

**DCMS SELECT COMMITTEE INQUIRY ON  
IMPACTS OF COVID-19 ON DCMS SECTORS:  
EVIDENCE FROM FESTIVALS EDINBURGH 05/06/20**

**1. Summary of Key Conclusions**

- 1.1. Edinburgh's Festival City is one of the UK's key assets for cultural export and soft power, attracting attendances on a par with a FIFA World Cup every year in the same city and hosting the largest performing arts marketplace in the world. Yet one catastrophic season could lead to the loss of Edinburgh's festival infrastructure, assets and supply chain for the future. **The DCMS response to the Covid-19 crisis must take a clear view of how to assist key infrastructure across all four UK countries, working with devolved governments, and engage with proposals from Edinburgh Festivals on how their UK-wide role and value can be recognised and supported.** (5.3-5.5)
- 1.2. **There are still gaps in support for individuals and micro-businesses across cultural and creative sector supply chains that need to be addressed**, including extending Self-Employment Income Support Scheme and a sector-specific view on the furlough scheme; widened eligibility for business rates relief; extension of loan support; and assistance for businesses struggling with commercial rents and leases. UK Government should also **consider extending the cultural Government Indemnity Scheme to live events** where insuring for cancellation due to public health issues has become prohibitive for major UK assets. (6.3)
- 1.3. **The unique challenges of social distancing for live events over an extended period of 12-18 months could devastate most of the UK live events sector** - unless support is followed through on until the sector is able to reopen and survive socially distant business models while rebuilding for viable long-term growth. (5.1)
- 1.4. **A longer term UK-wide sector-specific resilience effort is required** to work strategically across production and distribution, commercial and non-commercial offers, to protect key assets and a future pipeline of world-class creative content, drawing on proposals from Creative Industries Federation, UK Theatre and others. (4.6, 6.4)
- 1.5. **A package of specific innovation support would enable UK live events to re-engineer viable business models through their leading expertise** – including best practice live performance protocols, new live formats, and mixed reality experiences. This would protect skills and safeguard a pipeline of new content. (5.5-5.6)
- 1.6. **To stimulate and reward a return to growth, there should be a temporary VAT cut on tickets, booking fees and customer hospitality sales until social distancing can come to an end.** This would be a simple to implement sector-specific incentive for creative and hospitality businesses, as the last sectors to emerge from lockdown. It would help to channel support to the majority of live events staged by non-subsidised businesses in the independent commercial sector who have often been unable to benefit from other kinds of Covid-19 support. Based on 2019, a 10% cut in the rate of VAT on ticket sales could have provided additional headroom of over £4 million across the whole landscape of venues and presenters at Edinburgh's festivals - and the more resilient these businesses can remain, the more public finances will see payback through payroll and other taxes. (5.7-5.9)

## 2. Background: Edinburgh Festivals and Festivals Edinburgh

- 2.1. Edinburgh is renowned as a world-leading festival city playing a central role in the UK's trade in cultural exports and global creative reputation. Edinburgh's [11 major festivals](#)<sup>1</sup> – five taking place together in the peak season of August - are assets not only for the creative and tourism industries of Edinburgh and Scotland but also for the wider UK.
- 2.2. Edinburgh's Festival City attracts **attendances of 4.7 million a year**, making it a cultural mega-event on a par with a FIFA World Cup and second only in scale to an Olympic Games, but taking place every year in the same city; hosts the **largest performing arts marketplace in the world** at the Fringe Festival; and plays key roles in the UK's wider theatre and dance, music, film, publishing, science and live events sectors.
- 2.3. [Festivals Edinburgh](#) is the joint strategic development body for Edinburgh's festivals, established in 2007 as an industry-led collaboration. Our role is to help sustain and develop the festivals' future cultural, social and economic benefits through joint programmes of action, in turn increasing the festivals' contributions to the UK's high growth creative and tourism sectors.

