

Written evidence submitted by UK Theatre and Society of London Theatre / Federation of Scottish Theatres / Creu Cymru / Theatre and Dance Northern Ireland

DCMS Select Committee Inquiry: Impact of COVID-19 on DCMS sectors

1. About us

- 1.1. [SOLT](#) and [UK Theatre](#) are the trade associations and members' organisations representing the physical theatre buildings, and all those associated in the production and presentation of medium to large-scale theatre (including drama, musicals, opera, dance and many other forms of theatre) in the UK. Their memberships are drawn from both subsidised and commercial theatre.
- 1.2. FST is Scotland's membership and development body for professional dance, opera and theatre, bringing the sector together to speak with a collective voice, share resources and expertise and promote collaborative working. Their members range from individual artists and independent producers to the National Companies.
- 1.3. Creu Cymru is the development agency for theatres and arts centres in Wales. Founded by an initiative of the sector in 2001 it represents members of all scales across the country. Our member venues include those in Local Authority, University, Leisure Trust and independent settings.
- 1.4. Theatre and Dance NI are the representative body for theatre dance and the performing arts in Northern Ireland.

2. Why we are responding

- 2.1. Theatres across the UK moved rapidly in response to Government advice to protect public health. By 10am on Tuesday 17 March, more than 80% of theatres had closed, and now every UK theatre is dark. The impact has been immediate and devastating; the medium and long-term consequences are threats to economic, social and cultural wellbeing in communities all over the country. Our organisations collectively surveyed our membership between 2-7 April and UK Theatre/SOLT also undertook an additional earlier survey (17-19 March) to gain a snapshot of the immediate impact on theatres across the UK. These results, together with the insights we receive through regular contact with members, informs this submission.
- 2.2. We are responding collaboratively across the four devolved administrations as we know that the response required will necessarily be that of the devolved and UK administrations also working together.
- 2.3. We want to highlight the role theatre and the performing arts must play in the economic, but also crucially the social and wellbeing recovery of the country.

3. The immediate impact of Covid-19 on the sector

3.1. Closure

- 3.1.1. All theatres, including those whose funding model includes an element of public subsidy, are heavily reliant on income from ticket sales. In addition to the loss of performance fees and box office sales, theatres and theatre companies have suffered loss of income from all associated/secondary income (including bar/restaurant/café sales, event hire fees, and theatre rental income).
- 3.1.2. They are also facing immediate demands for cash reimbursement from customers for cancelled performances, in addition to demands for refunds even where events are being rescheduled. The impact of full refunds in line with current consumer rights legislation would render many companies insolvent.
- 3.1.3. Despite the welcome support made available through the Job Retention Scheme (although some issues still remain for those in Northern Ireland who are ineligible when combined with existing public funding) some theatres have already begun to run out of money such that resources are depleted, and some businesses have already closed for good. This threatens

future cultural production across the country. One in five respondents to our survey said they would be facing a growing cash flow crisis by the **end of April**.

- 3.1.4. The creation of new productions has ceased, and many existing productions have been mothballed indefinitely, with associated impacts across our industry on jobs and lives. 70% of the roles in our industry are freelance and the income for these people has immediately ceased. Altogether our survey indicated that this almost total loss of income means that nearly three quarters of jobs are 'at risk'.
- 3.1.5. Theatre buildings are complex and, in many cases, historic and listed assets which need regular and often costly specialised care. A prolonged period of hibernation risks business critical deterioration of the fabric of the buildings, the scale of which will only be realised as they reopen.
- 3.1.6. Local communities have lost key cultural assets, which are often seen as the 'living rooms' of a place. Theatres up and down the country provide education and training, deliver activities aimed at community groups including the young and the elderly, and enable specific groups to access the pleasure of engaging with live performance. Many theatre organisations have been increasingly involved in 'social prescribing', using participatory and engagement activities. These services are now not running, although many theatres and producers have moved astonishingly quickly to online provision which is often offering a lifeline of support for isolated people in their communities.
- 3.1.7. Some of the UK's biggest theatre-related events are outdoors and / or seasonal. The timing of the lockdown has been particularly challenging with one organisation telling us that it *'hit at the point when our cash position is always at its lowest point for the year as winter expenditure had all been committed.'*
- 3.1.8. The cancellations of many festivals the Edinburgh International Festival and the Edinburgh Fringe Festival are a huge blow to the sector and those working it in. As well as adding significantly to the Scottish economy, these Festivals provide a vital platform for all our memberships to showcase work, driving worldwide touring engagements.

