

Written evidence submitted by HQ Theatres

EVIDENCE SUBMISSION – IMPACT OF COVID-19 ON DCMS SECTORS

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1. ABOUT HQ THEATRES & HOSPITALITY

HQ Theatres & Hospitality is a UK-based regional theatre/venue operator. The company manages 12 theatres and live entertainment venues on behalf of local authority partners; delivering high-quality, cross-genre arts and entertainment programmes as well as a wide range of community events and other related activities.

All HQ venues are ‘presenting houses’ – that is to say they present a mixed programme of touring content delivered by visiting producers; and do not produce shows professionally in-house.

Theatres and venues managed by HQ, with their seating capacities are as follows:

Cliffs Pavilion, Southend	1,657
Churchill Theatre, Bromley	781
Orchard Theatre, Dartford	956
G Live, Guildford	1,031
Wycombe Swan, High Wycombe	1,076
Lyceum Theatre, Crewe	677
Beck Theatre, Hayes	600
White Rock Theatre, Hastings	1,066
Wyvern Theatre, Swindon	635
Swindon Arts Centre	224
Palace Theatre, Westcliff	603
Watford Colosseum	1,392

The company has been operating successfully since 2006.

2. WHAT HAS BEEN THE IMMEDIATE IMPACT OF COVID-19 ON THE SECTOR?

- The immediate closure of all venues; and cessation of all activities for an unknown period.
- Cancellation and/or rescheduling of a huge number of performances and other events.
- Collapse of all trading income: ticket sales, ancillary/secondary spend and hire income.
- Immediate demands for cash reimbursement from customers; even where events are being rescheduled.
- Responding to these demands for refunds in line with current consumer rights legislation would render the company insolvent.
- Furloughing of majority of staff – leaving limited resources to deal with customer requests.
- Widespread uncertainty amongst customer base, reducing bookings for future shows to almost zero.
- This will doubtless mean the sector takes longer to recover than most due to reliance on future bookings.
- Knock on impact on confidence levels amongst third-party producers – cautious approach to future

programming decisions.

- Severe and immediate cash-flow problems, requiring us to consider carefully before payments are released to suppliers and other creditors – plus knock on impact of those decisions elsewhere in the sector.
- Financial and resource impact on Local Authority partners - many of whom want to provide support but do not have the resource or capacity to do so.
- Significant and immediate concerns about the wellbeing and welfare of all our people on furlough and the need to provide swift but remote access to support.
- Complex (and in many case historic) buildings such as theatres need regular and specialised care and maintenance. A prolonged period of hibernation risks business critical deterioration of the fabric of the buildings. The scale of this will only be realised when the venues reopen.

3. HOW EFFECTIVELY HAS THE SUPPORT PROVIDED BY DCMS, OTHER GOVERNMENT DEPARTMENTS AND ARMS-LENGTH BODIES ADDRESSED THE SECTOR'S NEEDS?

- Guidance from DCMS has been relevant and reasonably timely.
- Frequent and timely engagement with the industry using a variety of different means (conference calls, surveys, 1-2-1 calls) has been welcomed.
- There is a need for clarity on the refund situation. As above, providing cash refunds to customers in line with consumer rights legislation would render the company insolvent.
- We urge the DCMS/government to follow the example set elsewhere in Europe allowing organisations to legitimately provide refunds via voucher credit in these extraordinary circumstances.
- The prompt introduction of the Job Retention Scheme enabled our organisation to move relatively quickly to furlough all but a small business critical team and was vital in ensuring that an initial survival phase could be managed. The JRS salary cap has meant some hardship (albeit more modest than other scenarios) for employees being furloughed from the more specialist and managerial, higher paid, positions.
- Due to a generally high dependency on casual working in our sector the adaptation of furlough arrangements to include these staff was also critical for survival and recovery.
- The organisation has topped up furlough payments in some cases which, together with the bankrolling of payroll prior to the recovery of JRS salary costs from the government, has negatively impacted on our cash position at a time when most incoming revenues have ceased.
- The sustainability of this situation is very dependent on the swift implementation of the JRS payment portal and the recovery of furloughed staff costs.
- There is greater concern within our sector for the survival of producers, creatives, freelancers and artists who cannot be furloughed and for whom very little government support appears to be forthcoming. This group of people are fundamental to the creation of 'product' and are therefore vitally important to the recovery and prosperity of the sector.

- Our business is dependent (to a greater or lesser extent and subject to specific venue by venue funding arrangements) on our partnerships and funding from Local Authorities. The LA's appear to be relatively slow to respond to emergency government relief measures, although there are signs that supplier relief funding opportunities may be available.
- This is critical for our organisation to continue to manage this survival stage and to protect precious LA assets (the theatres and venues) from physical deterioration, security breaches and compliance related maintenance during the lockdown period.