## 3. What has been the immediate impact of Covid-19 on the sector?

- 3.1. Due to the Covid-19 emergency restrictions, three of Edinburgh's spring/summer festivals had to cancel in March, followed by the August festivals' [announcement](#) on 1 April that they would not take place for the first time in over 70 years, and with the Jazz & Blues Festival cancelling a fortnight later. Destabilising planning uncertainty also remains for the autumn/winter festivals, which are due to take place in October and December but need to make programming and investment decisions now.
- 3.2. Without a 2020 Edinburgh Festivals season of significant scale, **24,000+ UK participants are directly losing livelihoods and the future touring opportunities** they secure in Edinburgh, thanks to the 2,500 industry professionals and over 1,000 accredited media from across the world who attend.
- 3.3. The wider additional economic impact of the festivals was [calculated in 2015](#) as being worth at least £312 million a year, and creating over 6,000 additional full-time jobs. Based on recent years' trends, the economic benefits are estimated to have risen by at least £50 million and job creation by a further 1,000 a year – so with the loss of the 2020 season, **the wider economy stands to lose some £360 million and 7,000 jobs** across the live events, tourism and service industries.
- 3.4. There is lost investment of **over £21 million from our festivals into the supply chain** of over 800 suppliers across production, promotion, hospitality, operations, ticketing and other service businesses. 97% of these suppliers are based in the UK. We support mainly independent SMEs, who account for over 70% of our top 40 suppliers.
- 3.5. The Edinburgh Festivals themselves are also small operations, despite the global reach of their brand recognition - none with more than 50 year-round staff and many with less than half that number. Their flexible nature means they can be an agile asset to adapt to new

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<sup>1</sup> Art, Book, Children's, Film, Fringe, Hogmanay, International, Jazz & Blues, Science and Storytelling Festivals, and the Royal Edinburgh Military Tattoo

circumstances in the recovery phase, but also that they are highly fragile with lean staffing structures and reserves.

- 3.6. One catastrophic season could lead the **loss of Edinburgh's festival infrastructure and assets for the future** - unless support is followed through on until the live events sector is able to reopen and survive socially distant business models while rebuilding for viable long-term growth.

#### **4. How effectively has the support provided by DCMS, other Government departments and arms-length bodies addressed the sector's needs?**

- 4.1. The UK Coronavirus Job Retention scheme and the Self-Employed Income Support Scheme have been a vital support and are greatly appreciated.
- 4.2. However the creative industries have a high proportion of freelancers, self-employed and micro-enterprises. **There are still gaps in support for individuals** paid by PAYE, paid in dividends and earning less than 50% of their income from the sector whose other income is also affected. And **many micro-businesses are currently unable to benefit from support** such as rates relief, furlough essential staff or show future revenue projections for loan finance.
- 4.3. The festivals have been fortunate to have permission to repurpose much of the public funding available to them from the City of Edinburgh and Scottish Government, and offering this support was invaluable. However, this **grant flexibility has only been able to assist with short-term stabilisation as an average of 75% of festivals' income is self-generated - and in some cases, most notably the Fringe Society and Tattoo, this is much higher and their business models are not currently supported by core public funding.**
- 4.4. We recognise that there has been concerted work to roll out a range of emergency grants for affected sectors through UK, Scottish and local governments, arts councils and enterprise agencies - though often funds have to close soon after opening due to being oversubscribed and have been mostly designed to cover short-term needs. Several key players across the Edinburgh Festivals landscape and supply chain have benefited from essential and much appreciated support through tailored interventions including the Scottish Government's Pivotal Enterprise and Third Sector resilience funds.
- 4.5. However, these support schemes are only designed for short-term support although it is recognised that live events will be among the last areas of life to resume in national unlocking plans, with business models among the most vulnerable to social distancing restrictions. The Scottish Government and national agencies are continuing to develop plans for assistance with longer-term recovery of key assets and infrastructure. Markets in our vital creative and tourism sectors are also highly integrated UK-wide **so UK Government measures will need to work in tandem with devolved government support in sector-specific recovery plans for the longer term, which take account of key assets across the whole of the UK.**
- 4.6. We support the work of the Creative Industries Federation in calling for a **Creative Industries Distress Fund**, to rapidly respond to bids for support based on urgent needs that are unique to our sector; and for a **national recovery plan for the sector**, with measures such as a government-backed campaign to drive audiences and footfall when lockdown measures ease; a 'challenge fund' to incentivise creatives to emerge with innovative and creative solutions to the Covid-19 recovery; and a wholesale finance provider to build capacity and sustainability into the creative sector through a mixture of grant, debt and equity.

