

## **Submission to House of Commons DCMS Select Committee inquiry on the Impact of COVID-19**

### **Summary of recommendations**

1. In order to ensure the UK's fast-growing professional audio production sector retains and grows its position as one of the world's leading audio production industries, we would like the Committee to make the following recommendations to Government:
  - To ensure that professional audio production is included in permissible activity during any future reintroduction of lockdown restrictions
  - To ensure the DCMS is planning for how to help companies taking on loans to have a 'soft landing' in terms of repayments beyond the initial 12-month period for the current Bounce Back Loan Scheme (BBLs)
  - To fill gaps in income protection for some limited company directors and freelancers
  - To recommend that the Government considers introducing a tax credit for professional audio production, in consultation with AudioUK
  - To recommend that the Government includes relevant audio productions in any measures it takes to ensure that content production is not halted or affected by any failure of insurance to cover COVID-19-related issues
  - Given the additional burden the COVID-19 crisis has already placed on the BBC, to recommend to Government that it does not decide to decriminalise TV Licence Fee evasion

### **About AudioUK**

2. AudioUK represents the UK's independent audio production sector, around 180 production companies based all around the UK, making radio programmes, podcasts and audiobooks as well as many other types of audio-led content. These companies bring ideas, stories, talent and perspectives from their communities to the attention of UK and worldwide audiences.
3. Our Audiotrain skills and training programme has over the last five years delivered around 2,500 learner days, with around 62% female attendees and around 21% with a BAME background<sup>1</sup>. Our annual Audio Production Awards celebrate craft talent in our industry<sup>2</sup>.
4. AudioUK engages with DCMS on various positive measures, including in recent years on BBC Charter Review, which saw more competition established between BBC in-house producers and external production companies to benefit listeners / licence fee payers. We also worked with the Department to set up the Audio Content Fund (ACF) pilot, financed with up to £3m of Government funds. The ACF's first annual report<sup>3</sup> details how it has spent over £1m on 53

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<sup>1</sup> More at: <https://www.audiouk.org.uk/audiotrain/>

<sup>2</sup> More at: <https://www.audiouk.org.uk/audio-production-awards/>

<sup>3</sup> <https://www.audiocontentfund.org.uk/2020/06/10/acf-annual-report>. Accessed 10 Jun 2020

public service radio projects, made by 21 independent production companies from around the UK for 35 different commercial and community radio stations.

5. We also highlight the audio production sector's range of exportable skills and content, to make sure it is featured alongside other creative sectors seeking to grow internationally. There are many exciting prospects provided by the growth in podcasting and audiobooks as companies and broadcasters realise the potential of British audio content to reach an attentive audience whose appetite for high-quality audio is growing rapidly.

## **Answers to Specific Committee Questions**

### **Q: What has been the immediate impact of COVID-19 on the sector?**

6. AudioUK carried out a swift impact survey of the sector from the period 12 – 24 April. 47 companies responded, located in every nation and region of the UK, with around half having their only or main office outside London.
7. The findings revealed that 72% of the companies responding had seen a reduction in their business, with around half of those (34% of the total) saying the reduction had been large. 13% thought their business income would remain broadly the same and 15% felt it might lead to increased turnover, the latter of which we partly attribute to the Audio Content Fund's c£400k reactive round funding public service content related to coronavirus<sup>4</sup>, plus other ad hoc radio and podcast initiatives.
8. Our survey showed that just over half (53%) expected their turnover would be reduced for 2020-21 as a result of COVID-19, with another 27% as yet unable to determine what the effect would be. Even among the 9% of respondents who expected increased turnover, some said that the expectation was that the increase would not be as much as previously forecast.
9. In terms of BBC radio commissions there has been some fall-off due to programmes being postponed, with concern at the effect on future commissioning rounds. AudioUK has been talking with the BBC to ensure that there is still a regular pipeline of commissions, albeit adjusted for the changes to current schedules. More new production coming through on BBC Radio and elsewhere will enable people to feel that we are seeing through the crisis. So a fresh wave of content on the PSB and commercial channels is important.
10. We understand the BBC, having postponed several major commissioning rounds, is now looking to reinstate those rounds at later dates over the next few months, although this will still have a significant impact on indie production companies' cashflow.
11. We are also looking to ensure payments come through from the BBC promptly to producers and that there is a level playing-field between indie producers and BBC in-house radio producers in terms of access to new commissioning opportunities. Ultimately we need the BBC to remain on course to meet its Charter requirement to reach a minimum of 60% of non-news hours open to competition from indie producers by the end of 2022.

