

Festivals Edinburgh Submission to Inquiry into Budget Scrutiny 2024:25:
Funding or Culture

Key Questions:

8: In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?

Response:

Visible damage: During the period of the Committee’s previous pre-budget scrutiny, Scotland saw several high-profile examples of the ‘perfect storm’ of financial pressures damaging Scottish cultural organisations – reducing cultural opportunities and leaving creative workers in a fragile position. In Edinburgh alone, announcements over the autumn and winter included the shock fall into administration of the Centre for the Moving Image, parent charity of the Edinburgh International Film Festival; restructuring of the Edinburgh International Book Festival which experienced a 40% drop in ticket and book sales in 2022; and the announcement from Dancebase of the need to reduce classes and staff numbers due to soaring costs. More recently, six leading independent producing theatres across Scotland have published a stark [report](#) outlining immediate risks to their sustainability

Hidden effects: The reality is that instability and fragility are endemic. This is despite all the measures already taken across cultural organisations to reshape to cope with reduced audience numbers and higher costs post-pandemic: including examples across different Edinburgh Festivals of scaling down of staff numbers, infrastructure and project budgets; increasing co-productions with other partners; reducing travel costs; generating six figure savings on e-ticketing; increasing donor fundraising by 240% since the financial crisis; and sharing specialist back office suppliers across box office, finance and marketing.

Mismatch between ambition and resources: The 13-year time series of collective Edinburgh Festivals research is unusual in enabling us to provide long-term analysis that illuminates a much wider problem across Scotland’s cultural infrastructure. An updated economic impact analysis for the 2022 season was published in June this year, shortly after an independent evaluation of the first three years of the collective Platforms for Creative Excellence programme. Together these show that the festivals are delivering around 150% of the cultural, economic and social benefits offered in 2010, on public support that has only 50% of the purchasing power. This is fundamentally unsustainable, because the focus of public funding has increasingly been on delivering these ends without supporting the means to create them through nurturing cultural innovation.

For example, enhanced public value delivered by Edinburgh’s Festivals for the past five years is under threat because there is currently no plan from Scottish

Government or City of Edinburgh Council to help secure the legacy of the Platforms for Creative Excellence programme beyond 2023. This is despite the external evaluation demonstrating that by 2022 the programme had succeeded in enabling Edinburgh's Festivals to offer 133 additional programme partnerships a year; professional development for over 550 participants; and community and schools engagement increased by 33% and 70% respectively. These are exactly the benefits that public funders want to see maximised through the festivals' platforms and yet they are at risk due to relentless cost pressures on the fundamental business of festivals production. The skills, values and working practices of the festivals have evolved for the long term, but it is challenging to secure future resources to continue this work at scale without a foundational public funding commitment.

There is a mismatch between the levels of public investment, and Scotland's ambition to place culture at the centre of Scottish life and extend its benefits to more people. We recognise that addressing this central problem is far from easy given the intense pressure on public funding - but if there is no closure of the gap of around a third between the EU average level of investment in culture, and the percentage of government spending allocated in the UK and Scotland, there must be a realistic rebasing of expectations.

Erosion of investment: We welcomed the Deputy First Minister's announcement in February that Scottish Government were not going to require Creative Scotland to use £6.6m from accumulated lottery reserves to make up for lower grant funding, but were very disappointed that only a public campaign rolled back this further erosion in the value of public support for culture in Scotland, which for our cluster has reduced by over 40% since 2010. We assume that this £6.6m is being held to help towards transition when Creative Scotland begins to make decisions on its new portfolio of multi-year funding awards in 2024 – but when the Edinburgh Festivals cluster alone accounts for an inflationary gap of £5m in public support that has opened up since 2010, it reveals how inadequate national reserves are to address necessary restructuring.

Even restoring the inflationary gap would only bring the position back to 2010 levels, when at UK and international levels there has been continual investment for the past 13 years in realising the strategic benefits of festivals for creative industries, communities, and national reputations. So we have also done an exercise to understand what is the additional collective investment needed from all sources to put Edinburgh's Festivals back on track to achieve the 2030 Festival City vision agreed with local and national authorities - and this gives a further figure in the region of £8 million a year.

Continuing uncertainty: Turning to issues of Scottish Government's in-year budgeting, the lateness of confirming 2023-24 individual budget lines compounded the problems of giving certainty to cultural workers and bringing creative content to audiences. For one budget line, confirmation came in April that in previous years had come in January. With the outputs scheduled to appear only three or four months later, in some cases this resulted in creatives having to look for other work because they could not rely on an offer from the festivals turning into a concrete contract. With another budget line, there has been discussion of possible additional

funds after the mid year point. We understand that these efforts are made in good faith in stretched circumstances, but budgeting that operates on a less than annual cycle is very destabilising to the publicly supported culture sector, and to the wider supply chain of mainly micro-businesses and freelancers, and could undermine the ability of charity trustees to sign off organisational finances as a going concern

9 Our report also concluded that that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?

Response:

Last year we called for acceleration of Scottish Government's exploration of the policy to create a **Percentage for the Arts** scheme, where 1% of funding for major public buildings would go towards community art commissions – but we have seen no public update on progress in the past 12 months.

