

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

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

**SUPPLEMENTARY SUBMISSION FROM CAPITAL THEATRES**

Dear Joan

Capital Theatres welcomed the Scottish Government's recent announcement of £10m support to Art and Culture for Scotland, which is much needed during this COVID-19 pandemic. I write to thank you for any part you may have played in securing these essential funds for our sector and to outline the position of Capital Theatres given our reach spans your constituency.

I am sure I do not need to rehearse with you the importance of the Arts sector to the health and economic well-being of Scotland - and indeed beyond. As Scotland's largest theatre charity, Capital Theatres key purpose is to contribute to that goal for all the communities that we serve. But, like many others in the sector, we have been severely impacted by the pandemic and desperately need access to emergency funding. However, and the reason for this letter, is that I wanted to draw your attention to our particular circumstances which lead us to 'fall between the gap' in emergency funding.

As Scotland's largest theatre charity, Capital Theatres employ 230 staff, have a turnover of £12.9m and sell over 500,000 tickets annually. We are a very well managed and (until the pandemic) resilient organisation, operating at a surplus for the last 9 years. We have demonstrated a robust business model which has enabled us to build up strong unrestricted reserves as well as a designated fund for the purpose of the essential King's Theatre redevelopment.

This track record of strong management and delivering surpluses was one of the key reasons given to us by Creative Scotland which removed our RFO status in 2017. It is our understanding from Creative Scotland that as a non-RFO we will only be eligible to apply for £2.5m of the Scottish Government funds along with all other non-RFO's, and up to a maximum of £100,000. I am sure you can understand we feel disappointed that our previous track record, the reason we are now not an RFO, has now put us in a weaker position to access much needed emergency funds, compared to other venues whose financial sustainability has been more volatile.

To provide a little more context: we closed the Festival Theatre, the Studio and the King's Theatre on 16 March as a result of COVID-19. At least 90% of our income is generated from ticket sales and trading income, meaning that the sudden closure created an immediate loss of our three main sources of income. To date we have refunded 52,900 tickets with a value of £2.3m. We have reduced all fixed costs where possible and furloughed 92% of our staff, retaining essential staff to plan the sustainability of our organisation and reopening of our venues. We have maintained our mission during this difficult time by reinventing our health and wellbeing offering through a digital engagement programme called 'Raise the Curtain'.

At present, our net cost of operation, including payroll (after CJRS receipts) and unavoidable property and administrative costs, is £200,000 per month. Our unrestricted reserves are now depleted and we are forced to borrow from Designated reserves. Whilst that is something our Board has been prepared to sanction in such unprecedented circumstances, it undoubtedly threatens our ability to undertake the proposed redevelopment of the King's Theatre, which in turn threatens the longer-term sustainability of our organisation. It would, of course, also put the future of the King's as one of Edinburgh's – indeed Scotland's - most loved and important heritage theatre venues in doubt because we would be unable to address long term weaknesses in its critical infrastructure. Without the redevelopment there is every likelihood that the King's would be forced to close.

Our organisation is normally bustling with activity ahead of hosting the Edinburgh International Festival in August, however we are now faced with the need to commence a collective consultation with staff around potential redundancies. There will be 211 out of 230 employees impacted (92%) if no sources of substantial emergency funding can be found.

Capital Theatres makes a significant contribution to the local, national and cultural sector economies by:

- delivering health and wellbeing benefits for our local community and widening access to culture through our far reaching creative engagement programmes;
- increasing the nation's tourism offer by offering a rich programme of quality drama, dance, comedy, opera and musicals for year-round audiences in the capital city;
- being a core cog in the cultural landscape, by providing historic venues for artists and Producers to share their work creating a hub of cultural employment.

We remain highly committed to delivering the above and believe that Capital Theatres will be a key part of the solution for Edinburgh's adaptation and renewal. Only by continuing to thrive can we help sustain the vitality of the arts, the cultural ecology, the economy and the wellbeing of the community in Edinburgh and surrounding areas. I hope you will appreciate our position as a resilient, well managed organisation but one that is also in need of emergency funding so that we can both sustain operations and thus continue to make a valuable contribution

Yours sincerely

Dame Joan Stringer FRSE  
Chair

## Capital Theatres – COVID-19

### Briefing to Joan McAlpine and the Scottish Parliament Culture Committee

12th August 2020

#### Capital Theatres (CT) Contribution to Edinburgh

As Scotland's largest theatre charity, Capital Theatre's operates three City of Edinburgh Council venues, employs 230 staff, has a turnover of £12.9m and sells over 500,000 tickets annually.

