Response to DCMS Select Committee Inquiry

Protecting Built Heritage

February 2025

Introduction

SOLT & UK Theatre welcome this opportunity to provide evidence on protecting built heritage. Our members have a wealth of expertise in maintaining the UK's much loved theatre buildings and performing arts venues that provide the backbone for our world class and fast-growing creative industries.

The UK's theatres and performing arts venues have not had sustained investment for at least a generation and therefore have investment needs to both realise potential and prevent jeopardy. Our research shows that:

- 1 in 5 venues require at least £5m each in the next 10 years just to continue current operations.
- Without significant capital investment in the next five years, nearly 40% of venues risk closure and 40% will become too unsafe to use.

A delegation of our members would welcome the opportunity to meet with the committee and provide oral evidence to this inquiry.

Summary of Proposals for HMG

1. Invest £300 million in a capital fund for theatre buildings. This would unlock at least another £300million from philanthropy, corporate sponsorship and other sources.

2. Support theatres to access to private investment, including support for SMEs via the British Business Bank.

3. Support S106 matching at the project or regional level.

4. Review the business rates system.

5. Consider three time-limited reliefs on building projects focused on a) Historic Buildings, b) RAAC Repair, and c) Accessibility Installation.

6. Introduce matchmaking initiative to upskill performing arts sector organisations in capital investment project management.

7. Consider National Wealth Fund Loan Guarantee Scheme for Energy Efficiency Adaptations.

What are the most significant challenges facing owners and operators of built heritage assets, and how are they affecting what those sites can offer?

SOLT & UK Theatre's 2024 research demonstrates the urgent need for sustainable and systematic investment in theatre buildings across the UK and highlights how investment in theatre and performing arts venues helps to strengthen communities, provides job opportunities and boosts the UK's creative exports.

As stewards of cultural institutions, theatre owners and operators face major challenges in raising funds to maintain, protect and develop their buildings. For historic buildings, restoration projects require specialist refurbishment skills to restore original features such as proscenium arches and original box designs.

Many theatre venues fall into three broad categories: listed buildings, primarily built in the Victorian era; those built in the post war period, many of which are also listed; and those built around the Millenium.

All these types of buildings have not had sustained investment for at least a generation and therefore have investment needs to both realise potential and prevent jeopardy.

A sustainable funding approach has been in operation for other parts of the cultural sector via the Museum Estate and Development Fund (MEND) which, since 2021, has provided capital grants between £50,000 and £5 million to enable museums and galleries to address maintenance issues, enhance accessibility, environmental sustainability, and resilience.

Proposal 1: SOLT & UK Theatre are calling on HMG to commit to investing £300 million in order to unlock a further £300 million from alternative sources of finance for theatre infrastructure projects.

SOLT & UK Theatre are calling for a new fund to help address the long-term lack of public investment in theatre buildings. We estimate that public investment of £300 million over 10 years would significantly contribute towards meeting the need of the sector and delivering a sustainable mechanism for doing so. Based on our members' experience of securing funding from multiple sources, we anticipate that this £300 million would unlock at least a further £300 million from philanthropy, corporate sponsorship, and other sources. We suggest that this is a competitive fund, distributed annually by either ACE or DCMS.

How effective are the current funding and finance models for built heritage?

Theatres and performing arts venues have not had sustained investment for at least a generation and therefore have investment need to both realise potential and prevent jeopardy.

Funding and finance models for theatre buildings tends to be short term and relatively small scale. This means that theatres that require major capital investment for redevelopment projects must seek funding from multiple sources. This is time consuming and inefficient.

What should long-term public funding for the sector look like?

As stated above, long-term public funding for theatre buildings and performing arts venues should include a minimum of £300 million public investment in theatre buildings and performance venues over 10 years.

This proposal aligns with the National Theatre's Scene Change recommendation calling for "a leveraged capital scheme, aimed to appeal to a new generation of benefactors and corporates, which would bring in a philanthropic match to the government expenditure. The government, alongside sector leaders, could use their convening power to target new kinds of philanthropists to support this fund, specifically those interested in supporting organisations to prioritise sustainable approaches (both in terms of carbon footprint and financial sustainability).

Proposal 2. Support theatres to access to private investment

Blended capital models bring together public, private and philanthropic capital to attract investors who would not otherwise invest. This approach reduces the overall return on investment (ROI) expectation, effectively lowering the cost of finance.

