

Written evidence submitted by Theatres Trust

DCMS Committee Enquiry into the Impact of Covid-19

Introduction to Theatres Trust

Theatres Trust is the national advisory body for theatres. We believe that current and future generations should have access to good quality theatres where they can be inspired by, and enjoy, live performance. We champion the future of live performance, by protecting and supporting excellent theatre buildings which meet the needs of their communities. We are a statutory consultee within planning and we work with communities, theatre operators and local authorities to help build, improve and protect the UK's theatres.

What has been the immediate impact of COVID-19 on the sector?

Following the government's announcement that called for audiences to avoid gatherings such as theatres on the 16 March, theatre operators interpreted this as an instruction to close immediately and they will be dark until the government permits large groups assembling again.

In the UK there are over 1,000 theatres of which at least 581 are charities. Analysing the latest set of charity accounts, we estimate that approximately 35% of theatre charities have less than one month's reserves and 59% have less than 3 months reserves. The Job Retention Scheme will reduce some demands on these reserves but with theatres refunding substantial amounts in advance ticket sales which are usually used to cash flow operations and with ongoing building overhead costs, we are concerned that a large number of theatres will not have the cashflow to survive. Theatres Trust is also concerned that if the Job Retention Scheme is withdrawn without additional support to aid theatres through the transition of reopening, many more theatre organisations will not be able to survive.

Public funding has continued for arts council funded organisations and some local authority venues but, even in these theatres, subsidy regularly accounts for under 30% of revenue. With all other revenue streams absent or declining in this period, this alone will not secure theatres' survival. The Institute of Fundraising is projecting a loss of 48% of voluntary income for charities so charitable giving is also likely to greatly impact theatres' financial position.

Closure of theatres results in a near total loss of income for these businesses who rely on ticket sales and hospitality spending. Most have had to cease operations and furlough their workforce. Some charitable giving has helped to keep theatres with a strong existing donor base receiving income to replenish reserves but most will see a decline in charitable giving over the following months.

The Job Retention Scheme has been vital for the survival of theatres during the lockdown period with 65% of theatres taking up the scheme according to UK Theatre. Front of house and performance related staff can be furloughed full time without problem but for theatres

to maintain an audience and be ready for eventual reopening, there is a continuing although reduced role for specialist staff.

The Rateable Value linked retail, hospitality and leisure grants contribute towards the overheads for those theatres with a Rateable Value under £51,000, that the Job Retention Scheme does not and are an essential part of the survival package in these first months of shutdown.

The CBILS scheme is not a viable option for the majority of theatres. As outlined above more than half of theatres are charities and with the exception of some of the larger commercial chains, most theatres operate on very narrow margins with little prospect of generating the levels of profit needed to repay a business loan. It is for this reason that in a recent survey undertaken by UK Theatre 87% of theatres said they would not be accessing CBILS.

While the Bounce Back loans policy is new and it is not clear the level of take up in the industry, it faces the some of the same challenges of the CBILS. Many theatres will be reluctant or unable due to their governance arrangements to take on debt when it is unclear where the future revenue will come from. If theatres have a clear understanding of the reopening plan then they could make use of this scheme to support cashflow during the transition out of the Job Retention Scheme prior to reopening the buildings but without an understanding of the reopening plans or the details of the scheme, it is not yet clear whether this scheme will be suitable for this purpose.

The theatre industry relies on freelancers, as technicians, producers, actors, designers without a rich pool of freelancers the industry could not survive and continued support of self-employed people in this industry.

The furloughed theatre workforce is a talented and experienced group of people who under the existing terms of the Job Retention Scheme are not being used. We would be keen to see more volunteering opportunities for furloughed workers both within our sector and beyond it. Perhaps a sharing scheme where furloughed workers can volunteer to apply specialist skills to offer some support for other organisations in the industry.

Theatres are complex buildings and many are historically significant heritage assets. Prolonged closure without proper supervision, maintenance and upkeep could cause these buildings to require expensive repairs to their fabric prior to reopening and Theatres Trust are encouraging theatre operators to keep maintenance measures in place however the furloughing of key staff presents a challenge.

How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?

The support the government have offered businesses and self-employed people has been essential in the face of this crisis. If not for these measures, most theatres would have closed their doors permanently already. As lockdown for theatres continues further measures will be required.

The advice for the public to avoid theatres without instructing theatres to close caused a high degree of uncertainty in the sector and required individual operators to make decisions independently. The statement was given two hours before many theatres would be opening their doors for that evening's performances which put audience members and theatre operators in a very difficult position.

The speed of the support from national arts councils has been welcomed. Arts Council England released a statement on 15 March, this early reassurance and outlining of plans was appreciated by the sector. Wherever possible early announcement of measures is preferred even if the details will follow over a longer period. While the initial response was fast but the ability to roll out these programmes quickly has been challenging. These are emergency funds vital to the survival of many arts organisations and practitioners. While welcome and essential, Arts Council England's organisation support is unlikely to be able to fund all of the eligible organisations with a track record of public funding which includes those presenting and producing national lottery and local authority funded art. ACE is offering up to £35,000 to organisations, funded at the maximum amount this could support less than 1500 organisations, less than receive national lottery grants in the past year. We expect further funding to be required to avoid a substantial loss of theatres nationwide.

