

COSLA and Directors of Finance Submission to Inquiry into Budget Scrutiny 2024:25: Funding or Culture

COSLA is a Councillor-led, cross-party organisation, representing all 32 Councils in Scotland, which champions Councils' vital work to secure the resources and powers they need. COSLA works on Councils' behalf to focus on the challenges and opportunities they face, and to engage positively with Governments and others on policy, funding and legislation. We're here to help Councils build better and more equal local communities. To do that we want to empower local decision making and enable Councils to do what works locally.

*CIPFA **Directors of Finance Section** works closely with COSLA in leading strategic discussions with Scottish Government around funding and distribution for the essential services and policy areas that Councils deliver on. Members of the Section are those who have responsibility for the overall financial functions across all 32 local authorities.*

Introduction

1. COSLA and Directors of Finance Section are pleased to submit a joint response to the Constitution, Europe, External Affairs and Culture Committee's call for views to inform its Budget Scrutiny 2024/25: Funding for Culture.
2. The joint [COSLA/Directors of Finance response](#) to the Committee's Pre-Budget Scrutiny 2023/24 emphasised a number of key points in relation to the pressures being faced by the culture and leisure sector as a result of long-term budget pressures, the Covid pandemic and now rising costs and soaring inflation, and what is needed to ensure sustainable funding for the sector. We will build upon these points in this submission, in the context of the impact of the 2023/24 Budget and continued pressures.
3. Local Government plays a key role in the culture and leisure sector – by delivering culture and leisure services either directly or through Arm's Length External Organisations (ALEOs), providing grants and indirect support (e.g. peppercorn rents) to local third sector and independent organisations, and through their cultural stewardship role. Local Government provides a very broad range of cultural and leisure services – from libraries, leisure, museum and art gallery buildings across all our communities, to operation of theatres and support community halls and other venues. These services are critical to addressing key Scottish and Local Government priorities – this is set out in more detail in the response to Question 2.
4. Local Government invests significantly in the culture and leisure sector. Local Government direct net expenditure on culture was £193m in 2021/221 (this figure excludes expenditure on leisure). The biggest area of net revenue expenditure on culture was library services, taking almost half of the cultural expenditure (£94.9m). The remaining Local Government expenditure on culture was for 'Other Cultural and Heritage' (£56.1m) and 'Museums and Galleries' (£42.2m). It should be noted that the

¹ [2021/22 LFR 02 - Culture](#)

£193m expenditure does not include significant additional spending which is relevant to the cultural sector, such as community centres and other recreation and sport facilities. In addition, Councils have an important role as a steward of local, regional and national cultural and historical assets, for example Stirling Council operates the Wallace Monument, but also many buildings that house cultural assets are themselves listed buildings and cultural assets in their own right. It needs to be remembered that the cost of preserving and maintaining these needs to be met even if the assets are not accessible to the public. For example, Glasgow Life displays, stores, maintains and preserves over £1.4 billion worth of art and artefacts.

5. On 30 June 2023, COSLA and the Scottish Government signed the Verity House Agreement, which sets out how Scottish and Local Government will work together to address shared policy priorities, changing the way we work together and how we engage with each other. The Verity House Agreement commits both parties to:
 - a. a default position of no ring-fencing or direction of funding from this point onwards, unless there is a jointly understood rationale for such arrangements
 - b. consulting and collaborating as early as possible in all policy areas where Local Government has a key interest, as well as early budget engagement with an underlying principle of “no surprises”
 - c. through a new Fiscal Framework, establishment of clear routes to explore local revenue raising and sources of funding, and wherever possible the provision of multi-year certainty to support strategic planning and investment.
6. In the context of the Verity House Agreement, Local Government has an expectation that many of the structural issues raised in our previous submissions to this and other Committees will start to be worked through jointly as we approach the Scottish Budget 2024/25 and subsequent budgets. Only by working together to tackle shared priorities will Scottish and Local Government be able to achieve better outcomes for people.
7. However, as is reflected throughout this response, these aspirations are set against the context of an extremely challenging position for Scotland's public finances, as well as the cost-of-living crisis and other pressures relating to pay, inflation and rising demand for services.

Summary of Key Points

8. Local Government is a key part of the culture and leisure sector – the significant financial pressures faced by Councils as a result of real-terms cuts to core funding over the last decade and directed funding by Scottish Government, as well as the impact of the Covid pandemic and now rising costs and soaring inflation, has had an impact on Councils’ ability to invest in the sector.
9. As a result of the real-terms reduction in core funding, increasingly directed spend and protections in areas such as education and social care, Councils have had reduced flexibility over local spend, with cuts falling disproportionately on the remaining, unprotected areas, such as culture and leisure. This has resulted in decreased investment in culture and leisure services over the last decade or so.
10. The 2023/24 Budget represented another real-terms reduction in funding for Local Government and costs have continued to rise. Even more difficult choices have had

to be made by Councils, such as the closure of swimming pools, libraries and cultural venues.