The introduction of **Visitor Levy** legislation in the Scottish Parliament creates a new option for some local authorities to generate new revenues for reinvestment. City of Edinburgh Council is in detailed planning about how it could set up a scheme. Many civil society partners are concerned that local authorities raising this levy will focus on statutory priorities when non-statutory priorities like culture have seen the heaviest cuts since 2010, although culture is a leading driver of visitation. During the Parliamentary process, we will ask for a strengthening of the requirement in the Bill that revenues should not be spent on core services, but reinvested in measures to support the local authority and its residents to enjoy the benefits of strong and sustainable visitor economies including vibrant local cultural scenes.

Counter to this positive development in supporting a new potential revenue stream, there have been several policy areas including short-term lets regulation and alcohol marketing restrictions which would introduce further budgetary pressures and where cross-portfolio implications should have been better considered ahead of legislation being introduced or considered. On **Short-term lets regulation**, the six month delay to the licensing registration deadline avoided major damage to the 2023 visitor season, but there have been no other changes to recognise the importance of having a solid evidence base before making a major intervention in the market. While supporting measures that will improve the housing crisis, we are anxious that many second property owners may simply leave their properties empty, and we believe that unduly onerous provisions for six week exemptions will damage the opportunities to share the benefits of major events with local people who want to share their own homes and be part of the experience. We continue to believe that short-term homestays should be removed from the legislation at national level, given that householders may house long-term lodgers without additional licensing requirements.

Scottish Government has recently consulted on the **National events strategy**, and responses including from Festivals Edinburgh and Culture Counts have highlighted that the strategy must consider the balance of investment between original homegrown events and itinerant one-off events, to prioritise where the best leverage is to be found across a range of economic, reputational, cultural and social impacts. Impact analysis already available to the Scottish Government shows that original homegrown events have a higher rate of return, but this does not seem to be reflected in prioritisation decisions. The newly published economic impact figures for Edinburgh's Festivals in 2022 show that the return on investment for every public pound was nearly 10 times stronger than for the 2014 Commonwealth Games. This is only an illustration of the wider leverage that the culture sector across Scotland can deliver. We celebrate the UCI World Cycling Championships in Scotland this year, while also wishing to highlight all that the Edinburgh Festivals could achieve with a doubling of investment from Scottish Government which would bring us to a similar level of support - and all that could no doubt be similarly achieved by our fellow major homegrown festivals such as Celtic Connections, Glasgow International, Sonica and Glasgow Film Festival who are also recognised by Scottish Government as powerful international career platforms for the whole country.

10: The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?

Response:

Festivals Edinburgh is a member of the national Culture Counts policy network and we have contributed to their response on issues affecting the whole cultural ecosystem. Overall, without addressing the 13-year erosion of public investment in the culture sector, there is a risk that the sector will be too fragile to respond effectively to the priorities of the action plan when published.

The refreshed Culture Strategy Action Plan should explicitly **address the issue of the mismatch between ambitions and resources** – the predecessor to this Committee recommended in 2019 that Scottish Government aim to invest at least 1% of government funding in culture on a cross-portfolio basis, and this should be a clear commitment for Scottish Government to shape its actions towards.

Scotland's strength lies in the diversity of its cultures, and Action Plan should capitalise on that collective strength by supporting a **portfolio approach** where delivery against different public policy objectives is focused on different parts of the sector. This **selectivity in public policy ambitions** can enable different parts of the cultural ecosystem to focus on what they do best, in an environment of constrained public funding.

Consideration should be given to cultural organisations and practitioners who work with a range of public sector organisations to support them to deliver **joint priority outcomes across the funders**. The pressure of meeting and reporting to multiple impact assessments and requirements across public funders is a drain on very

stretched resources. Minimising this burden requires a meaningful collaborative approach across the public sector to agree priorities and ensure this approach is reflected when developing criteria for funds and subsequent impact assessments.

One of the key barriers to collaborative learning across the events sector is the pressures for organisations to deliver individual outputs and the lack of headroom to collaborate, which requires additional capacity. As such, a portfolio approach across the whole country could support the development of collaborative learning through creating **capacity for system level thinking** across a wide range of issues, such as who is best placed to support pipelines of creative opportunity at individual, organisational, local, national and international levels.

The Action Plan should also be an opportunity to integrate thinking from separate strategy exercises, such as the International Cultural Strategy and the Creative Industries Leadership Group. The International Cultural Strategy, which was recently consulted upon, should work to **establish an understanding of what is the value of Scotland's cultural reputation and engagement globally, to help secure the case for investment**. On the creative industries, there has recently been a Creative Industries Vision and investment published by UK Government, but there is a **lack of clarity about where leadership on creative economy policies lies across Scottish agencies**. Highlands & Islands Enterprise and South of Scotland Enterprise, rather than Scottish Enterprise, appear to have the most holistic approaches to be able to support sectors who contribute to community regeneration and wellbeing but have more fragmented workforces, such as the creative economy.