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Our ref: Scottish Government response to Constitution, Europe, External Affairs & Culture Committee report on Culture funding for 2023/2024

20th December 2022

Dear Clare

Following the publication of the proposed budget for 2023-24, I am responding to the Committee's pre-budget scrutiny report.

I am very grateful to the Committee for its ongoing work on culture funding. I have found the evidence gathered by the committee very informative. This has been reinforced by the information I have heard at the roundtables that I have convened with the culture sector in November and December. Further roundtables will be held early in the New Year.

The overall budget for my portfolio in 23/24 is £347m. This is a decrease of £23.5m from 22/23. This includes £304m of resource and £26m in capital. The decrease is largely due to the reduction in funding required for the census as it nears the end of its ten-year cycle.

Specifically on the culture sector budget which I know has been the focus of the Committee we will invest £278m in Scotland's, culture & heritage sector in 2023-24. This includes £72.7m in funding for Historic Environment Scotland which, as its commercial income continues to recover strongly from the impact of the pandemic, will ensure it can continue to care for our heritage in communities across Scotland. We will continue to invest in Scotland's screen industry with £9.25m for Screen Scotland, including £750k to facilitate year-round engagement between the Scottish and international film & television industries. We are providing an additional £2.1m to support increased costs in the National Collections (National Museums Scotland, National Galleries of Scotland, National Library of Scotland) reflecting the high fixed costs that these organisations have. We are also maintaining spend for other areas of the culture budget, including local museums, public libraries and the national performing companies. Our support for youth music and community-based culture will also be maintained.

Before I address each of the recommendations in the committee's report I would like to provide an update on the Culture Strategy refreshed Action Plan and also touch on organisational reserves which we discussed earlier.

Update on the Culture Strategy Action Plan refresh

During my evidence session on 6 October I explained that we intended to publish the refreshed Action Plan by the end of this year.

Since then, and in light of the critical challenges facing our sector, on which the Committee have provided substantial and useful evidence, I have asked my officials to work quickly to organise a series of urgent Resilience Roundtables across Scotland. Two of these roundtables have now taken place, with more to follow in Inverness and Dumfries early in 2023. I have attended each of these so far, and have appreciated the opportunity to hear directly from the sector about their concerns, but also to discuss the potential for collaborative solutions, harnessing the sector's inherent creativity.

It is important we allow sufficient time to complete the roundtables, to ensure the fullest possible representation of views. Additionally, the publication of the Culture Strategy Action Plan refresh should not pre-empt the outcomes of these discussions. On that basis, I have taken the decision to reschedule the publication of the refreshed Action Plan until spring 2023, after the conclusion of the Resilience Roundtables. It will take these valuable conversations into account, and set out the actions the Scottish Government will take in response to current and ongoing issues, as well as how we will deliver on the long-term ambitions and vision of the Culture Strategy. This later publication date also allows us to fully set out our response to the 2023-24 budget settlement.

Organisational reserves

During my evidence to Committee on 6 October I committed to providing further information on whether the level of reserves that an organisation holds influenced funding decisions taken by the Scottish Government, Creative Scotland or Museums Galleries Scotland during the Covid19 pandemic, or whether it does so now.

The Scottish Government, as a direct funder to Non-Departmental Public Bodies and other organisations, does not make funding allocation decisions by reference to reserves. Rather, it is more likely to take into account the commercial revenue an organisation is expected to generate or capital investment required for projects when considering increasing or decreasing funding.

A similar approach is taken by Creative Scotland (CS). CS have confirmed that they take account of an organisation's projected cash flow and financial outlook when making funding decisions, rather than reserves. CS also took this approach when distributing COVID-19 emergency funding. In the case of the cancellation funds distributed as a result of the Omicron variant of Covid19, CS only took into account the cost of the cancelled events incurred by the applicant organisation.

