

Supplementary 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.

Supplementary Evidence

We are providing this evidence as a supplement to the previous evidence we have submitted.

We reiterate that the first priority is urgent intervention to support the many theatres and practitioners across the sector, which is vital to ensure the continued vitality of our theatre sector and the placemaking value of theatres in villages, towns and cities across the UK. We urge the government to explore every possible avenue to sustain theatres at this critical time, whether that is by extending the Job Retention Scheme and the Self Employment Income Support Scheme or through some other mechanism such as the proposed Creative Investment Participation Scheme.

Since we previously submitted evidence we have been engaging with theatres across the UK to understand the issues they are facing and how we as an organisation can best support them. We would like to submit further evidence on two key issues as outlined below.

1. Theatres falling vacant where operators go into administration due to Covid

So far four theatres have gone into administration due to lockdown (Artrix in Bromsgrove, Nuffield Southampton, Southport Theatre and Leicester Haymarket). However we anticipate many more of the UK's ca. 1,100 theatres will run out of reserves before they are able to reopen fully due to the continued requirement for social distancing. This could mean a large number of either insolvencies or cancellation of operating contracts with the building handed back to the freeholder.

There is an immediate threat that loss of the operator for these theatre buildings will force freeholders, whether private or public, to repurpose or demolish theatres to reduce the financial burden and achieve an economic return while they remain unable to open as performance spaces (either due to prolonged social distancing requirements or a temporarily depressed appetite amongst theatre operators post-Covid). Theatres typically sit on prime town and city centre sites and once lost they would at best take decades and tens of millions of pounds to replace, but more likely they would be lost forever.

We propose the setting up of a trust or 'safe haven' mechanism to take on peppercorn leases of dormant theatre buildings for a maximum of two years. This would allow time for the theatres to be protected either until they can reopen fully or until operator confidence has returned. The trust would ensure the building is secure, maintained and insured. It would also identify subleasing and meanwhile use opportunities to generate some revenue for the theatre. Finally it would investigate

future viable operating models and broker negotiations between potential operators and the freeholder.

The annual cost for securing a 'mothballed' theatre would vary depending on size and age, but based on the distribution of theatres across UK, the cost of saving up to 100 theatres of different sizes and ages would be around £53.5m, or the equivalent cost of building one new theatre.

2. Current theatre capital projects and the impact of Covid

Maintaining and improving our unrivalled national network of theatres buildings, which serve communities in towns and cities across the UK, is vital if they are to remain fit for purpose. Capital projects keep theatres operational, improve their financial and environmental sustainability, improve access and provide new facilities for engaging with diverse communities.

The impact of Covid has severely impeded a large number of such projects causing delays, cost overruns, fundraising shortfalls and reduced or exhausted funds which had been previously allocated against building project delivery.

Through our research we have identified that there are currently **106 projects across England** which are either in advanced stages of planning (82 projects, of which 28 have planning permission) or actually on site (24 projects). They range in size and value from £100,000 up to over £60m. We have financial data on 71 of these projects which have a **total value of £795m**.

36 theatres in England responding to our nationwide survey reported severe impacts on their capital project due to Covid and the lockdown.

The negative financial impact of Covid on these projects alone totals £66m. We anticipate this may be half the true amount.

Fundraising Shortfalls

72% of the theatres surveyed responded that they will no longer be able to secure the fundraising needed to complete the works. This is due to the anticipated reduction in the availability of grant funding both from public and charitable sources in the post-Covid financial climate.

Loss of Reserves

Applying the theatre operator's own reserves is another key source of funding for capital projects. **69% of theatres report that reserves intended for their capital works have had to be diverted to cover the total loss of revenue during the coronavirus lockdown period.**

On-Site Delays

Theatre buildings that were on site during the emergence of the coronavirus crisis in the UK have experienced delays and increased costs as a result of shutdowns of sites, supply chain issues and slower working methods as a result of social distancing.