11. The culture and leisure sector is key to achieving shared outcomes. Our previous submissions have highlighted that what is needed is a whole systems approach and investment in such social determinants of health, with funding focused on prevention and early intervention. However, the 2023/24 Budget sees the continuing trend of significant increases in health and social security spending and does not recognise the need for investment in social determinants of health.
12. To ensure a more sustainable future for the culture and leisure sector, there must be fair and flexible funding for Local Government and investment in a whole systems approach, with redirection of funding towards early intervention and preventive approaches (including within the culture and leisure sector). A longer-term and cross-cutting view is needed across Scottish Government portfolios, which recognises that investment in areas such as culture and leisure is more cost effective than focusing funding where problems have already happened.
13. In the context of the Verity House Agreement, Local Government has an expectation that many of the structural issues raised in our previous submissions to this and other Committees will start to be worked through jointly as we approach the Scottish Budget 2024/25 and subsequent budgets. Only by working together to tackle shared priorities will Scottish and Local Government be able to achieve better outcomes for people.
14. However, as is reflected throughout this response, these aspirations are set against the context of an extremely challenging position for Scotland's public finances, as well as the cost-of-living crisis and other pressures relating to pay, inflation and rising demand for services.

Question 1: 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?

15. The joint [COSLA/Directors of Finance response](#) to the Committee's Pre-Budget Scrutiny 2023/24 highlighted the immense funding pressures being faced by Local Government because of real-terms cuts to core funding over the last decade and increasingly directed funding by Scottish Government, and the impact that this has had on culture and leisure services. The response also highlighted that the long-term budget pressures have been compounded by the impact of the Covid pandemic and now rising costs and soaring inflation.
16. The last 12 months have seen continued pressure on Local Government budgets. The 2023/24 Budget represented another real-terms reduction in funding and costs have continued to rise. The impact of the once in a generation levels of inflation experienced in the last two years has severely tightened budgets, and while inflation is expected to ease over the medium term the underlying costs of delivery have increased significantly. The sector is also facing the end of the Covid funding that

had been supporting some activity. As a result, the 'perfect storm' for the culture and leisure sector continues and even harder choices are having to be made.

17. As highlighted above, we welcome the positive direction of the Verity House Agreement, however this is set against a very challenging context. This section of the response sets out more detail on these challenges.

Long-term budget pressures and the 2023/24 Budget

18. The Scottish Budget 2023/24 saw a continuation of the long-running trend highlighted in our previous submissions, with the vast majority of the additional funding allocated to Local Government directed at specific policy areas, leaving a ['budget reality'](#) of just £70m extra compared to the total funding provided in 2022/23 - far short of the £1bn that COSLA originally estimated was needed to fund a fair pay rise for staff and meet rapidly rising costs due to continuing high inflation and increasing demand for services. While additional funding was subsequently provided to support pay offers to the Local Government workforce in 2023/24, inflation remains a significant pressure across other services and to meet the balance of the pay offers.
19. SPICe [analysis of the 2022/23 Budget](#) and [analysis of the 2023/24 Budget](#) shows that the core Local Government revenue budget decreased in real terms by 1.5% year-on-year in the 2022/23 settlement, and by a further 0.2% (real terms) in the 2023/24 settlement. SPICe analysis also showed that the revenue allocation to Local Government as a proportion of the total Scottish Government revenue budget fell from 32.8% to 32.0% from 2021/22 to 2022/23, and further to 31.7% in 2023/24. The analysis also shows that while the Scottish Government's total revenue budget has grown by 8.3% in real terms since 2013/14, the revenue allocation to Local Government has increased by just 4.3% in the same period - suggesting that other portfolios have seen much more significant increases.
20. In recent years, a growing proportion of the funding provided to Local Government has come via Specific Resource Grants or money transferred in from other portfolios. Different analysis has been carried out by SPICe and by the Accounts Commission, based on different definitions and interpretations of what is 'directed' funding. However, both have shown a clear upward trend in recent years.
21. The below graph is taken from the SPICe's report on the 2022/23 Local Government Settlement (the last time SPICe illustrated the figures in this way). Meanwhile the Accounts Commission found that ring-fenced and directed funding collectively totalled £2.7bn in 2021/22, representing 23% of total revenue funding; most notably, this was compared to 18% in 2020/21 - a rise of 5 percentage points in a single year.
22. We have previously argued that there is yet further 'directed spend' within the General Revenue Grant. Taking this into account, it is COSLA's view that less than 35% of funding has been entirely subject to local flexibility over the past two years (down from 40% previously), with 65% having some degree of policy direction or expectation.