Museums Galleries Scotland (MGS), the national development body for museums in Scotland, seeks to establish the financial viability of the organisation and the impact that the requested funding would have on the applicant organisation in their assessment of funding applications. MGS consider that an organisation that has built up significant reserves will struggle to make a case for urgent funding. MGS acknowledge the frustration this can cause for organisations that have worked hard to build up reserves. However, they feel that public funding must be prioritised to where it will make the biggest difference.

Percentage for the Arts

I will now turn to the first of the recommendations in the Committee's report to provide an update on progress in establishing the Percentage for the Arts scheme.

We are currently in the initial stages of scoping this commitment, which requires us to take into account analytical, regulatory and legislative considerations. We expect to be able to share more information on this work in the coming months.

Transient Visitor Levy scheme

The Committee in their report asked for greater clarity in relation to how the proposed Transient Visitor Levy scheme might support the culture sector at a local level.

The Scottish Government are committed to introducing the Local Visitor Levy Bill during the 2022-23 Parliamentary year. If passed by Parliament we would expect the provisions to come into force as soon as is practicable and reasonable to do so. Taking into account the expected time for Parliamentary scrutiny, and the need for consultation and engagement by a local authority before introducing the levy, it is likely that no visitor levy could be charged until 2026. This is about putting in place measures now that can deliver sustained investment in tourism in the future.

Money raised from the local visitor levy will be required to be spent on the visitor economy, such as visitor related infrastructure, or promoting and improving the visitor offer in a local authority's area. Before it could introduce a local visitor levy a local authority would be required to consult and publish its plan on how it planned to use any funds raised through the levy.

Culture & Business Fund Scotland

The Committee asked for an explanation for the reduction in the Culture & Business Fund Scotland for 2022/2023. Arts & Business Scotland receive funding from Scottish Government for their Culture & Business Fund. This money is transferred to Creative Scotland and is ring fenced for them to allocate to Arts & Business Scotland for the Culture & Business Fund.

The Scottish Government recognises the important role that Arts & Business Scotland play in funding cultural and heritage projects. However, given the difficult public expenditure environment and the ongoing economic challenges arising from COVID-19 at the start of the 2022/2023 budget year, there were pressures on funding. The Scottish Government currently provides significant support to the culture and heritage sectors including £33.87 million through Creative Scotland to regularly funded cultural organisations. Creative Scotland's Open Fund is available for individuals and organisations who have projects involving the arts, screen and creative industries.

The Culture & Business Fund falls within the other Arts line at level 4 of the Scottish Government budget. I can confirm that the other Arts line will be £31.349m for 2023/2024.

My officials will work with Arts & Business Scotland on the finalising the Culture & Business Fund for 2023/2024.

Preventative spend towards health and wellbeing and embedding culture in the well being economy

The Committee recommended that within the spending review there needs to be a reappraisal of health spending recognising the important role that culture can play in health and wellbeing. Culture is something that all parts of Government have a stake in. As I have said in my previous evidence session to this Committee, we have been working to develop closer cross-portfolio relationships, including with health and social care services. We will continue to prioritise that.

The Committee also asked for an update on the short life working group with health colleagues. This group includes colleagues with expertise and policy interests regarding social prescribing, but it is designed to have a broader remit covering a range of areas of policy crossover. The group have met in recent weeks and committed to working on joint actions. We will provide more information on the work of this group in our Culture Strategy Action Plan Refresh.

Multi year funding

The Committee asked about indicative level 3 figures for the remaining period of the spending review being published alongside the budget for 2023/2024. The budget announcements on 15 December only covered the budget for 2023/2024.

As I said in my evidence to the Committee on 6 October the need to have some sense of the planning horizon is absolutely understood. I remain keen to conclude some work on multiyear funding, even if economic uncertainty means that the figures for later years can be at most only indicative. The outlook, following the recent Autumn Statement by the UK Government, is even more challenging for the later years of the Resource Spending Review period. Nevetheless, I know that multiyear figures would help the sector to plan ahead.

I look forward to discussing further with the Committee at the planned session in January.

Angus Robertson

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