3.2. Financial cost of theatre closures

- 3.2.1. Analysis shows that our industry will lose over £330m over the next 12 weeks, and the same amount over the next 26 weeks. This is based on immediate recovery to previous levels; clearly these assumptions already look out-of-date and thus losses will only increase further.ⁱ
- 3.2.2. Ticket sales were already dropping as a consequence of Covid before theatres closed – around three quarters of respondents to our survey reported that ticket sales and other venue sales were down on the previous year in the last week before closure.
- 3.2.3. In addition to the lost incomes noted above there are wider economic impacts. Theatre is a key driver of the night-time economy in many areas and satellite businesses such as restaurants, hotels and transport will also be impacted as long as theatres are closed.
- 3.2.4. Town centres will experience a loss of footfall as many cultural and leisure businesses remain shut, with knock-on effects on public confidence around safety and security.
- 3.2.5. Some early work has been done by arts consultancy [Indigo](#) on when audiences will return to live events and venues after lockdown, and more work will be undertaken across the country on consumer confidence in due course.
- 3.2.6. The NI Arts Council's survey on financial impact of Coronavirus on NI Arts sector (April 2020), [key findings](#): The financial impact on NI artists is 'severe and immediate'; The average anticipated loss of earnings for NI artists over 3-month period (March-May 2020) is £3,756; The average anticipated loss of earnings for NI arts organisations over 3-month period is £36,714; The total anticipated loss of earnings to NI arts organisations over 3-month period is £3.97m. The relative small scale of the Arts budget in NI means that the impact will be felt more keenly. Government Arts spending in Northern Ireland per head of population is already significantly lower than the equivalent spend in Great Britainⁱⁱ.

3.3. Charities and fundraising

- 3.3.1. We asked a number of theatres that are also charities for the impact on their fundraising and income. Whilst many generous audience members have donated their ticket fees or accepted credit against future performance, demonstrating the strength of public support for

theatres at local level, the challenges remain significant. Respondents reported that donors are beginning to cancel their memberships in response to their own economic circumstances, that sponsorship is being lost and that many trusts and foundations are – understandably – re-directing their giving to emergency COVID-19 services and projects.

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

- 4.1. It is important to say that the support being offered is vital to the current survival of businesses. In our survey three quarters of respondents said that if lockdown continues beyond May 2020, they will require further government support, similar to what is currently being provided, in order to continue operating their business.
- 4.2. **Devolved administrations** – it is important to consider the wider picture of support schemes across the devolved nations. **In a separate submission we will provide a comparison of these different interventions.**
- 4.3. **The Self-Employed Support Scheme (SEISS)** is welcome, but for the thousands of freelancers/self-employed people in industry, the delay until June for the scheme to pay has left many in a desperate financial situation.
- 4.4. There are particular problems for the recently self-employed (including all those who graduated last summer) and, in particular, those many people in our industry who have portfolio careers, where they are both PAYE and self-employed. Many of these people have seen their PAYE income drop by 20% and their self-employed income cease completely, and if the portion of their self-employed income is less than 50% the SEISS scheme is not available to them.
- 4.5. Well over half of theatres we surveyed reported that they intended to use the **Job Retention Scheme (JRS)**. At first some were able to top up the 80% of salary but this is now less common, and many organisations are now also asking staff to take pay cuts in an attempt to survive. There was a lack of clarity initially on eligibility and better communication between UK Government and the devolved administrations on shared, clear guidance would have been helpful. There is still some confusion around what is and is not permitted around volunteering whilst on JRS. Many are still unable to use the scheme due to local guidelines.
- 4.6. Over nine out of ten respondents to our survey said that they were *not eligible* for the **Bank of England's COVID-19 Corporate Financing Facility**, and 87% said that they would *not* be accessing the **Coronavirus Business Interruption Loan** scheme. Boards simply cannot accept the risk of taking on debt when future income remains unpredictable. We remain hopeful that small organisations will be able to access the new **Bounce Back** loans when open for applications, the crucial element of these being that they are 100% government backed.
- 4.7. Where theatres are eligible for **Business Rates Relief** it is again very welcome. However, the Chancellor's comment that the relief would be open to all "leisure businesses" is NOT the case, with the DCLG guidelines to local authorities being clear that the relief only applies to physical theatres themselves and not to all other theatre organisations such as production companies, agents, scenery workshops etc. The link of the small grants to the rates relief, also means all these companies cannot access these grants either. Theatres and companies which are charities already operate with rates relief and so this element of support provides little to no material benefit.
- 4.8. The Government's initial approach of advising theatres to close, rather than mandating closure, left the sector very concerned as to whether their **insurance** would cover the period of closure or not. The subsequent clarification of mandated closure was welcome as it meant that those with relevant insurance policies could claim. We know that a large proportion (our survey showed 88% of theatres said their insurance policy would not cover them for COVID-19) do not have insurance that covers communicable diseases such as Covid-19, and also that some insurance companies explicitly refused to pay for COVID-19. Companies touring internationally were particularly hard-hit as insurers invoked force majeure and refused to pay claims.
- 4.9. The Treasury responded quickly to the sector's request to confirm that **Gift Aid** would apply on both refunded tickets and tickets offered as donations to theatres.

