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UK Theatre / Society of London Theatre Budget / CSR Submission

Introduction

The theatre industry is slowly emerging from lockdown, but it is a mixed picture across the country. While some theatres are finding that audiences are returning as hoped, many others across the UK are struggling with a slow uptake of ticket sales and low attendance. Across the board, ticket sales are far from guaranteed with the vast majority of theatres and producers having to take a week-by-week approach to their finances - this is creating a hugely unsettling economic environment. The lack of international tourism and broader public uncertainty about personal safety and returning to 'life as normal' are at the heart of these issues. There is therefore a need for continued targeted economic support to help the industry transition out from the Covid-19 restrictions that have been in place for the past 18 months.

The theatre industry is normally worth £1.4bn in revenue annually from ticket sales alone and is responsible for generating £1bn in VAT revenue per annum (both directly and indirectly and not including additional revenue in the form of PAYE and NI contributions). With an estimated 290,000 people employed each year, the sector also provides established opportunities for training and development, with individuals using their skills in other creative sectors such as music, TV and other media, events, and visual arts . Theatre can also be linked to substantial broader monetary benefits. In the wider community, footfall stemming from the theatre can be a vital economic stimulant (over £1.2bn is spent annually on purchases directly attributable to London's West End theatre such as food and souvenirs, for example). A recent study found that the theatre industry saved the NHS approximately £100m every year through providing an alternative form of support for mental health and wellbeing.

What the Theatre Industry needs

1. Theatre Production Tax Relief (TPTR) Scheme

We propose that the rate of TPTR is increased to 50% (of 80% of qualifying expenditure). This should be introduced for a period of three years so as to include any productions which commenced their production phase pre-Covid-19 and were since affected by the pandemic. HMRC should issue clarifying guidance that expenditure associated with resuming performances can be included as qualifying expenditure.

The TPTR has so far brought much needed vital support to the sector. It enabled new productions to be developed, and new tours to begin, at a time when other investment across the industry dropped. This has subsequently led to increased economic activity in the sector and thus an increase in tax returns. Recent surveys of UK Theatre and Society of London Theatre members found that:

- 60% believe tax reliefs like TPTR are helpful in **rebuilding the economy** and **promoting economic growth**.
- 70% reported that TPTR has enabled them to **increase their number of productions and tours** and therefore stimulate additional economic activity.
- 80% said TPTR allows them to take **more creative risks** and put on shows which might not otherwise happen.

As the sector begins to recover, additional tax relief will help to enable many more productions and shows to run than would otherwise be able to. This will result in additional economic contributions at the local and national level. Some key quotes from our members include:

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"[TPTR] gives investors more chance of recouping their investment and therefore reduces their risk. This is vital at the moment because investors are very nervous and if they do not invest, which is the easy option for them, shows will not happen." *West End production company and winner of 27 Olivier Awards*

"TPTR is central to the financial planning of any production, with many projects being infeasible without that certain income, so it is intrinsic in facilitating and incentivising new productions which foster employment and new skills." *Production company led by multi-Olivier and Tony Awards winning producer*

2. Cultural VAT Rate

We welcomed the Government taking action to reduce Cultural VAT to 5% at an extremely difficult time for the creative industries in July 2020 and the decision to extend it to the end of September 2021. We understand the pressures on the Government following this and other generous tax breaks, and the need for the Treasury to recover costs through raising the VAT rate to 12.5%.

Given that the Government's ambition is to restore the UK's world class tourism sector to pre-COVID numbers by 2023 we would ask that the Government keeps the Cultural VAT rate at 12.5% until at least March 2023. This would allow theatres to stabilise and ease out of the impact of the pandemic and enable them to confidently budget on this basis, rather than allowing it to increase from 5% to 12.5% and then again to 20% in March 2022.

3. Increased support for local authorities

A bedrock of public investment in theatre across the country allows productions and the theatre workforce to flourish, and is the embodiment of 'levelling up', especially in those areas currently requiring additional support. Theatres are cultural anchors - playing a key role in hosting events, attracting additional footfall in an area, and underpinning regeneration as integral components of the experience economy. Government data shows that 25% of adults in England say they attend plays. Theatres should therefore be viewed as an integral part of the 'levelling up' agenda and placed at the heart of the Government's future cultural and economic vision for the country.

Theatres also play a wider role in creating a 'civic society'. They can act as a central hub for many communities and can be used for social prescribing to address loneliness and depression, often delivering services and programmes which save taxpayer money in other areas. For example, theatres are estimated to save the NHS £102m a year through providing support for mental health and wellbeing.

We are extremely concerned that arts funding will be cut at the local level just as theatres and communities need it most. Local government funding in this area is already down at least 43% from its peak in 2008 and we predict this is likely to continue post-Covid given that arts and culture is not mandated for local authority provision. Increased support for local authorities is therefore extremely important to protect and strengthen local culture and communities.

