

# Written evidence submitted by the National Theatre

## Call for evidence: Impact of Covid-19 on DCMS sectors

The National Theatre has taken a leading role in engaging with Government and other stakeholders since the COVID-19 pandemic. We are the nation's centre of theatre and a champion of the not-for-profit theatre sector. We continue to engage extensively with Government to do as much as we can to protect livelihoods and ensure our country's culture not only survives the crisis but is part of the national rebuilding that will follow.

The National Theatre works in partnership with dozens of not-for-profit theatres across the UK on touring and co-productions, and to deliver our nationwide learning programme for young people. We are also proud to be the home of international commercial successes such as *War Horse* and *The Curious Incident of the Dog in the Night-Time*. Productions captured digitally by NT Live are used by 65% of UK state secondary schools, have been watched by over 12 million during lockdown, and have been screened in 65 countries worldwide.

By existing in both these worlds we have particularly clear insight into the challenges the pandemic has inflicted on the industry. It also gives the National Theatre a unique perspective on how the industry can adapt and what support is required.

We are grateful for the swift action that was taken by Government to protect many jobs, and by Arts Council England to provide emergency support to organisations and individuals.

However, our view is that more now needs to be put in place.

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

The pandemic has had a devastating impact on the National Theatre. Financially, for each month our three theatres are closed we lose around £5 million of net income from a combination of lost ticket sales, cinema broadcasts, halted commercial activities and corporate partnerships. Sadly, our national learning programmes with communities and young people have also been impacted. In an average year we would work with around 80,000 young people in depth, as well as engaging with vulnerable groups and with communities around the country. As a result of the response to Covid-19, the vast majority this work has been disrupted.

All production and rehearsal processes have ceased with an uncertain future for actors, technicians, freelance artists and the wider supply chain. We have taken the hard decision to implement pay cuts of 20% for all staff, and regrettably we are modelling very substantial redundancies in our workforce of over 1,200 posts. At the National Theatre almost two thirds of our staff are under 40 and, as young people are similarly in the majority across the theatre sector, we have very real concerns about a generation facing mass youth unemployment.

Through prudent financial management in recent years the National Theatre went into the crisis with a cash reserve. As a result, the Arts Council England emergency funding was not available to the National Theatre but our reserves are limited and set to be depleted by the end of 2020.

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

The Coronavirus Job Retention Scheme (JRS) has been a vital support, enabling the National Theatre to retain our workforce during the worst of the crisis. We have used the scheme for 90% of staff and we are grateful for the Government's decisive and innovative action to protect jobs. However, despite this help, the sector needs further financial aid and we are in discussion with industry bodies and Government to help define a specific package of support.

As the Committee will be aware, the JRS does not provide support to the 200 freelance actors and musicians currently on our payroll, nor to any of our freelance creative teams paid by way of invoice. We have had to terminate these arrangements and provided some (limited) financial support for them beyond our contractual commitments. We understand that many have found themselves ineligible for the Self-Employment Income Support Scheme

In our conversations with Government we have urged it to provide additional strategic investment for the not-for-profit theatre sector. As with the National Theatre, these theatre companies have no shareholders and limited resources, but where there is success all surplus is then reinvested into the theatres' activities. They provide the pipeline of talent for the wider creative industries, with theatres playing an important civic role in towns and cities across the country including those places which have felt left behind. Many organisations also maintain historic and/or local landmark buildings at the heart of communities, which face ruin if abandoned.

A recent survey by SOLT/UK Theatre found that 70% of all theatres would be insolvent by the end of 2020, whilst a sample of not-for-profit theatres indicated 85% would have negative reserves by March 2021.

"Mothballing" has been mooted by some as a possibility but it is our submission that this would not only carry a greater cost in the medium term, but we would see a loss of specialist staff and a real risk of a cultural brain-drain; other nations have kept theatres up-and-running. Most importantly, the resulting unemployment would be huge – over 250,000 – and redundancy pay-outs would bankrupt many organisations. We have been making plans for restoring access to theatre in line with the public health guidance, but "mothballing" would put a stop to those plans. It would also take longer for the sector to restart once the restrictions relax, holding back its contribution to the recovery.

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

The theatre industry has rapidly had to adapt to a new normal where there is no certainty over the timescale for the virus and the necessary Government public health measures. The National Theatre though firmly believes that, subject to support, we can continue to perform our functions while conforming to social distancing rules. Our ability to attract philanthropic funding to multiply Government investment is also much stronger if we can deliver at least some of our cultural output. However, in order to push forward on all of these fronts we need support from Government to meet our critical financial need through to the end of March 2021.

The National Theatre is, of course, a large organisation with a long history of adapting innovating. But we are only one of many not-for-profit theatre companies across the country

who are filled with the intent to be inventive, adapt and create - if they can be helped to keep running in the months ahead.

From our consultation with the sector, it is evident that there will be a continuing need for support. There is recognition at senior levels across the sector that, during this transitional period, organisations may need to restructure. The need for support should reduce over time as the impact of the virus gradually recedes, as everyone hopes it will, but we should remain vigilant for future outbreaks – especially where these have a local or regional impact on specific theatres.

Support for the not-for-profit theatre sector will be required for the following reasons:

- The Government's rules on social distancing, particularly for indoor gatherings, may be under constant review but the expectations are that it will be a very long time before audiences can sit closely together as they did previously.
- Public confidence regarding large gatherings is unlikely to increase swiftly and any theatre must cover fixed operating costs even while closed or open to socially distant audiences.
- We expect to see a reduced level of both domestic and international tourism, as well as fewer workers in the UK's major cities as remote working continues
- Box office takings and philanthropic income are likely to be vastly reduced as the economic impact of the pandemic becomes clear through reduced disposable income or donations.
- Insurance premiums will rise significantly, both in the form of cancellation insurance and employee and public liability insurance.