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<sup>4</sup> See <https://www.audiocontentfund.org.uk/2020/03/19/supporting-radio-audiences-during-the-coronavirus-crisis>

12. In podcasting, some brands have postponed or cancelled planned commissions but there have also been new commissions, some related to COVID-19 and others to provide people with comfort and distraction from the ongoing situation.
13. In audiobooks, Audible has largely continued its commissioning. Elsewhere there are other sources of audio indie company income that have seen negative impacts, for example live events, studio hire and commercial revenue from ad-supported podcasts.
14. Audio production companies rely heavily on freelancers for the flexibility to respond to changing patterns of commissioning. Indications from our survey also show that some companies are having to let freelancers go or are not employing them on productions going forward as previously planned, due to delayed/cancelled commissions. 59% of respondents said they had to cease work with freelancers (on average, respondents had laid off five freelancers). This is estimated to be at least 25% of the independent audio production freelance workforce. In addition 13% of survey respondents had to furlough one or more employees at the time of the survey.

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

15. We have had regular dialogue with DCMS by phone and e-mail, allowing us to update them on the latest developments regarding impacts on our sector. AudioUK has been included in the membership of the Broadcasting Film and Production Working Group included in the DMCS Broadcasting Film and Production Working Group, which the DCMS has assembled to assist different production sectors in drafting guidelines relevant to their own areas.
16. Our sector survey sought to assess awareness of the Government support schemes available and companies' experience of accessing them. Of the measures we asked about<sup>5</sup>, almost all of them had been heard of by over half the respondents, the exceptions being the HMRC Time to Pay (49%) and Local Authorities hardship funds (40%). The highest level of awareness was for VAT/Income Tax Deferral (89%), with the Coronavirus Business Interruption Loan Scheme (CBILS) a close second (84%).
17. Overall, 27% of respondents felt the schemes had been effective for their business, while 40% did not.
18. AudioUK's survey was carried out prior to the introduction of the Bounce Back Loan Scheme on 27 Apr 2020, however initial soundings of some members who had previously sought to access the CBILS have initially been broadly positive, although some have since reported delays in processing and receiving funds from banks. There have been some questions around how long the scheme will run for, due to a concern that some of the impacts of the COVID-19 crisis may be felt further down the line in the effect of falling commissioning from the BBC and others as they seek to balance budgets once they are through the worst of the crisis. This would cause

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<sup>5</sup> These included: Job retention (furlough) scheme; VAT/Income Tax Deferral; Sick Pay Relief; Business rate exemption; Coronavirus Business Interruption Loan Scheme (CBILS); HMRC time to pay; Self-assessment deferral; £10,000 grants to those receiving small business rate relief; Universal Credit; Hardship Fund from Local Authorities; Self Employed Income Support Scheme; Arts Council England emergency funding (or equivalent).

producers perhaps to need loans later this year or into 2021, but it is not possible to forecast at this time whether that will be the case.

19. **We would like the Committee to recommend the DCMS plans for circumstances following the 12-month BBLIS interest-free loan period, in order that companies taking on loans have a ‘soft landing’ in terms of repayments.**
20. As the Committee is well aware, the Government has not to date addressed the gaps in support for freelancers and the self-employed, for example the lack of support for self-employed company directors paying themselves via dividends. Comments supplied to our survey included:

“As a limited company with nobody on PAYE the only support we are eligible for is VAT deferral”“As Directors the majority of our income comes from dividends. The problems for Ltd company directors have been well publicised”
21. There is also the issue of those freelancers who are paid by PAYE and are taxed at source, who similarly have not been provided for.
22. In order to attempt to fill some of the gaps in government support, AudioUK worked with the Radio Academy, BBC, Audible and production companies Reelworld and Folder Media to set up the Audio & Radio Emergency Fund<sup>6</sup>, helping freelancers in genuine hardship due to loss of income and being unable immediately to access other funding. Within three weeks of opening on April 20, the Fund had received 293 applications. AudioUK understands that many applicants stated they were not able to access Government funding because they had been freelance for less than a year and therefore not yet completed a tax return, or because they were paid via PAYE.
23. **While schemes such as the Audio & Radio Emergency Fund are seeking to help where they can, this does not replace the need for the government to plug gaps in its support and we would ask the Committee to continue to call upon the Government to address this.**

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

24. The length and seriousness of the impacts will to some extent be determined by how quickly a wider range of production processes can get underway under the eased lockdown restrictions. The key workers guidance produced at the beginning of lockdown included “journalists and broadcasters who are providing public service broadcasting”<sup>7</sup>. This left many types of production activity at best as a grey area (e.g. if someone is making a programme which doesn’t require traditional journalism for one of the BBC music networks) and at worst excludes activity – e.g. a well-established professional audio production company making a podcast for self-publication on Acast and similar platforms.
25. A number of our survey respondents referred to the need for an early relaxation of lockdown around professional audio production, for example:

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<sup>6</sup> For more detail see: <https://www.radioacademy.org/audio-radio-emergency-fund/>. Accessed 27 Apr 2020

<sup>7</sup> Guidance for schools, childcare providers, colleges and local authorities in England on maintaining educational provision. Cabinet Office and Department for Education, 20 Mar 2020 <https://www.gov.uk/government/publications/coronavirus-covid-19-maintaining-educational-provision/guidance-for-schools-colleges-and-local-authorities-on-maintaining-educational-provision> Accessed 22 Apr 2020

“We need the lockdown to be lifted to a degree that allows us to return to our studios. My team have performed admirably in challenging conditions, they've made remote recorded shows sound as good as possible, but we can't hit our usual standards until we're back in our studios.”