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

- 5.1. Audience appetites will change.** We do not yet know how audiences will respond, but early indications are that people in the UK are feeling particularly anxious about public assembly, particularly indoors. Theatres will need to change the way they operate to respond. The wider economic impact of COVID-19 will also likely affect customers' ability to spend as disposable incomes fall. Older audiences are a particular concern: indications that older people may be asked to continue to self-isolate beyond the lifting of lockdown means those theatres and companies who have strong older audiences will be affected for longer. Some art forms which appeal particularly to older audiences, including ballet, opera and classical music, will be especially affected by a decrease in attendance from an older demographic staying at home and not visiting theatres and concert halls.
- 5.2. Theatre shows take significant time and investment pre-performance.** Depending on the nature of the show, nearly two-thirds of producers said that their first show would be ready for its first performance within 1-3 months after lockdown. Full programmes will take longer, with only a third of theatres saying they would be able to return to full programming within 3 months of lockdown being lifted. It will also take time to bring shows and programming back to many 'receiving houses' (touring venues). Given that many producers and promoters are already having to cancel or postpone productions, none of them are yet in a position to rebook their future tours, and it is likely to take several months from being given the coronavirus all-clear before touring productions will even be seen on stage. For theatres, if they do not have a full programme of shows booked each week, it may not be economically viable to open until they do as there will be no ticket income coming in during these 'dark' (i.e. closed) weeks, but there will still be staff costs and other overheads to cover.
- 5.3. Social distancing severely affects business models.** Theatres are built for people to come together, not to keep apart. Social distancing measures will reduce available seating such that auditoriums will only have between 15% and 30% of seats available to sell, depending on the building. This loss will be multiplied by lower food and beverage and merchandise sales. It is highly likely that theatres will be operating below usual capacity for many months after re-opening. It is therefore vital that clear information on timelines for lockdown and social distancing are shared as quickly as possible. There is a clear capacity below which it will be uneconomic for theatre buildings to open without additional funding.
- 5.4. Investment confidence will be affected across the board and there are particular concerns about Lottery funding.** Local authorities, who are major funders for many of our members, will be under increased funding pressure post-COVID. It is likely that health and social care services will need greater investment, reducing available spend elsewhere. As culture is not a statutory requirement it is particularly at risk. Similarly, COVID-19 may reduce investor confidence in the sector as a whole - much current analysis suggests that global interconnectedness increases the risk of future pandemics. In addition, some models are suggesting a 'W' shaped recovery where the country goes in and out of lockdown. This means that investment in production could take place, but at very short notice the income generated by ticket sales could stop because of lockdown. It also seems likely that, because of the way shopping has changed, Lottery income could fall, putting many creative and cultural projects at risk.
- 5.5. Capital projects are on hold and will cost more to complete.** Capital costs are rising because of COVID-19, whilst income has ceased. Site closures, delays to procurement and social distancing on site mean builds will take longer and cost more at the same time as fundraising potential is reducing. Many capital projects include support for community programmes targeted at the most vulnerable people in our society: failure to complete these programmes will have a significant negative impact on this work.
- 5.6. Pantomime and seasonal shows are particularly at risk.** For families and communities across the country, the Christmas pantomime is a longstanding and popular tradition, bringing generations together and forming a key part of seasonal celebrations. If older people continue to be asked to isolate, this will have a significant impact on the industry, particularly in regional theatres, where they are frequently members of the producing team as well as the audience. We know that for many theatres the Christmas show is both the biggest investment, providing secure jobs and income for thousands of creative, production and technical workers; and the biggest income generator through ticket sales, programmes, merchandise, donations and so forth. The decision

point for theatres and producers as to whether to continue with Christmas shows is very soon (between June and August) and these are already at risk.