**5. What will the likely long-term impacts of Covid-19 be on the sector, and what support is needed to deal with those?**

- 5.1. The Edinburgh Festivals are an essential ingredient in the creative trading economy of the UK - what Cannes is to the global film business, Edinburgh is to the performing arts. Other submissions such as from UK Theatre have set out how **the unique challenges of social distancing for live events over an extended period of 12-18 months could devastate the sector**. In working to renew our post-Covid economy and society, if the UK fails to support our world-leading live events sector then many other countries will be keen to establish their leadership in our place and have a head start.
- 5.2. Ensuring the survival of key UK creative assets is also important to the recovery of other DCMS sectors. The festivals' leading cultural brands are central to the offer which means **Edinburgh helps drive 60% of Scottish tourism visitation**, supporting economic sustainability and community wellbeing. They successfully **position Scotland and the UK** on the world stage as leading creative nations, and retain and **attract talented people in key sectors including creative, tech, finance, education and health** to live, work and study here.
- 5.3. Industry development and trading opportunities for live arts function on a UK-wide platform. **So DCMS, its Commissioner for Cultural Recovery and Renewal, and the appointed Taskforce must take a clear view of key assets and infrastructure across all four UK countries**. Only by working creatively within the UK's constitution to ally with devolved nations in jointly prioritising support will we be able to safeguard the UK's most important creative production and distribution pipelines.
- 5.4. Edinburgh is high among those key assets for exporting UK live arts, but because its peak season festivals take place outside England it would be easy to overlook in the DCMS analysis of needs and opportunities. Looking beyond the crisis period and planning for renewed growth in exporting the new generation of innovative UK creative skills, content and formats, **there must be early engagement with the proposals already been put forward by Edinburgh Festivals to DCMS for how their UK-wide role and value can be recognised and supported**.
- 5.5. **A package of specific innovation support is needed for key UK live event assets to enable them to re-engineer viable business models through their leading expertise** – including best practice live performance protocols, new live formats, and mixed reality experiences. This would protect skills and safeguard a pipeline of new content.
- 5.6. The UK is renowned for world-leading technical and production skills as well as for its artistic creativity, and the **skilled people in these rare specialist roles need to be retained in the industry**. Many work across the UK and the world from a home base in Edinburgh or use the festivals as a remarkable annual laboratory for their skills, with over 5,000 events produced in the peak month of August, from site-specific spectacles to unique pop-ups and rapid-turnaround fringe theatre.
- 5.7. We recognise that such support would need to be carefully targeted as funding is limited. So Edinburgh's Festivals are also supporting calls from UK Theatre, UK Music and UK Hospitality for a wider **temporary VAT cut on tickets, booking fees and customer hospitality sales until social distancing can come to an end**. This would be a simple to implement sector-specific incentive for creative and hospitality businesses, directly linked to rewarding growth, enabling businesses to work to stimulate consumer demand and build up working capital, with a precedent in 2010 when UK standard VAT reduced to 15% for a year.

- 5.8. The case for a sector-specific intervention as articulated by the Creative Industries Federation, UK Hospitality and the Association of Leading Visitor Attractions is that events, attractions and tourism businesses and professionals will need extended support as they will be among the last to be able to return to work. Meantime **such a measure would increase their ability to invest for recovery in 2021, and the more resilient these businesses can remain, the more public finances would see payback through payroll and other taxes.**
- 5.9. It would be important for the measure not to affect the existing VAT exemptions of charitable organisations in the sector, but the majority of live events are staged by non-subsidised businesses in the independent commercial sector who have often been unable to benefit from other kinds of Covid-19 support. **Based on 2019, a 10% cut in the rate of VAT on ticket sales could have provided additional headroom of over £4 million across the whole landscape of venues and presenters at Edinburgh's festivals,** and would enable support to be directed to those who receive little or no public funds. Applying a similar VAT rate cut to hospitality would also support those culture sector businesses who rely on food and beverage sales rather than tickets for their business model.