There are opportunities to do this as part of the current Government's drive to regenerate high streets and boost growth with theatres already making the most of their position within communities.

The funds are structured using a repayable grant layer to de-risk the investment proposition for investors who would not otherwise have the risk appetite to support the fund's borrowers. This repayable grant layer is subordinated capital which absorbs the first losses and therefore leverages interest-bearing investment. Public funding is ideally positioned to provide this subordinated capital to leverage interest bearing finance from a wide variety of investors including trusts and foundations, social investors and more commercial funders.

Figurative[1] is currently developing a blended capital fund to support arts and culture organisations with capital asset retrofit needs, thereby helping them to both manage climate related risks and invest in green infrastructure. The organisation is collaborating with the Creative Industries Policy and Evidence Centre, the Theatre Green Book, Buro Happold, MGAC and Arts Council England on a piece of research to test and model payback periods of various retrofit interventions. This can inform the construction of a robust financial model to ensure optimum financial leverage is achieved and the public money is structured to deliver maximum impact.

Small and medium sized businesses and not-for-profits can struggle to access finance at the scale required for infrastructure projects. We propose working with Government and other partners to ensure that our members are better informed about opportunities to access finance via the British Business Bank.

Proposal 3. HMT to support the facilitation of S106 matching at the project or regional level

Councils can use Section106 contributions to benefit cultural venues by funding renovations, accessibility improvements, or public art projects connected to civic development projects. However, our members have had difficulty accessing this finance mechanism. We are aware of members that are not based in large towns and cities that have had their S106 requests turned down. They have told us that in high demand/value regeneration areas, the long-term value of developments makes the additional cost of S106 acceptable. However, in areas of low demand, developers seek the lowest possible cost and will move elsewhere.

Given that S106 is decided at a local level, SOLT & UK Theatre seeks engagement with local government to support theatres to access S106 matching opportunities in local development plans.

Proposal 4. HMG to review business rates system

We are proposing a review of the business rates system for the following reasons. Our members tell us that they often challenge their 'rateable value' which often results in local government agreeing to a reduction in their business rates charge. Whilst this is welcome it is an inefficient

[1] Figurative is an independent not-for-profit finding imaginative ways to grow the cultural and creative sectors' financial resilience and social impact.

system that means theatres are repeatedly expected to challenge or pay a third party to challenge the rates that are set because they are not designed with the theatre industry in mind.

The criteria used by the Valuation Office Agency (VOA) to determine the 'rateable value' of a property in England or Wales does not consider the unique nature of the theatre industry. One of the criteria used is the size of the building, with larger properties attracting higher business rates, however, it is important to note that the difference in income that can be generated by an 800-seat venue when compared to a 1500-seat venue is usually negligible.

This system has a negative impact on the entire ecosystem because when our members challenge the business rates that are set by the VOA, they have no assurance that a rebate will be forthcoming. This means they are obliged to plan their financial year with the higher business rates in mind, making their venues less attractive to producers looking for the best deals for their productions. This could all be avoided if the business rates system were adapted to account for the needs of our industry.

The VOA recently decided to change the way it calculates business rates for the majority of museums and galleries in England and Wales. Since April 2023, the rateable value for museums and galleries is calculated by receipts and expenditure, which considers whether the property makes a net surplus. A similar rateable value approach based on receipts and expenditure should be considered for theatres and performing arts venues.

Proposal 5. HMG to consider time-limited reliefs on building projects:

- **Historic Buildings Relief**
- **RAAC Repair Relief**
- **Accessibility Installation Reliefs.**

All factors are expensive capital outlays that businesses and charities struggle to justify on their own accord but have significant positive externalities. NB, this proposal is not specific to theatre. Consultation with other relevant sectors will be needed to build broad support for these reliefs.

Economic Justification: Historic Buildings are an important part of culture with huge benefits and value to both local communities and tourism. The public benefit of their maintenance greatly exceeds the private gain for the individual organisations responsible. Maintaining and repairing those buildings to a high working standard is extremely expensive at an order of magnitude greater than that for more modern buildings due to the specialised skills and care required in such work.

Reinforced Autoclaved Aerated Concrete (RAAC) is a huge issue for the safety of many buildings, creating uncertainty and increasing the insurance costs for many buildings (or making uninsurable). Replacing RAAC where it exists will allow buildings to operate and make further improvements.