5.7. There are serious concerns about how quickly supply chains can get up and running.

Theatres are rightly subject to mandated safety checks. There will be significant pressure on those providing equipment hire and contractor services, assuming these all survive the crisis, to deliver across the country as theatres seek to return to business.

5.8. COVID-19 threatens skills, education and diversity in our industry. 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 permanently lost from the creative arts and live entertainment industry, we will see a skills shortage continue for a long time on the other side of this crisis. As always, those with protected characteristics are likely to be hit hardest by the financial impacts of COVID-19. Government culture departments across the UK will have to work closely with DWP, arts councils and other departments to address this inequality and ensure that the progress made by the sector continues.

5.9. We are concerned about Apprentices and also those organisations that pay the Levy. The Apprentices will have had usual learning interrupted. Those paying the Levy would benefit from a either a freeze on levy payments and / or the unspent Levy funds being redirected back into education and upskilling of the sector.

5.10. Touring

The UK touring sector is likely to be decimated for some time as producers cannot take the financial risk; and the whole model of "socially distanced" touring will need significant work. International touring is again another uncertainty, as programming will also rely on the recipient country's ability to safely operate and the public appetite.

5.11. Refunds/exchanges

The Consumer Rights Act 1985 and in NI, Consumer Rights Act 2015 levies a statutory requirement to process a refund or exchange within 14 days – this is nearly impossible now due to the volume being processed and the lack of staff to do them. We need a temporary stay of this requirement.

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

- 6.1.** Government should have mandated theatres to close earlier than they did, rather than just suggest they do.
- 6.2.** 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.
- 6.3.** Government must learn the lessons from this as it announces re-opening plans in that clear communication needs to be in place, that is understood by theatres and the public.
- 6.4.** As sector membership bodies, we welcomed the very regular communications with DCMS. It allowed us to get critical information out quickly to our members. We also welcomed the engagement with the Treasury experts hosting joint webinars with us and our members to help answer questions on the various business support schemes.
- 6.5.** Clearer guidance from the Charities Minister / Office for Civil Society for non-clinical / care charities would have been welcomed.

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

- 7.1.** We will provide additional evidence as the situation develops. However, our current asks are:
- 7.2. It is likely that the sector will need substantial grant income to re-open, especially if social distancing measures are in place within buildings, or the sector stands the risk of barely opening until a remedy or vaccine are found.**
- 7.3. Rent** – Legislative intervention on rent payments
- 7.4. JRS extension** – we would like to see an extension to the JRS beyond the end of June for theatre businesses, crucially until the point that the industry is able to re-open and beyond it in the lag-time before productions on stages, and audiences re-book, are possible.