We are a resilient and well managed organisation and have been operating at a surplus for the last nine years. We have demonstrated through our robust business model that we can build strong unrestricted reserves **in pursuit of our charitable objectives** as well as a designated fund for the much-needed King's Theatre future redevelopment.

Capital Theatres makes a significant contribution to the local, national and cultural sector economies by:

- delivering health and wellbeing benefits for our local community and widening access to culture through our far-reaching creative engagement programmes;
- increasing the nation's tourism offer by delivering a rich programme of quality drama, dance, comedy, opera and musicals for year-round audiences in the capital city;
- being a core cog in the cultural landscape, by providing historic venues for artists and Producers to share their work creating a hub of cultural employment.

Our track record demonstrates that CT can play a key part in the solution for Edinburgh's future adaptation and renewal post this global pandemic. By continuing to thrive we can help sustain the vitality of the arts, the cultural ecology, and the economy of Edinburgh. In operating three bustling venues attracting visits from city residents and visitors alike, we will continue to improve the morale, health and wellbeing of the people of Edinburgh and beyond.

#### COVID-19 Impact

We closed the Festival Theatre, King's Theatre and our Studio on Potterrow on 16 March due to COVID-19. At least 90% of our income is generated from ticket sales and trading income, hence the sudden closure meant an immediate loss of our main sources of income. To date, we have refunded 52,900 tickets with a value of £2.3m. We have reduced all fixed costs where possible and furloughed 92% of our staff, retaining essential staff to plan the sustainability of our organisation and reopening of our venues. We are now faced with the need to commence a collective consultation with staff around potential redundancies. There will be 211 out of 230 employees impacted (92%) if no sources of substantial emergency funding can be found.

During lockdown we have reinvented our offering through a digital engagement programme called 'Raise the Curtain' which is seeing a high uptake from members of the public, as well as the marginalised groups whom we have established relationships with such as those living with dementia, care experienced young people, and children with complex multiple needs.

At present, our net cost of operation, including payroll (after CJRS receipts) and unavoidable property and administrative costs, is £200k per month (rising to £360k per month at the end of the 80% level furlough in August 20). Our unrestricted reserves are now depleted and we are forced to borrow from designated reserves. Whilst that is something our Board has been prepared to sanction in such unprecedented circumstances, it reduces the income set aside to progress with the much-needed redevelopment of the King's Theatre, also critical to the longer-term sustainability of our organisation. We therefore have a careful balance to negotiate to ensure our immediate resilience as an organisation, whilst also protecting our capital project plans which will save one of the city's key heritage assets from potential closure when the current lease with the City Council expires in 2023.

### **Funding Gaps**

The injection of funding from the Scottish and UK Governments to the sector is warmly welcomed, however CT is falling through the gaps in achieving support from emergency funding.

Our application to the Third Sector Resilience Fund was rejected due to their view that as we are not as yet insolvent, other cultural funds are available in the shape of a Social Investment Scotland loan with a 5 year repayment period, and an interest rate of 7% after the initial 24 months at 0% interest. We do not consider this to be a sustainable way forward for the organisation, as the margins of a theatre are very thin, hence placing a new jeopardy on the business down the line.

For the Scottish Government £12.5m funding for cultural venues, our understanding from Creative Scotland is that as CT is a non-regularly funded organisation (RFO), we will only be eligible to apply to the £5m component of these funds along with all other non-RFO's, and only up to a maximum of £250k. We feel disappointed that our previous prudent financial management and commercial success, which were told in 2018 was the reason we were not continuing as an RFO, has now put us in a position of jeopardy compared to other venues whose financial sustainability has been more volatile.

We are nonetheless poised to apply to access whatever we can from this funding and that announced by the UK Government (£97m support to Art and Culture for Scotland) as and when details of both funds become available. These funds will be essential to our future survival.

In summary, our trading deficit will sit at £1.95m by March 2021 if we do nothing and receive no emergency funding. This is likely to demand a compulsory redundancy programme at scale, and the loss of a highly resilient business that contributes greatly to not only the health and wellbeing of our vulnerable communities, but also offers a platform for our artistic talent in the heart of Scotland, alongside delivering

passion, joy and a significant tourist attraction for audiences locally, nationally and internationally all year round.

As such we invite the Scottish Parliament Culture Committee to consider supporting Capital Theatres in our plight to ensure saving either our staff or the Kings Theatre does not become an ultimate choice but is a key consideration that both are essential in the Scottish Government emergency funding criteria as they apply to Capital Theatres.