

Welsh Government Draft Budget Proposals for 2022-2023 – Music Venue Trust Submission

About Music Venue Trust

Music Venue Trust is a UK registered charity which acts to protect, secure and improve the UK's grassroots music venue circuit. We provide advice to the government, the cultural sector and the music industry on issues impacting on the network of venues and are the nominated representative that speaks on behalf of the Music Venues Alliance, an association of more than 900 such venues from across the UK. Within Wales we have 62 members of the Music Venues Alliance.

Principle Budget Requests

1. Permanently Eliminate Business Rates from the Grassroots Sector (see Section 1)
2. Eliminate VAT from Grassroots Music Venue Ticketing (see Section 2)
3. Support Community Ownership and Benevolent Ownership models to replace existing Commercial Ownership of the Sector (see Section 3)

Background

- A. Music Venue Trust welcomes the opportunity to provide information to the Welsh Government Draft Budget Proposals 2022-2023 Consultation on financial measures which could be included in the budget that would enable the Grassroots Music Venue sector to recover from the Covid crisis. Our aim is to build a sustainable and resilient touring circuit for artists to launch and develop careers.
- B. During the last twenty years, the Grassroots Music Venue sector has declined substantially:
 - I. 144 GMVs were trading in London in 2007.
 - II. Only 94 GMVs were trading in London in 2016, a reduction in trading spaces of 34.7%
 - III. The 2007-2015 permanent closures of small music venues that occurred across the country resulted in:
 - Reduced access to live music experiences
 - A decrease in performance/earning opportunities for musicians
 - Decline in the number of touring dates taking place in the UK
 - Decline in the number of affordable quality live music experiences
 - IV. Thanks to the work of Music Venue Trust in supporting the sector, by 2020 and prior to the COVID-19 crisis, we had 140 GMVs in London indicating that conditions within the GMV sector were beginning to stabilise after this sustained decline
 - V. Current systemic challenges threaten to plunge GMVs back into the prospect of prolonged decline.

- C. Grassroots Music Venues are the Research and Development department of the UK's £5.2 billion a year music industry¹, investing over £160 million every year into the development of new British talent, both frontline performing artists and supporting production and technical/logistics crew.² 12,051 people have direct jobs in this sector, which delivers 231,379 performances every year, with a total gross turnover of £371 million, including £129 million in ticket sales. In support of its role as the Research and Development department of the wider music industry, the desirable characteristics of a Grassroots Music Venue and its primary purposes to support the ecosystem, are:
- i. Investing in new talent
 - ii. Investing in creative careers
 - iii. Investing in local economy jobs
 - iv. Investing in place and community
- D. A GMV displaying these characteristics is an effective model of investment into Research and Development acting on behalf of the whole music industry.³
- E. Taxation, structure, and legal frameworks that surround this sector should seek to support the Research and Development purpose and not create barriers to it.

Consultation Questions:

1. What, in your opinion, has been the impact of the Welsh Government's 2021-22 budget including funding related to COVID-19?

- F. The Covid crisis magnified a number of existing issues surrounding this sector which reduce its effectiveness to deliver that purpose – these issues were not new or unknown to the sector, they were amplified by the crisis and the negative cumulative impact of them thrust into the limelight.
- G. MVT's work in this area stems from the consideration of the effective distribution of the 'Grassroots Pound' – it seeks to ensure that the maximum value of each pound spent by a ticket buyer at grassroots level promotes the purpose of investing in the development of new talent.
- H. 46.3p in every Grassroots Pound is lost to Business Rates, VAT and Commercial Rent. Only £5.37 of each £10 ticket is available to support the key economic purpose of the sector.
- I. Government support schemes resulted in a £140 million investment into this sector during the Covid crisis.

¹ UK Music (2020) Music By Numbers 2020 Report. Available at: <https://www.ukmusic.org/research/music-by-numbers-2020/>

² Music Venue Trust (2019) The Annual Survey - Available on request

³ Music Venue Trust (2019) Music Venue Trust Sound and Vision Report. Available at: <http://musicvenuetrust.com/wp-content/uploads/2019/07/SoundandVision.pdf>

- J. Despite this intervention, emerging from the Covid Crisis, the GMV sector is carrying in excess of £90 million in debt.
- K. Funding from the Welsh Government during the Covid-19 Crisis was an absolute lifeline to our Music Venues Alliance members.
- L. For example, £401,551 from the Grassroots Music Venue Relief Fund was granted to Welsh Grassroots Music Venues as a direct result of Covid-19 measures implemented in Wales.
- M. Welsh Grassroots Music Venues also received funding through the Culture Recovery Fund. In Round 1 Grassroots Music Venues were granted £2,290,290 and in Round 2 £1,248,466 was granted to Welsh Grassroots Music Venues. The result of this much needed funding is that the vast majority of Welsh grassroots music venues have been able to survive the immediate challenges presented by Covid-19 and have reopened to live audiences. We believe the impact of these measures taken by the Welsh Government helped to achieve the core purpose in ensuring the survival of grassroots music venues which make up a vital part of Wales's wider cultural ecosystem.

2. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

Music Venue Trust would encourage Welsh Government priorities for 2022-23 to focus on the following challenges in responding to the impact of the Covid-19 crisis:

SECTION 1: BUSINESS RATES

1.1 CHALLENGE

- A. The current system of business rates is anachronistic, inconsistent, and outdated. It fails to meet the principles of good tax design as it does not provide fairness, efficiency, convenience, or certainty for GMVs. Instead, what is evidenced is a tax design that varies wildly from location to location with little consistency. GMVs are placed, without explanation, into broad categories of rateable value premises which do not recognise GMVs as a distinct category with specific characteristics which are unique to the sector. The result of this is GMVs across the country are paying disparate rates that bear no relationship between the amount charged in business rates and the business operating from that premises^[4].
- B. These issues are exacerbated by the fact that there are two different calculation methods used when business rates are determined. Venues who have their business rates calculated by fair maintainable trade have, on average, a rateable value that is 18% higher than venues who have their current rateable value calculated by square meterage.^[5] The failure to have a single method of calculation in place leads to a high degree of variation within the business rates system. This degree of variation leads to

inconsistency, causing venues with similar characteristics of operation and location to be treated differently by the tax system.

- C. GMVs are the Research and Development centres of the UK live music industry. They are the small business entrepreneurs of the UK music industry, taking exceptional risks with programming and support for new and emerging artists. This activity produces long-term, significant economic outcomes for the wider industry and for the UK. In 2019, the UK Music Industry provided:^[6]
 - a. Total GVA: £5.2 billion
 - b. Total Export Revenue: £2.7 billion
 - c. 190,935 FTE jobs.

- D. The business rates system is a blunt taxation collection system which addresses this activity purely through the lens of economic viability and assesses that economic activity solely at the point of delivery without consideration of its wider and longer-term impact. However, doing so is a misunderstanding of why GMVs operate and their motivations. As the Research and Development arm of the live music industry, GMVs consistently exhibit negligible individual profit margins at the point of delivery, supporting the development of new artists and creation of new intellectual property assets through not-for-profit activity. This investment creates substantial value elsewhere in the wider cultural and local economy. For example, in the local economy for every £10 spent on a GMV ticket, £17 is spent elsewhere in the night time economy^[7]. As noted in our background statement, the work created in GMVs is the bedrock of a multi-billion pound music industry, but the GMVs which develop those artists and that IP are not partners to the profits that it generates. This role as an instigator of both activity and talent is not recognised within the rates system as there is no category for GMVs which might acknowledge it and the specific economic models which support it.

- E. Historically, GMVs have remained under commercial business structures due to the lack of support and financial means to convert to a not-for-profit model which better recognises the cultural output and activity taking place. MVT has sought to address this with some success. In 2015 3% of our network of GMVs had a not-for-profit business model. MVT has encouraged and offered support for GMVs to convert to not-for-profit business models and in 2019 the figure had risen to 31% of our network^[8]. We anticipate the continued rise in GMVs converting to not-for-profit status. This rapid growth in not-for-profit operators as the management model for GMVs underpins our view that most operators are motivated by cultural objectives rather than commercial motivations.

- F. We note that the move towards not-for-profit management structures has not resulted in rate relief reaching the new operating entities; our survey of 2019 demonstrated no increase in the number of venues accessing rate relief from their local authority despite the large number now identified as not-for-profit who might therefore qualify for such relief.

- G. Charging business rates removes value from the creative economy.^[9] By returning very little value to the venue or the creative economy the business rates system

penalises the activities that GMVs engage in when programming emerging talent. Example: The Old Market, Brighton, which experienced a 66.7% increase in their current rateable value between 2014 and 2019 without seeing a significant reciprocal return of value into the venue itself or experiencing any significant ability to meet the taxation demand through increase in profitability and/or commercial charges for entry.^[10]