Accessibility is a hugely important issue for social cohesion and benefitting the least advantaged in society. Making improvements or modifications, particularly in older buildings, to facilitate a range of access needs can be prohibitively expensive and the commercial returns to making those improvements are negligible, so private organisations will struggle to make the investments needed for the social gain.

Buildings requiring such improvements are distributed fairly evenly across the country, meaning supporting these expenditures will have broad cross-regional impact. The work is labour intensive so any project expenditure will boost local employment, improve skills, and have substantial multiplier effects.

Precedent: The Land Remediation Relief, operational since 2009, has a similar function and justification particularly to RAAC and Accessibility in incentivising the reduction of harms.

Suggested Operationality: All 3 schemes should be an extension of the Land Remediation Relief to ease the legislative process

All should involve a 100% deduction of relative qualifying expenditure and then an additional deduction of:

- 100% for Historic Buildings
- 150% for RAAC
- 200% for Accessibility Improvements

Deductions should first apply to any operating profits of the business then any remaining losses may be surrendered for a repayable credit at a rate of 50%.

Alternatively, qualifying expenditure should be subject to a payable top-line credit (similar to RDEC) of 40%, 60% and 80% respectively for the three schemes. This would be preferable as it would be easier to finance, but might require wholly new legislation.

The rates should be applicable for five years from policy implementation and then taper down to a lower permanent rate. This will incentivise organisations to prioritise and bring forward projects, improving growth in this parliament.

Companies should be able to apply for advanced assurance of qualification. Should this be received, organisations should be able to defer VAT and PAYE liabilities against up to 80% of their expected repayable claim to aid cashflow of such projects. This was in place for R&D schemes in the past.

Proposed timeline for delivery: Consultation should take place across 2025 with relevant stakeholders including organisations with such buildings as well as construction firms and local councils. The consultation should also seek to determine the optimal rate to incentivise. Policy along with initial guidance should be announced in the Budget of Autumn 2025.

Proposal 6: Government-led cross sector matchmaking initiative to upskill performing arts sector organisations in capital investment project management.

Effective management of capital investment project management requires expertise that is lacking in the performing arts sector. We propose a partnership with the Real Estate industry, town planners, architects and designers to ensure that opportunities for theatres and performing arts venues are considered early on in the planning process.

This proposal would build capital investment project management skills within the performing arts sector. This could include networking opportunities, roundtables, webinars, job swaps for theatre CEOs or Finance Directors leading capital investment projects.

By bringing together the real estate, architecture and construction sector and others with the performing arts, we anticipate tangible benefits for theatres, audiences, cultural placemaking and the nighttime economy. If this were Government-led they could help to identify matches, help projects on their way, signposting at an early stage to avoid reinventing the wheel and knowledge sharing between sectors.

What role does built heritage play in the regeneration of local areas and in contributing to economic growth and community identity?

Theatres and performing arts venues are local hubs for their community, bringing footfall to highstreets, celebrating local culture, educating and enriching through schools and skills work and preserving historic buildings.

Capital investment ensures they can fulfil this vital cultural placemaking role. Our 2023 members' survey found that increased capital investment in venues would help them to nurture creative careers, train more workers and boost outreach and participation programmes.

SOLT & UK Theatre's 2024 infrastructure research found that if theatre buildings received the investment they need, 62% would increase or improve their outreach work. With investment, buildings would also be able to improve access, ensuring the performing arts can be enjoyed by wider audiences that are more reflective of society.

Research carried out by ACE (Davies & Bakhshi, 2022), found, by surveying attendees to 4 regional theatres in the UK that:

- Regional theatre visitors are willing to pay £13.10 per household per year in taxes to ensure that the theatre in the city remains open. This shows that audiences view theatres as relevant cultural sites for the city.

- People who had not visited regional theatres are willing to pay £5.01 per year in taxes, to ensure that the theatre in the city remains open. This shows that even though non-visitors are willing to pay less than visitors for the theatre to remain open, they still value theatres positively.

How can heritage buildings be supported to increase energy efficiency and contribute to the Government's net zero targets?

86% of theatres say that finance is a major barrier to making energy efficiency improvements, with this figure rising to 92% for historic theatres. Theatres therefore urgently need finance for retrofitting adaptations such as the installation of triple glazing, high spec insulation of walls, motion sensor building heat and light, systems, solar panels and LED lighting.

Through the Theatre Green Book, our members are working to support the Government's mission to make Britain a clean energy superpower. Read about the National Youth Theatre's (NYT) which in 2021 completed an award-winning, low carbon renovation of its north London creative home.

