen.

Secondly, to be economically viable, festivals will need to operate at full capacity. A pilot run in July by LW Theatres found that to break even a theatre needed to operate at over 70% capacity, this would be broadly the same for festivals. Therefore, a festival at 50% capacity (in line with current Government guidance) would be heavily loss-making. A big contribution to festival promoter’s income is revenue from concession holders who service the event selling principally food and drink, but also funfairs and clothing / camping suppliers. These people pay a premium price for the best sites, but it’s all based on footfall and the total

attendance. 50% capacity thus equals 50% concession income, whilst the overall infrastructure costs of temporary roadways, fencing, security etc etc remain at 100%.

With festivals needing to commit to going ahead or not in early-2021, the only way that a 2021 festival season will take place is if there is Government-backed insurance for cancellation of festivals due to COVID-19. Therefore, Government must provide:

- **Government-backed insurance for live events, including festivals, that have to cancel due to COVID-19. Including:**
 - **Coverage must extend to the full live event supply chain, not just cover the direct liability of organisers**
 - **As socially distanced live events are not economically viable, the insurance must be payable if either an event needs to be fully cancelled or is subject to reduced capacity due to changes in Government social distancing restrictions**
 - **Insurance should also be payable if a key act tests positive for COVID-19 and therefore, cannot perform**

One further risk that is emerging currently is a potential lack of skilled freelancers and self-employed to do the required work for a 2021 festival season.

Many freelancers, self-employed and directors of small businesses in the live event supply chain have been excluded partly or fully from SEISS or JRS. With no live events able to take place for over eight months, they have been forced to find roles in other sectors to sustain themselves.

Those new roles are often not flexible, i.e. they cannot do a few days of work on a festival and know they will have their new job in another sector to go back to. Therefore, many of those that organisers are relying on to make festivals in 2021 happen are being forced to decline offers of work until they know the sector is back at a capacity which means they can sustain a living from it.

This creates a catch-22 situation. Festivals will not be able to get back to capacity if they cannot secure the skilled people that are needed to make them happen, which will stop the sector getting back to pre-COVID levels, which will mean it is unviable for those highly skilled people to return to the sector.

Therefore, it is vital that the Government provide:

- **Backdated and ongoing financial support through SEISS for freelancers, self-employed and company directors in the live events sector who have been partly or fully ineligible for SEISS or JRS**

Another very real threat to the 2021 festival season is that many live event supply chain businesses will fail before the season begins. With full-capacity (and therefore, financially viable) live events unlikely to begin before the late spring and many businesses already in serious financial difficulty, feedback from companies in the supply chain to live events is that many do not see how they can last until they can operate again. Therefore, the Government must:

- **Support to ensure that live event supply chain businesses remain solvent:**
 - **Remove the requirement for employers to pay ENICs for staff on furlough**
 - **Rates relief for live event supply chain businesses in line with relief available for businesses that are officially closed by Government social distancing restrictions**
 - **Grants to cover fixed overheads including rent, insurance, interest on finance agreements and building running costs**
 - **Long-term repayment periods on CIBLS and BBLS, and access to further credit:**
 - **Extend the payment free period of CBILS by an initial 6 months, to be further reviewed if necessary**
 - **Double the planned repayment periods backed by the Government and require banks to offer extended repayment options**
 - **Introduce a new lending scheme backed by match funded grants with extended payment terms and allow existing CBILS to be incorporated into the new scheme**
 - **Allow BBLS to be converted to tax liability loans with repayment thresholds in line with student grants**
 - **Offer new BBLS with wider availability as tax liability loans with repayment thresholds in line with student grants**

Question 3: What has been the impact of the temporary VAT cut and Culture Recovery Fund on festivals and their supply chains, and what else can the Government do to secure their futures?

CRF was touted as a solution to our industry's problems, and while it has undoubtedly been a lifeline for some, the live events supply chain was poorly served by it – with huge numbers of people applying but receiving no support, and many others not even applying because the criteria excluded them. In the first phase of CRF grants, just 3.5% were awarded to the live event supply chain.

If the CRF is going to have a meaningful impact on the live event supply chain:

- **DCMS and Arts Council England should consider how future phases of the CRF can be designed to ensure support reaches the live event supply chain**

The VAT rate reduction to 5% for live cultural event ticket sales is welcome. However, with live events, including festivals, unable to take place currently, this is not having the intended impact on the sector. Therefore, the Government should allow a:

- **Three-year extension to the reduced cultural VAT rate on tickets in line with DCMS recommendations**

Question 4: How has the structure of the UK festivals market evolved over recent years, and what has this meant for consumers, artists and the wider industry? What further changes might be anticipated?

The most notable trend in the UK festival market in recent years is the rapid growth of the sector – for example, a 2019 Mintel report¹ estimated the value of the UK music festivals and concerts market to be worth just over £2.6 billion in 2019, up from £2.46 billion in 2018.

This has seen big steps forward in the technical complexity that UK festival goers expect. For example, SSE Audio, who are based in Redditch and provide audio services to the many UK festivals, has seen their level of capital expenditure on new equipment and technology rise from 26% of gross income in 2010 to 39% in 2019.

As the UK live event supply chain was world leading going into the pandemic, this was achievable and enabled this rapid growth in scale and sophistication.

Consumer demand for the breadth and quality of UK festivals will remain when they can safely restart. However, the UK live event supply chain has been severely impacted by the insufficient Government support while live events have been unable to take place. As a result, the sector may not be able to meet pre-COVID demand and expectations.

The result will be that festival organisers may have to rely on live supply chain businesses, freelancers and self-employed from countries where governments have provided the support that has avoided decimation of their live event supply chain. If this is not possible, then it may be that the UK festival sector unnecessarily shrinks or drops in quality.

Therefore, the Government needs to provide adequate support for the UK live event supply chain so it can survive intact until live events, including festivals, can safely reopen. This must include:

- **Backdated and ongoing financial support through SEISS for freelancers, self-employed and company directors in the live events sector who have been partly or fully ineligible for SEISS or JRS**
- **DCMS and Arts Council England should consider how future phases of the CRF can be designed to ensure support reaches the live event supply chain**
- **Support to ensure that live event supply chain businesses remain solvent:**
 - **Remove the requirement for employers to pay ENICs for staff on furlough**
 - **Rates relief for live event supply chain businesses in line with relief available for businesses that are officially closed by Government social distancing restrictions**
 - **Grants to cover fixed overheads including rent, insurance, interest on finance agreements and building running costs**
 - **Long-term repayment periods on CIBLS and BBLS, and access to further credit:**
 - **Extend the payment free period of CBILS by an initial 6 months, to be further reviewed if necessary**
 - **Double the planned repayment periods backed by the Government and require banks to offer extended repayment options**

¹ <https://www.mintel.com/press-centre/leisure/raving-mad-uk-music-festival-attendance-at-highest-level-in-four-years>

- **Introduce a new lending scheme backed by match funded grants with extended payment terms and allow existing CBILS to be incorporated into the new scheme**
- **Allow BBLs to be converted to tax liability loans with repayment thresholds in line with student grants**
- **Offer new BBLs with wider availability as tax liability loans with repayment thresholds in line with student grants**