- H. The existing Business Rates mechanism risks penalising physical cultural space in comparison to digital space. GMVs are physical spaces in which talent and intellectual property is developed, created and showcased. The current business rates system places a tax on these physical spaces which is in no way replicated in digital and virtual spaces.^[11] This creates a disparity in taxation between intellectual property that is showcased online and intellectual property that is showcased in physical venue spaces. The taxation of physical venues creates economic barriers to a physical venue's ability to programme cultural activity and results in a taxation mechanism which does not meet the aims of fairness or equity.
- I. Even prior to the COVID-19 crisis, the GMV sector operated with high overheads, show costs and tight margins^[12]. The increasing costs associated with business rates act as an added pressure and as a deterrent to any would-be venue operator wanting to open a GMV. Venues, particularly in larger cities across the UK, are finding it increasingly difficult to pay business rates.
- J. GMVs struggle to afford to pay business rates in city centres as they do not benefit from the increased footfall acuity a centre provides for businesses like retailers. Unlike retailers, GMVs can only have one gig limited by their capacity per evening. For example, Gullivers in Manchester city centre pays £300 per capita yearly, while The Live Room Manchester, who are situated just outside of the centre pay £80 per capita yearly.^[13]
- K. Overall Business Rates rose by 5% from the years 2017/2018 to 2018/2019^[2] (the 2018 inflation rate was 2.48%^[3]). This sustained rise significantly above the rate of inflation has had a detrimental impact on our network of GMVs in the UK.
- L. Research shows that GMVs revitalise the high street, for every £10 spent on a GMV ticket £17 is spent in the local economy on food, drink, and transport. However mounting business rates are driving GMVs out of city centres. With the COVID-19 crisis exacerbating the decline of the high street, reform of the business rates system is needed to stimulate the economic revival of our high streets.
- M. Our evidence shows that a high proportion of GMVs have a rateable value of over £51,000 and would therefore not have been able to benefit from the GMV business rates relief. In the majority of cases these venues have occupied their locations for decades and the costs of that location, an unintended consequence of city regeneration projects, have driven their current rateable value up to levels which are unsustainable^[14].

1.2 SOLUTION

It is imperative that a bold reform of the business rates system takes place to redress the issues laid out in this submission and prevent a painful decline of the GMV sector. Without bold reform, we will see a repeat of the reduction in GMVs witnessed between 2007 and 2016^[15]. Music Venue Trust has a number of principal and subsidiary recommendations that ensure the intent of the business rates system is better served. These are ordered according to principal recommendation and subsidiary recommendations. In the event that our principal recommendation cannot be achieved, our subsidiary recommendations work together to ensure that the principles of good tax design, including fairness, consistency, effectiveness and certainty, are better delivered within the current rates regime.

1.2.1 Principal Recommendation

A. **Exempt Grassroots Music Venues from Business Rates**

The current Business Rates system struggles to satisfy the principles of good tax design. Keeping GMVs within a system that does not achieve fairness is not equitable. The Treasury should therefore take this opportunity to remove GMVs from the business rates taxation mechanism entirely.

1.2.2 Subsidiary recommendations

B. **Extend the Grassroots Music Venue Discount offered in January 2020 for a significant period to allow the sector to recover from the impact of Covid**

Relief should be made broader in order to target all GMVs. A 3 year moratorium on paying rates for all GMVs, including venues with a rateable value of over £51,000, will encourage the recovery of the GMV sector in the aftermath of the COVID-19 crisis. GMVs need an extended period of relief in order to combat the damage that COVID-19 is having on our sector's ability to trade. Unlike other retailers, relief needs to be targeted towards GMVs as they face a sustained period of economic inactivity without the means to meet any rates demands.

C. **Create a specific relevant category for GMVs within the Business Rates Mechanism**

Establish a sector specific category within the Business Rates framework for use by the Valuation Office Agency. The creation of a category for cultural usage that recognises the economic, cultural and societal contribution that GMVs provide would mitigate many of the inconsistencies of the current mechanism.

D. **Reform Business Rates to establish a connection between payee and benefits**

A reform of business rates so that there is a direct link between the payment of rates and tangible benefits that can be reinvested back into the GMV sector.

E. **Mandate Rates Relief for Not-For-Profit Entities**

All GMVs that have a not-for-profit structure should be able to access 100% rate relief. A failure to mandate this at a national level results in lack of equity and fairness within the Business Rates mechanism.

1.2.3 Current Reliefs

- A. In January 2020 GMVs with a rateable value of under £51,000 were given a 50% discount on future rates in recognition of the specific challenges that the Business

Rates mechanism faces in relation to GMVs. This relief was offered for a year-long period during which it was proposed that a deeper analysis of the impact of Business Rates on GMVs would take place.

- B. This discount was extended to a 100% relief in March 2020 as a response to the COVID-19 crisis. The scope of the discount was extended to include all GMVs irrespective of their rateable value.
- C. Whilst this type of relief measure is welcomed by Music Venue Trust it does not resolve the issues and inequalities that exist within the business rates system which have been recognised by the Welsh Government. These temporary reliefs were intended to provide the space and opportunity to explore solutions to these longer term challenges.

