

**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**

**CALL FOR VIEWS ON THE IMPACT OF COVID-19 ON SCOTLAND'S CULTURE AND TOURISM SECTORS**

**SUBMISSION FROM CAPITAL THEATRES**

***Impact on Capital Theatres***

In line with government guidance we cancelled performances from Sunday 15<sup>th</sup> March and our theatres closed their doors on Friday 20<sup>th</sup> March.

Our ticket income comprised 80% of our £13m turnover in the year 2019/20, and our income stream was switched off overnight. We do not receive RFO funding from Creative Scotland. We receive £585,130 annually from City of Edinburgh Council as part of a group of theatres jointly receiving £1m. The first CEC payment of this financial year has been received. We have currently cancelled shows up until August (including the festivals) and are refunding tickets to customers. These cancellations are likely to extend into the autumn over the next few weeks, and indeed our expectations are very low of any potential reopening this side of Christmas.

We have 90% of a total headcount of c.230 staff on the Job Retention Scheme and will need to add more as business is winding down.

We currently have three financial models: a restart in December 2020 (considered to be unlikely), a start in March '21 and a start in June '21. We had a small £400k reserve as a contingency, and this will have been fully utilised by the end of August.

We were planning for a major £25m redevelopment of the King's Theatre, starting in September 2021. This has been postponed, initially for 12 months. Our contribution to the project was planned to be £6m from funds that we would have accumulated through a ticket levy by the time the project was due to complete in 2023. This is now at risk as a large element of the fund will likely be repurposed for the organisation's survival. In addition, without shows on our stages, we are not contributing to the fund as we have no ticket sales, and this is likely to prevail for some considerable period of time. The Kings project is paused at a "shovel ready" stage and if no action is taken to move forwards with the project in the next two years then it is likely that Capital Theatres' Trustees will view the building as a considerable liability for the Trust and may need to seek discussion about committing to a new long-term fully-maintaining lease at the end of the current lease period (July 2023).

***Ongoing activity***

We currently have a small team working from home and are undertaking regular security walk rounds, plus remote surveillance, of our venues.

We have a limited creative engagement programme that is now being delivered online. Maintaining our mission as an educational and creative service to key sectors of the community is critical during these challenging times hence we are focused on building this area up over the next month or two.

We remain in constant contact with theatre producers around the country to rebook shows. This is a very volatile market and diaries in every venue across the country are full of uncertainties, but at least everybody is sharing the same problems. Our booking diary is part of a massive four-dimensional game of Tetris and changes by the hour; financial planning in any detail is nigh on impossible.

Our box office remains open online and we are responding to customers by email. For cancelled or postponed shows, audience members are receiving an automatic credit, with an option to convert this to either a donation or a refund. To date we have paid out £800k of refunds and are anticipating a further £1.2m over the next few weeks with the cancellation of some big hitter musicals. We are continually monitoring our cashflow. It would be ill advised for us to use advance ticket sale money still in the system as working capital as if performances are subsequently cancelled, for whatever reason, then the liability for refunds crystallises. We are of course also looking to the future and making tentative plans for how we restart the business operationally.

### ***Restart / phased restart***

In our view there is no such thing as a socially distant theatre. For the last 1,500 years people have got together to share the same experience in the same space at the same time. Theatre buildings are designed on that premise. To have performers socially distant would demand creation from scratch of an entirely new repertoire of work right across all performance genres. Capital Theatres stages work from across the UK and internationally, with even less certainty around the recovery of international touring in the medium to long term.

For obvious reasons large gatherings were first to close down; in the same vein, we anticipate theatres to be the last to open up again.

On that basis Capital Theatres aims to be as agile as we possibly can, seeking out alternative uses of our buildings in the meantime. We are in active discussion with the higher education sector, and have other ideas about other services that could potentially use our large spaces in a socially distanced safe manner. In offering this potential we would seek to recover the marginal costs over and above the building being shut, and it may even support some staff returning to work to ensure the safe flow of people.

Christmas performances at our venues, as with other theatres across the country, are a key element of our trading. The King's Pantomime returns 28% of our turnover. The

critical decision date for whether the panto goes ahead this year is in July. It has to be said, our expectations of this taking place are very low currently.

The booking diary for the spring of 2021 is still volatile. Summer and Autumn are looking slightly more steady although we are very aware of the Producer supply chain fragility.

### ***Audience Research***

We have taken part in a recent national survey of more than 86,000 regular UK audience members carried out by Indigo Ltd. The findings confirm fears that audiences may be cautious to return to previous attendance habits. The full results of the survey can be found [here](#).

Whilst we are encouraged to hear that 93% say they have missed live events during lockdown, more than 40% of those people would not consider buying tickets again for at least 4 months and just 19% say they will return to venues as soon as they reopen. Just 17% said they were actively booking tickets for future events, with half of those only booking from November onwards and 41% would not start booking again for at least four months.

We have also surveyed 4,500 of our regular attenders directly. On the whole the responses match the national survey however we found that 54% (16% more than national) would not consider booking for events for at least four months and 39% can imagine staying away from large gatherings in the future (11% higher than national). From November onwards the trend for us appears to be better than the national figures by 4% for those actively booking for events in the future. That may be because we have programmed further into the future than other venues.

Income through the box office will be hard won over the next 6 months and will require significant investment in building confidence and trust through a vigorous marketing and communications plan.

### ***Recovery***

From having spoken to our network of venue operators across the country, the general consensus, at this point in time, is that March or April 2021 is the most likely date for the theatre industry to restart.

The theatre infrastructure in Edinburgh is a delicate balance of venues producing their own work - supporting a network of creative artists and practitioners, theatres which tour productions from around the UK and internationally, venues from small to large scale, with capability to entertain residents and visitors through the year plus the ability to expand to fulfil the largest arts festival in the world.

Margins for Capital Theatres, as a large-scale commercial operator, are tight. The success of our business model requires in the region of 400,000 audience visitors per year. Our ability to continue trading with what, at best, could be 10-15% capacity in our auditoriums, allowing for distancing, simply does not stack up.

We are currently hopeful that this organisation will survive the Covid-19 crisis, but it will destroy our financial reserves, seriously deplete our skilled resources and our ability to continue trading will be very fragile. We are very aware that the theatre environment in which we operate, both in Edinburgh and more widely, is at risk and it will not take much to trigger partial collapse.

Edinburgh is a critical part of Scotland's tourism industry, and culture is a key part of Edinburgh being the busiest gateway into the country.

Very difficult choices will need to be made about the cultural infrastructure for the long term both for residents and for the visitor economy. We are aware that some of our colleagues in the city are already facing difficult decisions about the future of their organisations. The recovery timescale for theatre is clearly going to be longer than some sectors. We are still in crisis and will be until we can recover audiences and move forwards into adaptation and then recovery. Some support is urgently needed to maintain the ability for culture to rise from the ashes in Edinburgh.

**Fiona Gibson**  
**Chief Executive**