56% of the theatres who are on site reported an average delay of over 3 months with resultant cost overruns. Not only does this increase the cost of the build directly it also brings about a delayed reopening and resulting loss in revenue.

Projects at an Advanced Stage of Planning

74% of theatres that are at an advanced stage of preparation for works responded that their projects will experience delays of an average of 18 months.

These delays are primarily due to the need to reassess fundraising prospects and to explore significantly reducing the scope and benefit of the project. This is also likely to cause issues in the short term as essential repairs are delayed.

Case study 1: Polka Theatre, Wimbledon

About Polka

Polka is a pioneering and acclaimed producer of world-class theatre for children, from babies to 12 year olds, and one of the few venues in the UK that remains exclusively for children. Opened in 1979, Polka presents a year-round programme of new work, visiting shows, and educational and participatory activities in schools and our local community. Polka continues to pioneer developments in children's theatre, nurture talent in the sector, engage regional partners, and maintain an international reputation while remaining inclusive, involving children in our operations and at each stage of the creative process and serving our south London community, particularly hard-to-reach families and disadvantaged and disabled children. More than 3.5 million children, parents, carers and teachers had been through our doors by the time we closed for redevelopment in February 2019. When we reopen we will welcome over 100,000 children and adults each year.

Our need for redevelopment

Our Wimbledon home was urgently in need of work having had no major capital investment since it was set up 40 years ago. This project has been a long time in the making. Plans started over 15 years ago, and our architects (Foster Wilson Architects) were commissioned in 2009! Redevelopment was urgent and essential, to avoid a huge maintenance bill (estimated at £1.5m to make the venue fully functional), to improve our energy efficiency, to expand our capacity for our over-subscribed early years audiences, improve our financial viability through café and hireable space expansion, and to meet the needs of 21st century audiences and artists.

Impact of Covid 19

Our contractors had been on site 11 months when the site closed on 25th March for 6 weeks. This followed a period when work was beginning to slow down due to supply chain issues. Since restarting work, despite the best efforts of our main contractor, there have been continued supply chain issues, problems with subcontractors who have furloughed staff, and limited capacity for workers on site due to social distancing rules. Our contractors estimate they are currently working at around 70% efficiency.

The main impact on the charity is that it has delayed our reopening until spring 2021, instead of this November. This means that we are not going to be able to reopen for our Christmas season, which usually brings in over £400K of earned income through box office, sales, hires and donations, and is a vital period that sustains us through the year. In addition we are forecasting at least a £300K uplift on our capital project costs due to prolongation of the project which is resulting in increased contractor costs, fees and closure costs. We have announced the impact of the reopening delay on our website, noting that even with reworking our revenue budgets we expect to see a deficit, with at least a £500K hole in our overall plans: www.polkatheatre.com

Finance and Funding

The increase in costs of the capital project mean that our pre-Covid funding gap of £190K is now £500K. When we first started fundraising for this project in 2015 our target was £5.3m – it is now just under £8m with this latest increase. Before Covid we dealt with Brexit and the linked cost inflations in the construction industry. Now we are on the home stretch but the target keeps getting further away!

This is a challenging fundraising landscape, as funders shift their priorities to Covid 19 we have found a number of funders we had hoped would support us are no longer able to. Going back to funders who have already supported us is not often agreed by funders (with some notable and supportive exceptions). Our 'final push' fundraising strategy was primarily based on individual giving and events – a major fundraising event at the end of March (target £30K) had to be cancelled, major donor tours of the site are not possible, and our 'Name a Seat' campaign had to be delayed to this summer and may not have the same impact. All our autumn fundraising events are on hold.

Taking out a loan is possible but will affect our capacity to deliver our charitable activities over the next decade, as we make repayments on the loan. We already have a mortgage and extending our borrowing is our least desirable option. We have applied for a CBILS loan as an option for cashflow, although this will not cover the full amount of the gap.