We urge the Welsh Government to go further than the measures taken by HM Government to redress the challenges and inconsistencies found within the rates system. By using their devolved powers the Welsh Government budget could choose to take proactive, appropriate and progressive steps to genuinely reform the rates system for the better and bring it more inline with the principle of equitable and fair taxation.

1.3 COST

£22,236,474 – total value of all business rates paid by Grassroots Music Venues in 2019

1.4 SUPPORTING INFORMATION

The recommendations Music Venue Trust have proposed are achievable, constructive and will have an immediate impact in ensuring the effectiveness of the current system. Reforming the business rates regime will help it better meet its intended purpose, remove inconsistencies, and deliver a taxation mechanism that is simple to administer. Spiralling business rates act as a barrier to a GMVs' ability to programme cultural activity. These strains, which are worsened by the current COVID-19 crisis, threaten the prospect of a revitalised high street. Mounting business rates act as a deterrent for any would-be venue operator wanting to open a GMV in our towns and cities. With the prospect of empty buildings on our high street as a result of COVID-19, there is an opportunity to take wholesale reform of our rates system that would encourage venue operators to open new GMVs on high streets. This in turn would help revitalise our towns, cities and communities in the aftermath of COVID-19.

Inconsistencies with the rates system are further compounded by the disparity created between physical spaces that are subject to business rates in a way that digital and virtual spaces are not. This creates a system of tax inequality between intellectual property that is showcased online, and intellectual property showcased at venues.

We urge the Welsh Government to heed our recommendations for bold reform as without it GMVs will be plunged into another decade of decline. These recommendations will help bring parity to the tax system allowing our GMVs to continue to act as spaces where valuable intellectual property is developed, created and showcased. These reforms are

needed to help strengthen the UK's live music industry so that the unique global standing we have gained through our live music sector remains the envy of the world.

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- ^[1] Music Venue Trust (2019) *DCMS Live Music Inquiry Response*
<http://musicvenue trust.com/wp-content/uploads/2019/03/Digital-Culture-Media-and-Sport-Comittee-Live-Music-Ninth-Report-of-Session-2017-2019.pdf>
- ^[2] Ministry of Housing, Community and Local Government (2020) *National non-domestic rates collected by local authorities: England 2018-19 (revised)*
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/863944/NDR3_2018-19_stats_release_revised_Feb_2020.pdf
- ^[3] ONS (2020) *Inflation and Price Indices*
<https://www.ons.gov.uk/economy/inflationandpriceindices>
- ^[4] Music Venue Trust (2019) - *Business Rates Review 2019* - available on request
- ^[5] Music Venue Trust (2019) *Town Hall Presentation* - available on request
- ^[6] UK Music (2019) *Music by Numbers Report*
https://www.ukmusic.org/assets/general/Music_By_Numbers_2019_Report.pdf
- ^[7] Mayor of London (2017) *Rescue Plan for London's Grassroots Music Venues - Progress Update* https://www.london.gov.uk/sites/default/files/rescue_plan_for_londons_grassroots_music_venues_-_progress_update_-_jan_2017.pdf
- ^[8] Music Venue Trust (2019) *Town Hall Presentation* - available on request
- ^[9] Ministry of Housing, Community and Local Government (2019) *Local Authority Revenue Expenditure and Financing: 2019-2020 Budget England* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/812505/Local_Authority_Revenue_Expenditure_and_Financing_2019-20_Budget_England.pdf
- ^[10] Music Venue Trust (2019) - *GMV Case Studies: Comparative Analysis* - available on request
- ^[11] Annette Nellen (2012) *Internet Taxation and Principles of Good Tax Policy*
<https://onlinelibrary.wiley.com/doi/abs/10.1515/1944-2866.1152>
- ^[12] Music Venue Trust (2019) *Town Hall Presentation* - available on request
- ^[13] Music Venue Trust (2019) - *GMV Case Studies: Comparative Analysis* - available on request
- ^[14] Music Venue Trust (2019) - *GMV Case Studies: Comparative Analysis* - available on request
- ^[15] Music Venue Trust (2019) *DCMS Live Music Inquiry Response*
<http://musicvenue trust.com/wp-content/uploads/2019/03/Digital-Culture-Media-and-Sport-Comittee-Live-Music-Ninth-Report-of-Session-2017-2019.pdf>

SECTION TWO: VAT

2.1 CHALLENGE

Although we acknowledge that the Welsh Government does not have devolved control over VAT rates, we urge the Welsh Government to consider the following challenges with VAT. We ask them to support the recommendations and use their position to highlight the challenges and the solutions proposed.