4. A vastly improved Government-backed insurance scheme for theatre

We recognise that the Government has launched its £800 million Live Events Reinsurance Scheme and we welcomed Government intervention in this space. The insurance scheme as written,

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however, is completely unworkable for the theatre industry and for many others in the live events sector.

There are two key factors which currently make take-up difficult: cost and usefulness. The current model is prohibitively expensive for the vast majority of productions. The requirement for insurance to be taken out on each specific performance, rather than on the full run of a show, means it is extremely impractical for the way in which our industry operates, given that some productions can run for months at a time. Additionally, the lack of cover for self-isolation and social distancing mean that key issues are not resolved in the proposals.

There is a real need for strong, flexible, comprehensive insurance which can be used by the majority of the theatre industry and related sectors. Such a scheme would reduce the financial risk to producers and theatres, thus enabling more to open – and stay open - with confidence. It would also enable smaller theatres in local towns and regions outside London to open, thus helping to support the recovery of town and city centres. Ultimately, a stronger insurance scheme would result in an increase in potential income for the Government through increased tax income.

5. Business Rates

Business rates on theatre buildings and companies need to be reassessed. We welcomed the 50% reduction given to theatre buildings, but we would like to see this extended to all theatre businesses, not just theatre buildings.

In addition, a cut in business rates for theatres with a rateable value below £51,000 would immediately support smaller venues, thereby balancing the Government's approach and making it seem fairer to those involved in running these establishments.

6. Education Funding

The UK's world-leading higher education providers and the courses they deliver are a crucial part of what is needed to secure a strong pipeline of workers with creative skills. However, course quality is currently measured in a way that does not reflect the needs of future industries, meaning that many high quality courses are set to be inadvertently penalised, setting the UK back in its ambition to remain globally competitive. We fully endorse the Government's drive to ensure high quality provision and strong value for the tax-payer; however, we believe that the proposed 50% cut in funding for arts education at tertiary level is an inefficient approach which contradicts the this ambition as well as the Government's *Plan for Growth* which highlights the creative industries and creative ideas as priorities.

We would like to see a firm commitment for continued long-term investment in the Creative Careers Programme. The CCP has already provided over 113,000 young people to engage directly with employers across the creative industries. Given the high number of employment opportunities in the sector, such careers advice and engagement is vital to ensuring the continued future success of the theatre sector.

7. Inclusive Skills and Talent Development

Theatre is facing a critical skills shortage, especially outside London and other major metropolitan centres. Shows are currently (re)opening with limited specialist teams in production-related areas like lighting, costume design, and wigs, and theatres are facing a recruitment and retention crisis across the board, whether front of house, box office, or arts administration and management roles.

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There are longer-term skills issues affecting the sector which require Government support to ensure key programmes in further and higher education are maintained.

We are therefore very supportive of the Government's move to ensure greater flexibility in apprenticeships for the creative industries and in how organisations can use their Apprenticeship Levy. We would welcome commitments that funding for these critical programmes will be sustained to ensure that there is a pipeline of talent into the creative industries over the coming years.

8. Arts Premium

We welcomed the Government's commitment to the Arts Premium as part of their 2019 Manifesto. This investment in the creative skills of young people not only enriches their education but plays a vital role in training up future generations of workers for the creative industries.

It is vital that the Government reaffirms its belief in providing secondary pupils with a well-rounded and properly funded education in the arts. A long-term commitment to funding the Arts Premium should therefore form a core part of the education and cultural commitments of this Budget.

9. Arts Council England Funding

Arts Council England has provided an essential service for the past 75 years in supporting and developing England's art and culture. It plays a vital role in ensuring that public money is invested strategically and effectively to maintain and develop our world-leading institutions, organisations, and artists. During the pandemic this has included disseminating money from the Culture Recovery Fund alongside its National Lottery Project Grants, Capital Investment Programme, and other important funding sources which have enabled artists to continue to work and places to re-open safely after the lifting of restrictions.

We ask that the Government commits to the long-term funding of Arts Council England to ensure that their work in key areas such as improving the diversity of workforces and audiences, supporting organisations to become more resilient and sustainable, and helping a new generation of talent to emerge into key jobs in the arts can continue for the foreseeable future.

10. Post-Brexit trade deals which allow theatre to contribute to the UK's soft power

Theatre imports and exports talent and product from the EU and further afield. There are still substantial outstanding issues which need to be resolved regarding funding, free movement of talent, and key related industries such as hauliers. To that end we would strongly encourage the Government to use the Budget and CSR to make clear their plans regarding:

- Whether and how they will introduce a domestic alternative to Creative Europe (beyond the Global Screen Fund which has already been announced).
- Allocation of funding / human resources to the Home Office for appropriate creative industries expertise at the border / training of border staff on the creative industries.
- Short and medium-term support for the haulage industry to ensure that touring productions and wider industry needs are not hampered by driver shortages and other issues.
- Short term funding to support the increased operational and financial burden organisations face as they return to working in Europe post-Trade and Cooperation Agreement and the COVID-19 pandemic, similar to the support previously offered to the fishing and agricultural sectors.