The Job Retention Scheme has been vital for the survival of theatres during the lockdown period. There are a few issues with the Job Retention Scheme which could be revised to better support the theatre industry through a long closure period.

Around 12% of theatres operate with regular arts council funding and a further 18% are operated by or on behalf of local authorities. There is a lack of clarity on which of these organisations can claim. Misunderstanding of the impact of public funding towards core costs, which are not directly for specific salaries but to cover overheads generally, have made some organisations believe that they are ineligible. Some leisure trusts for example, have released zero hours and fixed contract staff claiming they cannot be furloughed. Those theatres that are directly operated by local authorities are an exception to the expectation that local authorities will not furlough their staff. While we welcome reassigning of staff where they can support the responses to the crisis, where that is not possible theatre staff should be furloughed under this scheme.

The Job Retention Scheme is designed to support organisations that cannot operate under current conditions but protect those employees for a future reopening. Theatres are a prime example of the kind of business it is intended to protect, it is the lifeline for those theatres that are claiming it but further clarity for those venues in receipt of some public subsidy would be appreciated.

One particular condition that has been problematic for theatre organisations we have supported who are undertaking capital projects is avoiding the appearance of double funding. They may have received additional public funding towards current projects which means the value of public subsidy and JRS funding may push their income beyond their usual level. They do not want to give the impression of double funding and are genuinely claiming staff costs for furloughed workers but the guidance is not clear for them.

Front of house and performance related staff can be furloughed full time without problem but for theatres to maintain their buildings, prepare for reopening and continue a relationship with audiences, the permission for part time working within the Job Retention Scheme would put the sector on stronger footing for a reopening.

The Rateable Value linked Retail, Hospitality and Leisure Grants contribute towards the overheads that the Job Retention Scheme does not. At the Artrix in Bromsgrove, which has been the first theatre to fail as a result of COVID-19 closure, the management estimated a cost of £10,000 per month to keep the theatre dormant but the theatre's rateable value of £61,000 made them ineligible for the relief grant. A £25,000 grant would have supported this theatre through the closure period and saved it from administration.

Currently over 300 theatres are excluded from the grant programme, Theatres are by design large buildings in town centre locations and have a higher rateable value than other leisure and hospitality organisations of a similar scale of operation. Most theatres run on tight margins and although the auditorium represents a large part of the building's 'footprint', for many 'receiving theatres' income from ticket sales makes a relatively small impact on their operating budget with the majority paid over to visiting companies. Using Rateable Value as a proxy to assess the scale of these businesses and their level of resilience does not work for theatres and we would propose an increase in the limit, potentially targeted at cultural venues or venues operated by charities.

What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?

Theatres Trust anticipates closure of a significant proportion of theatres and will be working to protect theatre provision across the UK. This erosion of cultural infrastructure could have long lasting impact on access to the arts, careers in the creative sectors and the UK's position as a world leader in this sector and as a major contributor to tourism. The theatre sector relies on networks of venues to support tours and spread the risk of productions. The past ten years have seen a rise in co-productions which will not be proceeding if there are fewer partners to produce with.

The devastating effect of this crisis on the sector is not specific to any particular scale of theatre. The large theatres may be more likely to have larger reserves but also have higher costs that continue through the crisis, the smallest theatres may not have a staff to furlough but still have costs to meet. Rebuilding the theatre sector and access to live performance and public confidence will be a long project.

In a phased reopening of the UK economy it is likely that theatres will be amongst the last businesses to reopen. As long as restrictions remain in place support for theatre organisations will be required including payroll protection, grants for overheads and support for the reopening costs.

Careful consideration for the transition period will be required. It could take 1-2 months to reopen a theatre following a prolonged closure; shows need to be prepared, tickets marketed and buildings adapted for whatever the new hygiene requirements are. We

anticipate a challenge for theatres with limited reserves looking to staff their theatres for the period of time immediately prior to reopening and would look for the government support to continue to support cashflow in this period.

The Christmas period is a critical period for the industry, with pantomime the most highly attended production of the year. Many theatres already have their Christmas show on sale at the box office. The significant production costs of pantomimes are also one of the biggest non-staffing expenditures. Theatres are projecting audiences to be down as a result of public uncertainty. If pantomimes are to be cancelled this year then theatres require as much notice as possible otherwise they risk large expenditure without a hope of recouping. If theatres are reopened prior to December then there is concern that a secondary shutdown could lead to higher losses and further loss of confidence from theatre attendees. An indication of the government's exit strategy is essential.

Theatres are attempting to model scenarios for reopening but without guidance on potential routes it can be challenging to understand the likelihood of different approaches. Even if the government is able to announce an earliest possible date for the resumption of large gatherings, subject to later revision, this would be invaluable in future planning and would ensure that theatres are not investing time and resources in planning and selling tickets for productions which ultimately they have to cancel and refund.