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

The National Theatre welcomes the conversations we have had with both DCMS officials and the Secretary of State to date. Our overarching request is that the sector and Government work together closely to ensure the reopening of theatres can be done safely and in line with the latest guidance in relation to health and social distancing.

The moment of reopening is a critical point in the future survival of many cultural organisations, so we are keen that in working together with the sector, the UK Government and devolved administrations focus on ensuring there are very clear communications to provide the public with all the information and reassurance they need to plan a future visit to the theatre.

In recent weeks there has been a great deal of collaboration and conversation across the sector in order to share information, devise plans, and speak as clearly as possible to Government. We believe it will be important to work more closely together in the future to respond to the new operating environment and fully contribute to the UK's recovery. Theatre's freelance workforce must be part of those conversations despite many lacking an industry body to represent their views.

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

The National Theatre has called for DCMS to help the sector as it adapts to the situation, innovates, and ensures that Britain's cultural offering remains intact. Financial support is vital given the high fixed costs and reduced income. However, we firmly believe that theatre can and should be performed in this new world. There are a number of ways in which the sector is responding to the challenge:

- **Filming new live theatre:** New content is being created on many fronts. At the National Theatre we are exploring some innovative ideas to reach wider audiences from our stages whilst retaining crucial staff and preserving skills.
- **Socially distanced performing:** There are many ideas emerging across the sector about how to innovate within the current guidelines. On the South Bank, we are modelling a reconfiguration of our theatre spaces to allow audiences in 'social bubbles' to attend together, and similar initiatives are under investigation all over the country. Performing in this way would allow us to create work with both our specialist staff and our vital creative freelancers while serving as many of our audience members as we are able to safely. We have expressed to Government that it will be more straightforward to perform if social distancing measures are moved from two metres to one metre, although audience capacity would not be close to normal levels.
- **Work with communities and young people:** Not-for-profit theatre companies have rapidly taken their vital work online with young people and community groups during lockdown, and will adapt to provide the fullest possible engagement in line with evolving social distancing guidelines.
- **Future digital innovations:** The phenomenal success of NT Live in cinemas has shown how theatre can be livestreamed to millions, and online streaming during the pandemic has indicated a strong appetite from consumers to watch theatre digitally. We encourage active consideration of how digital creation and distribution can be supported at sector level. The current period has laid bare the disparity in digital capability between larger and smaller organisations. In planning to build future sector capability, innovation catalyst funding should encompass rights and IP as well as capture and distribution.

None of this is possible without long-term support but, with Government financial aid now, not-for-profit theatre companies will be able to continue work through the restrictions. This aid would mean they can generate philanthropic support, provide employment, and contribute to the nation's cultural offering until such time as full public performances can resume and support can return towards previous levels.

**In addition to looking at how the sector might evolve after Covid-19 we have outlined below what we believe is required to ensure the National Theatre and the not-for-profit performing arts sector survive.**

### **Global comparisons**

Across Europe robust measures have been taken to save the creative industries. In France, creative industry freelancers have been able to apply to a 'solidarity fund'. The French equivalent of the job retention scheme has been extended for 12 months to save the arts

sector. This is in addition to €22m emergency fund and tailored support for culturally important venues.

Similar approaches have been taken in Germany, Poland and Greece. Italy has made €130m available to its creative industries and on 3 April 2020 the Arts Council Ireland topped up the €200m available to the creative industries with an addition €1m fund to enable artists to make new and original work during the Covid-19 crisis.

### **Theatre and the road to recovery**

The National Theatre believes theatres could play a key role as we look to rebuild the economy and any support in the sector by the Government will be a sound investment in an industry which has driven tourism, championed Britain globally, and provided hundreds of thousands of jobs. If performances can restart, then it is easier for theatres to seek philanthropic donations which can total as much as £550 million a year.

This sector requires support in six key areas:

- **Emergency Rescue Fund:** We urge the Government to work with Arts Council England to establish a fund to support not-for-profit theatre companies across the sector should they have exhausted their reserves.
- **Sustaining our workforce during the crisis:** Ours is a jobs-rich sector and the success of British theatre is driven by creative talent and specialist skills. If extending existing Government schemes such as the JRS and SEISS is not possible, we suggest theatre companies will need specific funding to produce new work with freelance artists and/or that further support is distributed to individual artists via ACE.
- **Protecting cultural assets:** Key cultural assets are at risk of being lost in small towns up and down the UK. These are not just centres of culture for communities but often rich, historical buildings which are part of the nation's heritage. Support is vital to ensure these are not closed and lost to future generations. We urge the Government to provide sufficient support to local authorities so that they can address this risk on a local level.
- **Insurance innovation:** Peers in the USA have been fairly and properly supported by the insurance industry, unlike theatres here in the UK. A Government-backed insurance scheme is important to enable theatres to navigate the extraordinary risks of reopening.
- **Catalyse our commercial reopening:** Theatre Tax Relief could be modified for a limited period of three years to support the financial recovery of the sector once venues can reopen to large capacity audiences. A temporary increase of TTR to 50% and expansion to cover marketing and running costs, with quarterly payments on account, would be transformative.
- **Long-term loans:** We welcome discussion with Government about new models for additional investment that could provide economic and social returns to the UK and incentivise additional philanthropic support for the sector.

On behalf of the National Theatre we want to thank the Committee for all its work in this area and for looking at how the theatre industry can navigate these uncertain times. We have been pleased to work closely with Government to date and we would be happy to discuss with the Committee our submission and ideas for the industry further.