#### **6. What lessons can be learnt from how DCMS, arms-length bodies and the sector have dealt with Covid-19?**

- 6.1. The **immediate leadership commitments** from UK and Scottish Government, Creative Scotland, Arts Council England and others to show maximum flexibility with existing resources were a model of the decisive support needed to secure the resilience of those with grant awards – though sadly the duration of the crisis is such that these valuable measures have quickly been exceeded by the scale of negative impacts.
- 6.2. The widespread support provided to many businesses and workers through UK Government and Devolved Government schemes has been vital and welcome, but it has been a **challenge for public policymakers to recognise and reflect the complex dynamics of the creative industries** and people and businesses have fallen through the gaps as outlined in section 4.
- 6.3. Specifically, Festivals Edinburgh supports **plugging gaps in support** highlighted by the Creative Industries Federation in calling for the extension of the **Self-Employment Income Support Scheme** and taking a **sector-specific view on the furlough scheme**; and supports the calls by sector bodies UK Music and UK Theatre to **widen eligibility for business rates relief, extend and underwrite loan support, and provide assistance for businesses struggling with commercial rents and leases.** There is also a need to ensure a functioning and responsive insurance market, including considering **extending the cultural Government Indemnity Scheme to live events** where insuring for cancellation due to public health issues has become prohibitive for key UK assets.
- 6.4. The fragilities of many growth sectors including the creative industries have been put under immense stress by this crisis, having developed increasingly diversified and lean operating models in response to economic pressures following the 2008 financial crisis. In order to ensure that key assets survive and return to growth, there needs to be a partnership approach to improving resilience and managing risk. **A UK-wide sector-specific resilience effort is required to work strategically across the spectrum of production and distribution, commercial and non-commercial offers, to protect key assets and a future pipeline of world-class creative content.**

**7. How might the sector evolve after Covid-19, and how can DCMS support such innovation to deal with future challenges?**

- 7.1. The crisis has shown us that there is a huge demand for culture to sustain and entertain people, and that there is a hunger to come together in person for collective experiences as soon as we have ways to make this safe and viable. **Investment in developing and sharing practices, formats and content for changing audiences in social distancing contexts can help the sector pivot**, as outlined in Section 5 - including skills to introduce increased digital business models into the mix while retaining the live collective experience as a hallmark of the UK's global creative leadership.
- 7.2. Securing and marketing the UK and its nations, regions and cities as clean and safe for live experiences will be critical. The UK has the expertise to aim to be a world leader and set an internationally recognised standard of policy and practice. **We support the approach outlined by Public Health England to the Science & Technology Committee of keeping under review whether social distancing at 2 metres is actually necessary or could be reduced further**, always of course relying on the scientific evidence and professional guidance and recommendation of health professionals. A reduction to 1 metre or 1.5 metres could make the difference between businesses reopening or not, and several other major creative economies including France and Germany are working with public health guidance that is less onerous.
- 7.3. A return to growth will require investment in adaptation of approaches to production and infrastructure by the sector, and this should be supported by the **extension and development of Theatres Tax Relief and the pilot scheme for Exhibitions Tax Relief**.
- 7.4. The UK's leading arts and culture assets have the capacity and capability to leverage maximum private sector support to help sustain the livelihoods of the wider creative community. **Government policy changes to encourage philanthropy** should include reform to gift aid rules to be less restrictive, and introducing tax and match funding incentives for philanthropists.
- 7.5. The identity of the UK as an open, trading economy exchanging goods, services and ideas must be nurtured and rebuilt following this crisis. We have submitted to previous UK Parliamentary enquiries on our concerns about the consequences of UK immigration policy and EU Exit. In these hugely changed circumstances, **there should be serious renewed scrutiny by UK Parliament and reflection by UK Government on the wisdom of pressing ahead with the previously set timetable for EU Exit and with the current immigration legislation**.
- 7.6. The high toll that Covid-19 has taken on the UK has not enhanced our international reputation during this crisis, and UK Parliament and UK Government must reflect on what is needed in the coming months and years to ensure that we are seen as an attractive UK partner and destination in the recovery period. The work of the British Council supporting international cultural relations is an important network for our festivals which is under grave threat due to the ongoing damage to 85% of their annual income which is generated from teaching and exams. **We look to UK Government to secure the future of the British Council as an asset benefiting the whole UK** including through showcasing our strengths as a global creative powerhouse and creating international trade and business opportunities for artists and creative sectors around the world.

7.7. The tourism and the creative industries will continue to be intertwined as the experience economy, live events with co-presence elements, and virtual taster experiences for international markets become a greater part of the post-Covid mix. Building on experience such as the AHRC's Creative Industries Clusters programme, there should be extension of **innovative research and development programmes that support the sectors to collaborate on the future of cultural tourism offers.**

7.8. The economics of creative and cultural industries have depended on an increasingly agile but fragile labour market in the past decade post-financial crisis. Given the potential acceleration of trends across the world of work towards precarious self-employment and AI based interactions, **creative work should be celebrated as an important and growing part of the economy that can offer high satisfaction and relative resilience to automation.** To enable such historic shifts to happen fairly and equitably, our society needs to engage seriously with public policy ideas around Universal Basic Income or other means to offer citizens reasonable security and quality of life.