16.3% of the value of every ticket sold at a Grassroots Music Venue event is lost to VAT.
Based on 2019 data (latest available):

- A. Grassroots Music Venues sold tickets to a total value of £129 million, with a total potential VAT liability of £21.5 million
- B. Grassroots Music Venues invested £161.5 million in the delivery of live music events, with a total potential reclaimable VAT of £27 million
- C. Live music is a not-for-profit activity within the Grassroots sector, which generates huge potential tax returns in future for the Welsh government. Delivery of it should be supported and encouraged by a tax regime that promotes the highest possible investment in that future potential
- D. VAT on Grassroots Music Venue tickets is a direct taxation on Research and Development, removing the potential of investment into new and developing talent, and adding to the burden of cost for the delivery of live music opportunities
- E. The United Kingdom has the highest level of taxation on cultural tickets of any comparable country in the world and the highest rate in Europe
- F. HM Government did not make use of cultural exemptions from VAT available to it while a member of the EU (Annex III of the VAT Directive). It was unique in failing to apply the available exemptions among all our comparable live music markets; grassroots music venue ticketing is taxed more highly in the UK than any other country in Europe, resulting directly in a reduced ability to invest.

2.2 SOLUTION

2.2.1 Primary Recommendation

- A. Eliminate VAT from Grassroots Music Venue Ticketing

2.2.1 Extension of VAT reduction

- B. The reduced 5% VAT rate on ticket sales was an important Government intervention in 2020. This policy was a recognition of the direct cash injection the industry needed during this period. However, the forced closure of the industry and dramatic reduction in ticket sales meant there was minimal benefit of this policy in real terms. The extension provided by the Government in the March Budget was warmly welcomed, but with the tapering of the policy that is set to end in April 2022 the sector faces a cliff edge in terms of relief at a time when it is just getting back on its feet.

- C. The live music industry operates with large upfront costs to stage and produce activity. The prolonged closure of the industry resulted in extremely limited cash flow across the industry, which will take years to rebuild. The single most effective way to direct cash into the bottom line of struggling companies would be to extend the VAT reduction on ticket sales for a following three years. We urgently call for HM Government to reconsider this decision, in order to provide a lifeline for the sector as it begins to rebuild. We also call on the Welsh Government to use their position of power to support this call and recommendation.
- D. This would be a transformative intervention and if the VAT rate was returned to its 5% rate it would save the industry £765 million over a three period; money which could then be reinvested to support jobs, supply chain businesses, local communities and boost the economic recovery across the UK.
- E. Whilst this policy is currently linked to several industries, we request the retention of this policy for the live entertainment industry. This would recognise the unique business model that our businesses operate under with very high up-front costs, significant preparatory time needed ahead of large events and the extended closure period in comparison to other industries.

2.3 COST

- A. Elimination of VAT within Grassroots Music Venue ticketing initially appears to be a cost neutral measure. However, all 928 venues within the grassroots circuit operate a mixed economy business model in order to underwrite the cost of live music (typically bar and catering services)
Based on 2019 data (latest available):
- B. £372 million – total turnover
- C. £62 million – potential VAT liability
- D. £344.5 million – total expenditure
- E. £57.5 million – potential reclaimable VAT
- F. £4.5 million – total potential cost of an exemption for Grassroots Music Venue ticketing to support investment into Research and Development of new talent
- G. £3.375 million – total potential cost of a 5% rate for Grassroots Music Venue ticketing to support investment into Research and Development of new talent.

2.4 SUPPORTING INFORMATION

- A. The small-scale cost of exemption, less than £5 million per year, is a measured and intelligent step that advocates for investment into Research and Development. It makes best use of the opportunities for a uniquely British approach to culture and investment afforded by Brexit
- B. A rate of 5% would bring the UK into line with our closest European competitors

SECTION THREE: OWNERSHIP

3.1 CHALLENGE

93% of the UK's Grassroots Music Venues are operated by leasehold tenants

The existing private freehold owner/leasehold tenant model is a significant weakness and threat within the sector. It results in:

- **Poor use of available resources resulting in under investment**
- **Lack of security, resilience and sustainability**
- **Less investment in British talent, intellectual property and training/apprenticeships**
- **Less investment in Britain's high streets and town centres**
- **Permanent loss of vital cultural spaces**

As a result of the Covid crisis, the current financial circumstances and valuation of these cultural premises presents a unique opportunity for an ethical private investment package that protects vital cultural activity. It should be noted that these premises are being considered by private investors seeking an opportunity to maximise profit from the premises by the removal of the cultural activity.⁴

The UK's Grassroots Music Venue circuit presents a unique model of ownership which creates specific challenges to the resilience and sustainability of the sector. This model of tenants/private commercial landlords is not replicated in other European nations, which exhibit a mixture of owner/operator spaces and government funded premises, or in similar music markets such as USA, Canada or Japan, where owner/operator is the dominant market model.