26. Following new government strategic planning and guidance published in the week of 11 May, in circumstances such as those above where work cannot be carried out from home, producers can travel to studios and elsewhere to carry out production activity, while applying all health and safety guidance including avoiding public transport where possible. AudioUK's guidelines, being drawn up in consultation with the Broadcasting, Film and Production Working Group, will be a useful resource to our members in this respect.
27. On a related matter, the Committee will be aware of the TV industry's concern regarding production insurance. Currently in the UK productions cannot be insured against postponement or cancellation due to a further lockdown and while that would only affect a small number of audio productions it is nevertheless something which could affect those producers who produce larger events, or some other larger productions such as audio dramas. **We are therefore asking DCMS to look beyond just screen-based production in formulating a solution to this issue and would appreciate the Committee's support.**

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

28. The Government overall has sought to adapt its policies according to industry feedback, although as documented above some freelancers remain exposed to hardship.
29. We would like the Government to consider which activities really need to be part of any further lockdown if cases rise again sharply and a renewed restriction on travel and contact is seen as necessary. This would place a huge burden on production companies and the already struggling freelance base.
30. Radio and audio has come into its own during the pandemic, providing both news and entertainment/comfort and therefore should be a higher priority for support and funding. An example of this is the Audio Content Fund, which moved quickly at the beginning of the lockdown period to commission special programming, resulting in a number of new innovative and swiftly-delivered projects. However the ACF now has a funding shortfall to pursue its normal programme of three rounds every financial year and we will be discussing with government as to whether any additional funding will be available to plug this gap.
31. **We would therefore like the Committee to recommend that professional audio production (i.e. audio production companies specialising in radio, podcast, audiobooks etc.) beyond journalism-related activity is included in the activity deemed to be outside any future lockdown rules, where practicable and fitting in with distancing and hygiene guidelines.**

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

32. Prior to the crisis the UK audio production sector was booming with the uptake of podcast and audiobook commissions, a significant number of which are commissioned from non-UK sources, such as international brands and global broadcasters (e.g. Netflix commissioned UK company Somethin' Else to make the podcast accompanying the hit series *The Crown*). To ensure this momentum continues, the Government should look at additional incentives to encourage such investors to work further with UK companies.
33. In recent years HM Treasury has helped the creative industries through AudioUK is in preliminary discussions with DCMS about a new tax credit for audio production, to take advantage of the growing number of international brands and broadcasters looking to invest in high-quality audio production.
- 34. In its efforts to kick-start the creative economy, we hope the Government will look favourably upon this proposal for a new audio production tax credit. We would welcome a recommendation from the Committee to this end.**
35. Elsewhere, we have already seen that remote working and video conferencing will play a greater part in business going forward, and our hope and expectation is that this will provide something of a leveller when it comes to companies operating outside the M25 in terms of access to commissioners and so on. We will be discussing this with the BBC and other commissioners of content to ensure that they continue to provide ways of communication between producers outside London and commissioning staff.
36. Lastly, the importance of the BBC has been clearly shown at this time, with research showing it is valued more than any other broadcaster. The investment in the creative industries represented by the Licence Fee will be crucial to allowing production sectors in the UK to get swiftly back on their feet. It is therefore of some concern that the BBC's funding is under additional pressure due to a number of factors, including: the continuation of free Licence Fees for over-75s beyond the planned move to limit the policy those on Pension Credit; the cessation of TV Licence enforcement during the lockdown period; the retention of news staff originally planned for cuts; and a reduction in income from commercial activities. The BBC has estimated this to be a cost of around £125m<sup>8</sup>.
37. AudioUK responded to the recent DCMS consultation on whether to decriminalise Licence Fee evasion. In our paper we expressed concern regarding the potential loss of some £200m per year for creative content and while not dismissing the concerns of those advocating decriminalisation we could not see compelling evidence that to do so would result in a clearly definable societal improvement.
- 38. We would ask the Committee to recommend to government it does not decide to go ahead with decriminalisation of TV Licence Fee evasion as this would have a further damaging impact on the BBC which has already had to shoulder a greater financial burden during this crisis, as outlined above.**

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<sup>8</sup> Waterson, Jim. BBC likely to make cuts to output with £125m fall in income forecast. Guardian, 29 Apr 2020. [www.theguardian.com/media/2020/apr/29/bbc-likely-to-make-cuts-to-output-after-income-forecast-to-drop-125m](http://www.theguardian.com/media/2020/apr/29/bbc-likely-to-make-cuts-to-output-after-income-forecast-to-drop-125m). Accessed 23 May 2020