Proposal 7. National Wealth Fund Loan Guarantee Scheme for Energy Efficiency Adaptations

This proposal aims to support our members to make energy efficiency adaptations by unlocking commercial bank lending through the National Wealth Fund (NWF). NWF could act as a guarantor, mitigating risk and enabling venues to access affordable finance for capital investment, production development, and business growth.

The NWF could act as a guarantor for 70-80% of loans provided by commercial banks to theatres. Venues would repay loans with interest, minimising the likelihood of government losses. The guarantee would not count as direct government spending, as no funds are disbursed unless a borrower defaults.

Benefits include:

- Minimal Impact on fiscal aggregates

- As a contingent liability, loan guarantees do not immediately impact borrowing or deficit levels.
- Theatres remain responsible for repayments, meaning HMT spending only occurs in cases of default (low in the arts sector).
- The policy would align with fiscal rules, as guarantees differ from direct subsidies or grants.
- The scheme would crowd in commercial capital, allowing banks to lend more without high-risk exposure.
- Attracts institutional investors to the arts sector, fostering long-term financial sustainability.

We estimate that the fund would save these venues between £4.3m and £6.2m per annum depending on future energy costs. We estimate that the scheme would provide a 100% return on investment from between 9 to 13 years, depending on energy price variation.

This fund could be adapted to group venues according to age and type of maintenance need as opposed to which sector they fall within. Many of our members venues are Victorian, Post-War and Millenium era buildings and share many of the challenges faced by churches, town halls and libraries.

<u>What are the financial, regulatory and practical barriers to preserving built heritage?</u>

Lack of a single public fund that would unlock finance from non-public sources

Our members often must secure finance from a range of different sources, which can in some cases involve up to nine separate funding applications and reporting processes. See our Hall for Cornwall case study to learn more about the complexity of financing capital investment projects in our industry.

We estimate that public investment of £300 million over 10 years would significantly contribute towards a meeting the need of the sector and delivering a sustainable mechanism for doing so. As detailed above we anticipate that this £300 million would unlock at least a further £300 million from philanthropy, corporate sponsorship.

<u>What policy changes are needed to make restoring historic buildings easier and less expensive?</u>

As detailed above we propose:

1. Invest £300 million in a capital fund for theatre buildings. This would unlock at least another £300million from philanthropy, corporate sponsorship and other sources.

2. Support theatres to access to private investment, including support for SMEs via the British Business Bank.

3. Support S106 matching at the project or regional level.

4. Review of the business rates system.

5. Consider three time-limited reliefs on building projects focused on a) Historic Buildings, b) RAAC repair, and c) accessibility installation.

6. Government-led cross sector matchmaking initiative to upskill performing arts sector in capital investment project management.

7. Consider National Wealth Fund Loan Guarantee Scheme for Energy Efficiency Adaptations

What policies would ensure the UK workforce has the right skills to maintain our heritage assets?

Maintaining our heritage assets requires a range of technical and craft skills, some of which are at risk. A joined-up skills strategy and education system is needed to ensure that children and young people learn about our industry through careers education and have the opportunity access a range of technical education qualifications including apprenticeships.

Current apprenticeship schemes lack the flexibility to meet the specific needs of the theatre and performing arts sectors. We welcome the Government's plans for a more flexible Growth and Skills Levy.

We look forward to the publication of the DfE's evaluation of the portable apprenticeship pilot which allowed SOLT & UK Theatre to work together to shape apprenticeships to meet their workforce needs and attract new talent into our industry.

Our case study on Theatre Royal Plymouth shows how investment in buildings creates skills hubs and employment opportunities. The case study demonstrates how investing in theatre buildings can unlock skills development hubs and wider economic growth. Currently the theatre's workshop is forced to turn away high profile and financially lucrative UK and international projects due to the lack of physical space available.

Read our response to the 2023 Curriculum and Assessment Review.

Read our latest report on skills shortages.

For further information contact:

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Visit our website: Advocacy Resources - SOLT   Advocacy Resources - UK Theatre

About Us

Society of London Theatre (SOLT) and UK Theatre represent 500 of the UK's leading theatre producers, venue owners and managers and performing arts centres. We deliver a range of services to assist our members and promote theatregoing to the widest possible audience. The Society of London Theatre are producers of the annual Olivier Awards and West End Live. UK Theatre produces the annual UK Theatre Awards.