- 7.5. Self-employed** – We would like government to address those freelancers that are both newly registered and those with portfolio career. For example, The Scottish Government has extended support to the newly self-employed through a £34M fund administered through local authorities.
- 7.6. Recapitalisation of production** – The sector will need a mixed economy of grants, tax incentives, access to targeted loan support and other measures as part of a financial stimulus package
- 7.7. ‘Safety / hygiene’ marque** - We are in the early stages of thinking about working with the LGA to develop a marque that would help returning consumers to see that their local theatre has followed certain criteria and actions to ensure it is ‘safe’ to reopen. We would like a national approach, but to be delivered and monitored by local authorities / trusts.
- 7.8. Business rates** – We need government to immediately announce that all theatre business properties are covered by the rates relief. The Scottish Government has introduced a £20M Creative, Tourism & Hospitality Enterprises Hardship Fund which provides grants for businesses not eligible for the Coronavirus rates relief support; and a £45 million Pivotal Enterprise Resilience Fund, managed by the Enterprise Agencies for vulnerable SME firms who are vital to the local or national economic foundations of Scotland.
- 7.9. Touring**
By its very nature touring will face increased issues and we must ensure that companies are able to move around venues with staff and equipment. We would suggest that a government guaranteed insurance is needed to get companies back on the road.
- 7.10. Tourism & culture**
We will be working closely with our partners in tourism – because the work our members make is a crucial part of what attracts people to come to and travel within the UK. We therefore would welcome a joined-up approach from government as we plan recovery.
- 7.11. Consumer refunds**
- 7.12.** Moves to clarify the situation regarding customer refunds are still required. We continue to campaign with the DCMS/government on some relaxation of the Consumer Rights’ Act provisions around the 14-day refund rules
- 7.13. Recovery plan and timelines**
More detailed information from Government on a period of recovery is needed soon. This would cover information on public gatherings. We need early specific information on what government means – e.g. will social distancing measures apply to an auditorium? How many people can be in rehearsals or tech? What does this mean for restaurants / bars attached to theatres?
- 7.14. Utilising theatres as part of community recovery**
We urge you to consider that when the UK comes through these testing times, theatres, concert halls, and other arts venues will have a key role in reuniting and healing communities. Without action, we fear many will have closed permanently by then if the above issues are not carefully addressed.
- 7.15. Joint Approach**
We need a joined-up approach across UK Government Departments and liaison with all of the devolved administrations as well as the Local Government Organisations in the national and regions. This includes WLGA & it’s sister organisations in England, Scotland & Northern Ireland
- 7.16. Future Resilience**
Prior to COVID 19 years of austerity have taken their toll on the sector and financial resilience across the industry is low. Review of sector to build financial resilience locally and nationally.
- 7.17. Skills and product in the ‘new world’** - New skills, particularly in the field of digital technology are required to build the capacity of the sector to respond innovatively and to enable the development of new work in this ‘new world’.
- 7.18. Health and wellbeing**
Many studies have taken place over the years which have demonstrated the health and wellbeing aspects that attendance at arts participatory events and all types of performances confer. We are aware of the Welsh Government’s Future Generations Act and are certain that many of its ambitions will be replicated across the UK. During this crisis we are seeing how important the expressive arts are for so many of our population – people need the connections that the arts bring. Going forward as we try and heal our nations this will be even more important. The work started by the Social Prescribing Academy should not be lost. However, there was already a huge question about how those arts projects, e.g. theatre classes for people in isolation, would be paid for.

A 'COVID19 Mental Health and Beyond' campaign is being developed involving the 10 main mental health charities in Northern Ireland, Healthy Living Centres, Public Health Agency and networks in conjunction with the Department for Health. Arts Council of Northern Ireland are supporting Theatre and Dance NI to continue their Members Assistance Programme providing access to a helpline and counselling services for our members

ⁱ The financial loss modelling - in addition, TRG and Purple Seven ran some financial modelling and found that:

The total loss of income to SOLT and UK Theatre member venues who provide weekly sales data from a 12-week closure is estimated as £630 million.

12 weeks modelling

Modelling using figures from 2018 as a base, a 12-week closure of SOLT and UK Theatre venues from w/c 15 March 2020 would lead to the **loss of:**

Over 15,000 performances

Over 7.8 million ticket sales

Over £303 million* in Box Office Revenue

If after a 12-week closure, theatres on average operated at only 60% of their usual capacity for the next 6 months (26 weeks) after re-opening this would lead to 6.8 million fewer admissions and a reduction of £255 million in revenue.

This situation is unprecedented and achieving 60% of usual capacity may prove optimistic.

Ticket revenue is augmented by secondary customer spend on everything from bars to programmes and merchandise. A major theatre operator has calculated this to equate to £4.20 per ticket holder. With an estimated total reduction of 14.9 million ticket holders in the period before, during and after a 12-week closure, this equates to a further reduction in income of £64 million.

The total loss of income to SOLT and UK Theatre members who provide weekly sales data from a 12-week closure is therefore estimated as £630 million.

	Admissions	Box Office Income	Secondary Spend
Loss for prior 4 weeks at 93%	185,394	£ 7,332,146	£ 797,196
12-week closure	7,859,984	£ 303,553,944	£ 33,797,931
Loss for next 6 months at 60 %	6,836,872	£ 255,223,701	£ 29,398,550
Total	14,882,250	£ 5 566,109,790	£ 63,993,677
Revenue Grand Total			£ 630,103,467

* = Average ticket price paid estimated to have risen by 5% from 2018 to 2020. The above analysis performed by TRG Arts based on UK Theatre and SOLT box office data.

ⁱⁱ Based on 2017/18 budget, the Arts Council of Northern Ireland receives only £5.31 per capita, contrasting sharply with Wales £10.03. Northern Ireland Budgetary Outlook (2018-20) - Arts Council of Northern Ireland, 2018