Theatres Trust anticipates that even after reopening, theatres will face significant financial difficulties and we believe that we will see further closures if government and other support is withdrawn straight away. We believe there needs to be a phased withdrawal of support through the first 6-12 months following reopening.

Opening theatres at around 25-30% capacity if social distancing measures are required at the time of opening will be unviable for many if not most theatres. We are also concerned about the public's willingness to attend theatre in the event of reopening. Even if told it is safe to do so and additional hygiene measures are in place, we expect a decline in attendance over the initial months of reopening. A recent [survey of theatre audiences in the UK](#) shows that only 20% would return to theatres straight away after reopening and a similar [survey in Washington DC](#) identified that 49% of audiences would wait a few months before returning to theatres.

Theatres will need additional support to survive, even subsidised organisations, usually with less than 30% of income from public sources, do not receive sufficient funding to continue with severely reduced attendances.

While recorded productions have been a popular source of entertainment during lockdown, they do not generate sufficient revenue to finance production and are being shown at a loss by most theatres. It is encouraging that this may prove a secondary source of revenue for more theatres but it will not replace the primary income from live experiences and theatregoers.

Where operators fail, theatre buildings will revert to the freeholder. In most cases this is the local authority. Local authorities will have broad draw on their resources and theatre

provision is not a statutory service so Theatres Trust are concerned that theatre buildings will remain dormant and the building condition will deteriorate. Local authorities will require support to get these buildings open again either through management contracts, new charities or self-operation. Theatres with freeholds in private ownership will be at higher risk of demolition and redevelopment and Theatres Trust will be campaigning through the planning system to protect theatre use in these buildings.

Where theatre buildings fall empty as a result of business failure during this crisis or indeed during the recovery period, it will be vital to find ways to protect them from both physical deterioration and from proposals either to demolish or convert them to other use. This will give the sector time to recover and for new operators to come forward so they can return to their essential creative placemaking and community role.

Longer term it will also be important to ensure that all theatres are able to invest in the upkeep and improvement of their buildings. Arts Council England has recently launched a new 10 year strategy and has redirected all of their discretionary funding and reserves to the COVID-19 response. This could reduce the availability of capital funding for the sector throughout the next 8 years. The National Lottery Heritage fund and other funders have similarly spent strategic funding that might have been directed towards the needs of theatre buildings to this crisis response. Our sector research indicates over £1billion of required capital spend in UK theatres over the next 5 years and while these major funders are not the sole source of funding for these works, their support often unlocks funding from other trusts and foundations.

Theatres already operate fragile operating models. Those that survive this crisis will have depleted reserves and may not have the same ability to invest in innovative, and riskier programming and productions. Theatre companies may require public support to underwrite the risk of national tours. A coordinated approach may be required, as it was in post-war Britain, to ensure art reaches areas which may have lost cultural infrastructure as a result of this crisis.

Prolonged closure could lead to the need for mass retraining of the theatre workforce and ultimately a loss of specialist skills in the creative sector. Theatres Trust is keen to preserve our specialist and creative workforce.

We are a nation with a rich theatrical heritage, a world leader and innovators. Theatres will continue to require additional public funding throughout lockdown, through the 'recovery' and beyond to be properly resilient, to be able to invest in creative talent and to protect and improve our rich heritage of theatres to ensure that all communities across the UK can continue to access live performance and enjoy the wider placemaking benefits of theatres.

What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?

Theatres Trust understands the uncertainty that the government are presented with in determining the timeline of an exit strategy. The sector requires clarity on decisions when

they are made and the likely form of a phased reopening, even where the actual dates of implementation are unclear at this time.

The timing and messaging around the reopening of theatres needs careful consideration. A situation similar to last March, where theatres are not being instructed to close but audiences are told to avoid them, must be avoided at all costs.

Organisations across the sector have been tested by this crisis. Many will not survive but it has cemented the need for resilience and scenario planning in organisations of all scales. The levels of reserves of some will be insufficient to survive, this is partly a result of continued reductions in the public subsidy of these buildings. Organisations that provide important public, social and cultural functions must be properly funded so they can survive a crisis in the future.

The funding bodies have worked hard to roll out programmes but do not have the staffing levels that they once did and as such it is likely there will be delays in critical funding reaching the sector.

How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?

This crisis will have awakened arts organisations to the importance of resilience and incident planning. Following reopening Theatres Trust expect theatres to be risk averse with concerns about depleted reserves and future lockdowns. This may lead to different styles of theatre and theatre making. Public funding may be required to underwrite the risk of tours to ensure theatre can be produced.

Many theatres have reflected on their position in the community and how they are key in the resocialisation of local people. The loneliness agenda was one that many theatres were working to address prior to lockdown and will become ever more critical.

Local authorities, already an important piece of our cultural ecology will be playing a larger role in protecting theatres and will have an opportunity for genuine placemaking, ensuring the local theatre reflects local identity and priorities.

The post war rebuilding of the nation saw the creation of the Arts Council of Great Britain in an attempt to preserve the culture of the UK and Theatres Trust hope a similarly ambitious plan will create a cultural zenith where the British public can once again meet and celebrate storytelling and further a rich theatrical tradition.