The existing constraints on usage of Social Investment Tax Relief arise from compliance to EU standards and practice. Brexit presents an opportunity for the government to consider how to optimise an existing policy and tax relief to address the specifics of Britain's culture and creative industries so that it specifically addresses circumstances and need unique to the UK.

3.2 SOLUTION

Music Venue Trust can create a more sustainable, profitable and community-led ownership model that supports the Grassroots Music Venue (GMV) incubators that underpin Britain's £5.2bn music sector. **The Welsh Government can support this project through two modest changes to the Welsh budget:**

Music Venue Trust wants to change the ownership model of GMVs by:

- **Encouraging Communities to acquire their local Grassroots Music Venue through Co-Operatives, Community Benefit Societies and other mechanisms which can issue Community Shares**

⁴<https://www.theguardian.com/business/2021/jan/19/most-non-food-pubs-england-still-awaiting-1000-covid-grants>

- **Unlocking private investment capital to finance an ethical, British based national property management entity to acquire freeholds and move them into protected ownership**

We are requesting that the Welsh Government encourage private investment that supports this activity in the budget by:

- 1. Expanding the scope of the Community Ownership Fund**
- 2. Optimising Social Investment Tax Relief so it can be offered to enterprises undertaking leasing and rental activity of premises hosting cultural performances**

Changing the ownership model is a major opportunity which aligns the interest of freeholders, tenants, communities and artists. Delivering this change strengthens the sector, providing:

- **Protected Tenancies with greater resilience and sustainability**
- **Managed rent demands which reflect a shared purpose between landlord and tenant**
- **Opportunities for sector wide initiatives on access, diversity, and opportunity**
- **Focus of available resources on the primary purpose of a Grassroots Music Venue; research and development of, and investment into, new and emerging talent**
- **More resources to invest in local, community initiatives and plans for the future.**

This request is complementary to, and will support the success of, existing HM Government agenda and policies:

- **Levelling up**⁵
- **Producing resilience**⁶
- **Supporting small towns and high streets**^{7 8}
- **Leasehold reform**⁹
- **DCMS The Culture White Paper 2016: (in particular section 4 Cultural Investment, resilience, and reform)**¹⁰

3.3 COST

⁵ Danny Kruger (2020) *Levelling up our communities*. Available at: <https://www.dannykruger.org.uk/sites/www.dannykruger.org.uk/files/2020-09/Kruger%202020Levelling%20Up%20Our%20Communities.pdf>

⁶ London School of Economics (2020) *Recovering from Covid-19 in the UK: how to design an inclusive, resilient and sustainable growth strategy*. Available at: <https://www.aldersgategroup.org.uk/asset/1684>

⁷ Department for Communities and Local Government(2013) *The Future of The High Street*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/168023/Future_of_High_Streets.pdf

⁸ We Made That and LSE Cities (2017) *Highstreet For All*. Available at: https://www.london.gov.uk/sites/default/files/high_streets_for_all_report_web_final.pdf

⁹ Ministry for Housing, Communities and Local Government (2021) *Government reforms make it easier and cheaper for leaseholders to buy their homes*. Available at: <https://www.gov.uk/government/news/government-reforms-make-it-easier-and-cheaper-for-leaseholders-to-buy-their-homes>

¹⁰Department for Culture, Media and Sport (2016) *The Culture White Paper*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/510798/DCMS_The_Culture_White_Paper_3_.pdf

3.3.1: Sitr

HM Treasury forecast an annual cost of up to £35million a year for Social Investment Tax Relief. In the first three years of operation it cost less than £2million¹¹, and attracted less than 100 applications.

The total estimated value of the Grassroots Music Venue freehold estate is **£361 million** consisting of:

- Total GMVs (UK): **927**
 - Venues UK (excl. London): **742**
 - Venues in London: **185**
- Average GMV Property Value in the UK: **£389,428**
 - Total GMV Property Value in the UK: **£361 million**
- Average GMV property value in the UK (excl. London): **£294,278**
 - Total GMV Property Value in the UK (excl. London): **£218.5 million**
- Average GMV property Value London: **£770,317**
 - Total GMV Property Value (London): **£142.5 million**

Outside London, assuming a ten year project of acquisitions of the entire estate, the annual predicted cost of a 30% tax relief modelled on the existing Sitr would be **£6,555,000**, with a maximum total value of **£65,550,000** across 10 years.

3.3.2 Community Ownership Fund

The Community Ownership Fund is a £150 million fund over 4 years to support community groups across England, Wales, Scotland and Northern Ireland to take ownership of assets which are at risk of being lost to the community. The aims of the fund are fully aligned with the goals of Community Ownership presented by Music Venue Trust. However, access to the fund is limited to single interventions, i.e. on a premises-by-premises basis.