4. WHAT WILL THE LIKELY LONG-TERM IMPACTS OF COVID-19 BE ON THE SECTOR, AND WHAT SUPPORT IS NEEDED TO DEAL WITH THOSE?

- For the period from March until September 2020 the impacts are obviously unparalleled and catastrophic.
- It looks increasingly likely that a number of theatres (regardless of trust, LA or commercial operation) will close permanently in the short to mid-term.
- There will be many predictable contributory factors including current cash flow impacts, the loss of all revenues with some compounded by cash strapped LA's removing subsidy funding.
- Others will close due to mutually agreed force majeure contract clauses being executed to terminate management arrangements due to non-viable operating conditions.
- Aside from venue closures, it is currently unclear exactly how severe the impact will be on venues that open in Q3 & Q4 (Sep-Mar 2021).
- This is due to the huge uncertainty around the timing of any possible relaxation of lockdown measures and social distancing controls applying to places of entertainment.
- Current media reports are painting a gloomy picture insofar as the realistic chances of a return to any sort of normality for the sector this year.
- There is a high degree of uncertainty amongst artists, producers and promoters that is leading to conservative new tour and rescheduled event planning.
- Early indications suggest that larger tours (higher risk) are moving into mid-2021 at the earliest, whilst smaller shows maybe more likely to 'risk' an autumn 2020 date in terms of planning at this stage.
- All of the above will be determined (or at least impacted by) the end-users appetite to start buying tickets again. Consumer confidence (as informed by the media / government) will be critical in the coming weeks.
- It seems inevitable that the latter part of 2020 will see only a very modest recovery for surviving venues, if at all.
- Trading levels across all theatre/entertainment business areas (tickets, hires, retail and hospitality) will be significantly impacted.
- Into 2021 and assuming normal social conditions for the sector, it is likely that surviving venues will see more 'normal' trading with the resumption of most tours and with normal product availability.

- It is likely that the current lack of investment in new content (largescale theatre etc) will impact on the breadth of programming opportunities in 2021 / 22 as seen after the economic crash of 2008.
- The creative arts sector is going to need long-term financial support via grants, payroll protection, business rates relief, NI holidays etc. in order to survive.
- The longer our industry is 'closed' the greater the risk we lose skilled workers to other industries in order to secure work.
- If these workers are lost from the creative arts and live entertainment industry permanently, we will see a skills shortage continue for a long time on the other side of this crisis.
- Providing funding for on-going training and upskilling will assist in retention of these personnel.
- Relaxing of Local Government procurement frameworks so commercial operators can quickly re-engineer the commercial arrangements they have with their local authorities in order to secure commercially sustainable partnerships would be beneficial.
- Commercial operators have been responsible for introducing and delivering zero subsidy models which have reduced/removed the cost of providing these services while providing better services to the communities they serve.

5. WHAT LESSONS CAN BE LEARNT FROM HOW DCMS, ARMS-LENGTH BODIES AND THE SECTOR HAVE DEALT WITH COVID-19?

- The initial 'avoid large gatherings' advice given by the PM at 5pm on March 16th – lacked clarity and was made public without proper consideration of the sector's needs.
- Many venues had performances happening that evening; artistes were on site and customers were preparing to travel or were en route.
- A greater degree of advance notice to industry bodies (even 24 hours, as was the case with retail businesses) would have been helpful in avoiding the panic and uncertainty.
- It was then several days before clarity was given that venues should definitely be closed.
- Moves to clarify the situation regarding customer refunds are still required. A united voice across the sector with support on this issue should be led by the DCMS/government; preferably following the examples from Germany and elsewhere in Europe.

6. HOW MIGHT THE SECTOR EVOLVE AFTER COVID-19, AND HOW CAN DCMS SUPPORT SUCH INNOVATION TO DEAL WITH FUTURE CHALLENGES?

- Redesigned venues to better accommodate social distancing measures.
- Enhanced sanitation provision / washrooms in existing buildings and new-build design.
- The gap between well-funded and struggling venues in terms of service, competitiveness and customer

experience will have widened during the crisis.

- DCMS grants for venue customer experience improvement projects; and for audience re-engagement/development programmes.
- Drive to implement accessible technologies to increase online and remote ticket purchasing for audiences not generally using online channels previously.
- Pump priming funding to encourage producers and artists to tour.
- Resilience funding for LA's to direct to non-statutory services to ease the financial strain on less commercially viable venues in locations where there is under-provision for culture arts and venues.
- An industry wide, collective strategic response to the longer term impact of COVID-19 coordinated and supported by DCMS; ensuring the creative arts industry is suitably funded, the benefits the sector delivers are widely understood and that local provision is maintained - and not considered a discretionary service.