Our response

During our closure since Feb 2019 we have delivered an extensive community and schools programme, working with 21,600 children and adults in Merton in 2019/20, even whilst our theatre building was closed. During the Covid19 Crisis we are continuing to keep serving our communities as best we can, delivering free quality digital content, and plan for how we can keep Polka in the lives of our audiences. We have launched [Polka Online](#), a range of digital content including workshops and storytellings, plus resource packs for families and teachers to use, keeping families and teachers supplied with amazing creative ideas during lockdown. We are also continuing all of our funded schools and community programmes via virtual methods.

For fundraising, we've just done an online quiz which raised just under £5K and we've about to take part in the Champions for Children fundraising week. We are having to rethink our entire strategy.

Bringing the community back together after this will be key to a resilient society, helping children and families to deal with the aftermath of this crisis. Polka is a safe and welcoming space, open to all, and with a vital role to play in bringing divided communities together. We are on the home run towards making Polka a hub which will be of ever-more vital importance. Our aim is to complete the capital project as quickly as possible and emerge from this crisis with a sustainable future.

Case study 2: Contact Theatre, Manchester

Contact is a Manchester-based, young people-focused arts organisation with a demographic that positively challenges the mainstream; 70% of audiences and participants under 35 and 35% BAME.

Through its capital project Contact will engage and support even more young people from disadvantaged backgrounds, create important theatre for the touring circuit and present national and international shows for the benefit of local audiences. The redevelopment will provide young people with: a new dedicated performance space to develop ideas, rehearse and show new work; a

new media lounge where they can take part in free music workshops and develop transferrable skills and confidence; improved technical infrastructure, increasing Contact's capacity to host different art forms and scales of performance; an arts and health development space funded by Wellcome, to research and explore issues relating to young people and local communities, informing projects and future theatre productions; and hireable offices for emerging artists and small-scale cultural organisations to work alongside Contact staff.

Contact's £6.7m capital redevelopment was 2-3 weeks from building handover when the site closed at the end of March due to Covid-19. We were also due to take partial possession of some of the site and move our full staff team into the building the week lockdown happened. Although now re-opened the new conditions regarding social distancing on construction sites, supply chain and other related issues, has extended the work schedule and caused further delays and increased costs. Work is due to complete at the end of June giving a delay of 11 weeks. Once we have achieved Practical Completion staff will not be able to move into the building until additional safety measures have been put in place to meet current Covid guidelines. Post-handover there will be a four-month programme of further fit-out works led by Contact. The re-opening celebrations and shows planned for autumn 2020 have all had to be put on hold, with growing impacts on future revenue budgets:

- Contact has raised over £6.5m; largely from Arts Council England, Manchester City Council and charitable trusts and foundations, but the remaining target (c.£200,000) is a huge challenge in the current climate. We have experienced a very real loss in fundraising income. Trusts and foundations with whom applications were pending or scheduled have suspended grant giving to concentrate on emergency Covid-19 responses while others report that income reduction from investments will result in fewer future grants.
- In addition to ticket income - theatre and office hires, conferencing and weddings are part of Contact's commercial mix post-reopening. These are likely to be negatively affected by Covid for some time post reopening, compounding loss to box office.
- We were already drawing heavily on our reserves through the capital programme, meaning we do not have these as a buffer to the challenges of the current pandemic. We have already drawn down a sizeable loan from Manchester City Council as part of our match-funding and loan repayments post reopening will add additional pressure.
- With ACE and other key stakeholder approval we have already made significant value engineering savings to the project to the point where further cuts would jeopardise our ability to deliver on the agreed outcomes for the redevelopment.

Since lockdown we have moved many projects online with staff facilitating and mentoring to provide some necessary structure and support to those facing real challenges in their lockdown lives. Our aim is to re-open as soon as we are able and to provide a safe space for our young people to meet, create and develop the skills to survive and thrive through the challenges ahead.