If the Treasury elected to amend the fund so that multiple projects could be considered within a single application, this would enable the sector to bring forward a comprehensive bid to the fund. The financial impact is budget neutral; amendment to the application criteria can achieve the purposes of the fund while supporting Music Venue Trust's Community Ownership initiative. We would like to urge Welsh Government to support these recommendation and to use their position to support these small but meaningful amendments.

¹¹Pat Sweet (2019) *Treasury probes value of social investment tax relief*. Available at: <https://www.accountancydaily.co/treasury-probes-value-social-investment-tax-relief>

3.4 SUPPORTING INFORMATION

3.4.1 CONTEXT AND THE ISSUES: THE GROWING NEED FOR COMMUNITY OWNERSHIP

The UK's Grassroots Music Venues experienced significant market failure between 2005 and 2015, resulting in the loss of over 35% of trading spaces.¹² This loss is significant not only within the sector, equating to the loss of circa 400 cultural spaces providing over 6000 direct jobs, but has a broader impact upon the sector's ability to support the development of valuable assets for the wider music industry.¹³ Based upon 2019 surveys, it can be assessed that the loss of these spaces equates to a direct loss of £56.5 million per annum in investment by the grassroots sector into new British talent. The failure to protect investment within the grassroots sector can be seen in longer term impacts on the wider music economy.¹⁴

Since 2014, Music Venue Trust has been working to understand the operational model, economic factors and legal position surrounding Grassroots Music Venues that provoked this market failure and resulted in this downturn in investment.

An initial report published in January 2015 established the parameters of this work, identifying a series of internal and external challenges¹⁵:

- Reputation, recognition and understanding of the work of GMVS
- Legal and Licensing Framework
- Models of Taxation
- Organisational Structure
- Music Industry standard customs and practice
- Ownership

The Charity has taken a series of steps with key stakeholders since 2015 to address these six challenges, working with the sector itself, government and industry to secure, protect and improve venues. This work has been extremely successful; for the first time in two decades more venues were trading at the end of 2019 than at the start of the same year.

The Charity now wishes to take steps to address the sixth pillar of these challenges, Ownership, which underpins many of the other factors which have negatively impacted on the resilience of the sector and its ability to invest in new talent development. 93% of the Grassroots Music Venue sector are tenants.¹⁶ Their landlords are a mixture of individuals with inherited property rights, property portfolio companies (frequently pension investments), local authorities, pub cos, and property management agencies. These landlords do not share the defining characteristics which deliver the primary purposes of a Grassroots Music Venue; they are not seeking to invest in the development of new talent, creative careers, or local economy jobs. These are commercial investment properties from

¹² Music Venue Trust (2019) *Music Venue Trust Sound and Vision Report*. Available at: <http://musicvenuetrust.com/wp-content/uploads/2019/07/SoundandVision.pdf>

¹³ Music Venue Trust (2019) *Town Hall Presentation* - Available on request

¹⁴ Music Venue Trust (2019) *The Annual Survey* - Available on request

¹⁵ Music Venue Trust (2016) *London's Grassroots Music Venue Rescue Plan 2015*. Available at: http://musicvenuetrust.com/wp-content/uploads/2016/09/londons_grassroots_music_venues_-_rescue_plan_-_october_2015.pdf

¹⁶ Music Venue Trust (2019) *The Annual Survey* - Available on request

which they are seeking maximum financial return, which often leaves the UK through non-domiciled entities, rather than being reinvested in the country. This is counter intuitive to the agreed aim and purpose of the sector, and to the actions and activities of key stakeholders, including national and regional government, for the last five years. The existing private freehold owner/leasehold tenant model is a significant weakness and threat within the sector. It results in:

- Poor use of available resources resulting in under investment
- Lack of security, resilience and sustainability
- Permanent loss of vital cultural spaces

Since 2015, a great deal of work has been delivered seeking to maximise the potential for GMVs to deliver their primary purpose. Tackling the issue of ownership is the important next step in this process.

3.4.2 A BETTER MODEL OF OWNERSHIP

By reimagining how venues are owned, we will unlock the full potential of Grassroots Music Venues as Cultural Research and Development spaces, enhance communities and ensure that other steps taken to maximise the resilience of their primary purposes have true impact. These venues will also have more resources to invest in local British talent, which will create more exportable intellectual property that will underpin and foster Global Britain. Changing the ownership model so that the sector has a protected infrastructure is a major opportunity which aligns the interest of freeholders, tenants, communities and artists.

