

Written evidence submitted by Norwich Theatre

DCMS Select Committee Inquiry into the impact of COVID-19

ABOUT NORWICH THEATRE

- Our three venues (Theatre Royal, Playhouse and Stage Two) that make up Norwich Theatre make us the most visited arts/cultural organisation in Norfolk with c.450,000 visitors each year;
- We receive no annual public subsidy meaning that we generate all of our income ourselves and have built one of the most entrepreneurial business models in the arts sector;
- As the largest stage in the East of England, Theatre Royal serves the whole of Norfolk and beyond with its wide-ranging programme of large-scale work across all genres from ballet to comedy and opera to musicals – without Theatre Royal it is not possible to bring large-scale touring musical, opera, ballet or drama into the region;
- We have an extensive and award-winning programme of Learning & Participation for people of all ages with a strong track-record for using creative activity to achieve solid outcomes linked to social isolation, positive mental health and wellbeing and training and skills development;
- Our venues are among the biggest drivers of cultural tourism to Norfolk with Les Miserables (the production that was on the stage when we closed) expected to generated local economic impact in excess of £5million.
- Our turnover at YE March 2019 was £16.3million and we employ 150 FTE staff (headcount 240) and provide volunteering opportunities for around 200 people every year.

IMPACT OF COVID-19

- Following the closure of all three of our buildings we have lost 95% of our total income (79% from ticket sales and 16% from bars, restaurants and events);
- What remains is largely income of Friends subscriptions, which we have seen decline since closure too;
- Should closure remain in place until the end of February 2020, which at this stage is considered a realistic prospect, the projected loss of income totals c.£15million;
- Even taking into accounts the interventions to date, and having furloughed 200 employees and stripping costs back as far as possible, we are losing c. £100k a month, on non-furloughed staff and unavoidable costs like premises costs, IT systems and insurance. This figure will increase as the furlough scheme tapers out;
- Our cash position is critical, having undertaken a significant capital project in 2016. We have already burned through our free cash reserves and are therefore at significant risk as we are left only with the cash from advance ticket sales.

INTERVENTIONS TO DATE

- We were disappointed that the vast majority of Arts Council emergency funding was reserved for organisations already funded as NPOs. We were also unsuccessful in our bid for a grant from the funds available to non-NPOs;
- We have benefited from the Coronavirus Job Retention Scheme, having furloughed 200 employees, and received £435k so far, for the period to the end of May;
- The tapering and then closure of this scheme is critical to our survival, and, without an extension, it will force us to move to periods of unpaid leave and redundancies;
- We also received rates relief of c.£50k and a £25k grant for small hospitality business in relation to our Playhouse building;
- We have been fortunate to be able to make a claim to our insurers under 'Prevention of Access' cover. This is limited to £250k and is a protracted process, however we hope to receive confirmation shortly;
- We have agreed terms on a £1m CBIL loan, and await deposit of the funds in to our bank account;
- The interventions received to date are very welcome, however as noted above, the tapering and closure of the Coronavirus Job Retention Scheme leaves us in an extremely difficult position, at a point when we will still be unable to generate any income;
- The CBILs loan has protected us for the short term, however these funds will run out, at which point we will need to be able to generate sufficient surpluses to repay the loan and rebuild our cash reserves.

POTENTIAL REOPENING

- We await the publication of the COVID Secure guidelines for our sector for details of what will be required when we reopen. We anticipate there being significant costs involved, for example installing screens, creating holding areas for customers, or altering the layout of the auditoriums. We will have very limited ability to fund these measures;
- If social distancing measures of 2 metres remain in place for some time to come, this will simply mean that reopening will not be financially viable;
- Even if social distancing requirements are reduced to 1 metre, we would be unable to reopen. For example opening on 1st October to that level would enable us to generate c. £1.2m in operating profit between then and 31st March 2021, however our overheads would be largely the same as if we were operating at full capacity, at c. £2.7m;
- Those projections also assume that customers are willing and comfortable to return as soon as we are able to reopen. Given the older age demographic of our audiences, it is unlikely this will be the case;
- We are reliant on our volunteers to carry out certain essential roles. A large number of them also fall in to the older age demographic, and are uncomfortable at the prospect of volunteering with social distancing measures in place. If we need to staff those roles, that will add further costs;
- We are committed to ensuring we have a diverse workforce and have worked hard in recent years to build that. We are however concerned

about employees working for us who are vulnerable or shielding, and whether we will be able to put sufficient measures in place to ensure their safety;

- We have also reviewed the viability of social distancing in our backstage areas, which given the nature of our building and the type of work undertaken, is impossible to achieve safely;
- The financial viability of reopening is also not a decision which we can make alone. We are predominantly a receiving house, therefore we are reliant on producers being comfortable that touring their productions will be financially viable for them. At present in our largest venue, we have no available product until January 2021;
- As a receiving house we are also unable to monetise digital output, due to the productions we have on our stage belonging to the producers, rather than us as a venue;
- Given the high likelihood of making significant changes to our staffing base, it will take 6-8 weeks to recruit new employees, and there will be a level of associated recruitment costs.

WHAT WE ARE LOOKING FOR

While the longer term impact and the health of organisation remains unknown, at least until there is a clearer idea of when we will be able to reopen and how we will be able to reopen, it is clear that we will be in a critical financial position.

To protect the future of the organisation, there appears to be two financial interventions necessary:

- An extension to the furlough scheme, ensuring that we can continue to reclaim 80% of our employees' earnings until we are able to reopen, with a tapering of the scheme from that point while we rebuild our audiences; or
- A one-off financial package which covers the cost of changing our organisation to reflect the income we are able to generate, and the uncertainty around when we can reopen. This would include restructuring our staff base, and re-recruiting in line with our growth once we are able to reopen.

Clearly the first of those options would enable us to protect a significant number of jobs, but would involve a greater level of financial support.