Delivering this change strengthens the sector providing:

- Protected Tenancies with greater resilience and sustainability
- Managed rent demands which reflect a shared purpose between landlord and tenant
- Opportunities for sector wide initiatives on access, diversity, and opportunity
- Focus of available resources on the primary purpose of a Grassroots Music Venue; research and development of, and investment into, new and emerging talent

Music Venue Trust aims to deliver this outcome by:

- Encouraging Communities to acquire their local Grassroots Music Venue through Community Share Businesses and other mechanisms
- Creating an ethically based national property management entity to acquire freeholds and move them into protected ownership - Music Venue Properties, a new registered charity

The concept of community/protected ownership of local/cultural assets of significant importance is not unique to the grassroots music venue sector, nor are the steps to achieve it new or unusual. The need for action is simply magnified by the prevalence of private freehold ownership in a sector in which we wish to encourage the maximum use of resources to support the development of new talent. In the 2019 manifesto, the Conservative Party pledged to establish a £150 million Community Ownership Fund to encourage local takeovers of civic organisations or community assets that are under threat (e.g. pubs, football pitches, post offices etc).¹⁷ The Government has been supportive of Asset

¹⁷ Conservative Party Manifesto (2019) *Get Brexit Done Unleash Britain's Potential*, p26. Available at: https://assets-global.website-files.com/5da42e2cae7ebd3f8bde353c/5dda924905da587992a064ba_Conservative%202019%20Manifesto.pdf

of Community Value applications and a greater mix of uses to support training, development and upskilling.¹⁸

The Grassroots Music Venue sector is a prime candidate for ethical private investment; Music Venue Trust has discussed this opportunity with private investment companies and individuals and established models of community ownership (locally and nationally) and there is significant enthusiasm for such a project. There is a great deal of dormant private capital which could be unlocked by a coordinated and effective campaign to take ownership of the freeholds, protect tenants, and improve their tenancy conditions.

3.4.3 GOVERNMENT SUPPORT FOR THIS INITIATIVE

Given the UK's creative industries are the nation's third-largest sector and music is a key driver of this revenue we believe the government should seek to support this initiative by encouraging private investment. This can be achieved by:

- 1. Expanding the scope of the Community Ownership Fund**
- 2. Optimising Social Investment Tax Relief so it can be offered to enterprises undertaking leasing and rental activity of premises hosting cultural performances**

Both these measures present opportunities to further cement the sector's and the nation's global position as we develop the opportunities of Brexit and create a global leading asset class that is uniquely British, uniquely local and based on innovation, regeneration and continuing to be a global leader in the field.

3. How financially prepared is your organisation for the 2022-23 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

Music Venue Trust as an organisation is in the process of moving towards a paid membership model for the 2022-23 financial year. This was a plan that we had prior to the Covid-19 crisis and that we were originally going to introduce and implement in 2020. As the crisis unfolded we took the organisational decision to place our paid membership on hold so that we could focus solely on delivering the core support and crisis work our members needed during the pandemic. We now feel that the 2022-2023 financial year is the appropriate time to implement our paid membership model. The creation of our paid membership model for our existing Music Venues Alliance network, in combination with our ongoing strategies for fundraising from the public, private institutions and legacies, will help create long-term financial sustainability for the organisation. This in turn will enable Music Venue Trust to continue to grow the work we have been doing with our Welsh grassroots music venue, our partnership with Welsh creative and cultural organisations, expand our information sharing for our Welsh network, grow our skills based projects to enable young people to enter the sector and help strengthen the resilience of the grassroots music venue sector.

Accepting that there will be ongoing uncertainty within our sector having a Welsh budget which clearly outlines how the Welsh Government intends to support Grassroots Music

¹⁸ *Assets of Community Value (England) Regulations 2012* (SI 2012/2421) Available at: <https://www.legislation.gov.uk/uksi/2012/2421/contents/made>

Venues is something that we urge the Welsh Government to include in their budget. If the intention of cultural policy is to protect and support Wales' grassroots music venues then we urge the Welsh Government to use clear signposting in its policy language that includes the words Grassroots Music Venues so that the policy wording aligns with its intentions.

Doing so will enable Music Venue Trust to better support our members in their recovery in a post-pandemic environment. The funding that was granted to grassroots music venues during this crisis signified a significant step forward for the Welsh Government in recognising the cultural worth of our sector. We would urge the Welsh Government to continue this support by outlining a firm commitment to grassroots music venues in the budget.

4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

Ministerial accountability and transparency lies at the heart of good policy making. During this crisis we have found that the efficiency of the funding landscape, particularly in the distribution of cultural grants in Wales, was an incredibly important factor in the survival of the Welsh grassroots music venue sector. We believe that much can be learnt from taking into consideration the processes and collaborative working that worked well during this crisis and carrying this into their planning of cultural policy and budgeting going forward.