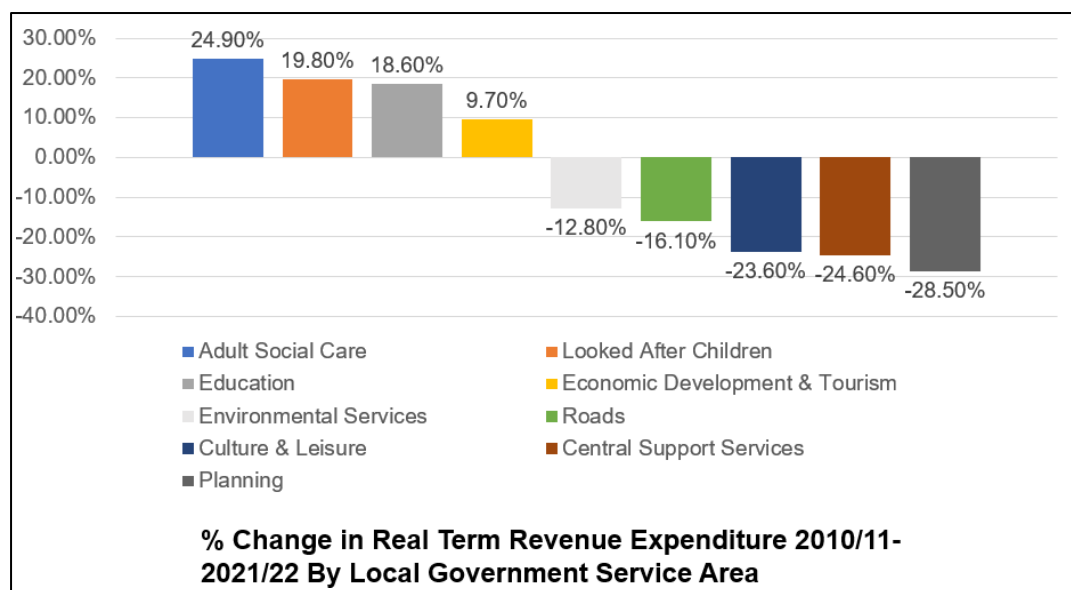
Specific Resource Grants and transferred-in funding, as % of total allocation



Source: SPICe briefing - 'Local Government Finance: Budget 2022-23 and Provisional Allocations to Local Authorities', Jan 2022

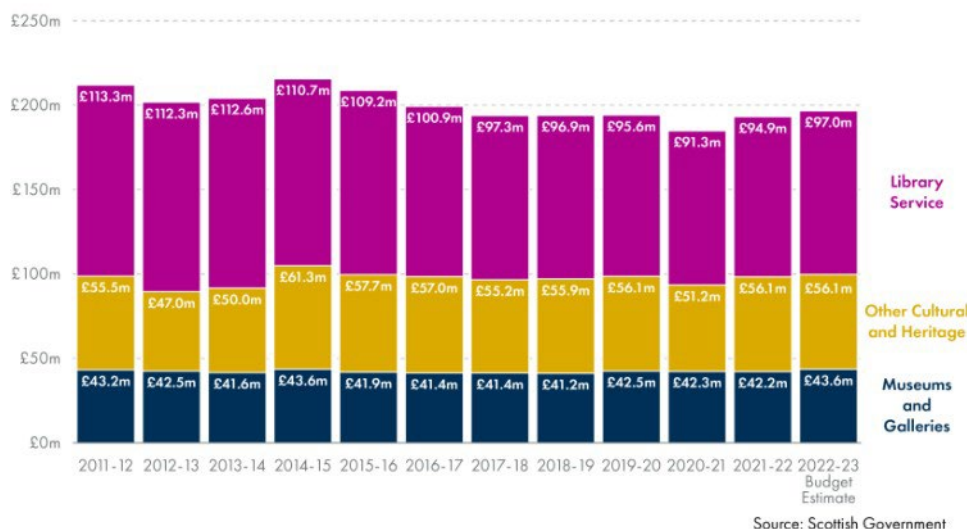
23. While spending announcements on specific initiatives may be attractive, this approach does not allow for outcomes-focused service delivery, ultimately creating inefficiencies, and is not the most effective use of public resources. Funding also often isn't increased in line with inflation in subsequent years, requiring Councils to use core funding to fill the gap to meet policy delivery expectations (funding for free school meals is a good example of this). The necessary corresponding disinvestment in core funding means a reduction in core services and other policies which are expected to be delivered within the Settlement.

24. As a result of the real-terms reduction in core funding and increasingly directed spend and protections in areas such as education and social care, Councils have had increasingly limited flexibility over local spend, with cuts falling disproportionately on the remaining, unprotected areas, such as culture and leisure. This has resulted in decreased investment in culture and leisure services over the last decade or so, as highlighted in the chart below.



25. In 2023/24, social care spend was again protected and along with Scottish Government’s protection of teacher numbers at 2022 levels, this means that all savings required to be made by Local Government again fall on a very limited number of services, with culture and leisure being one of the key services left. Whilst we value our teachers highly, mandating arbitrary numbers, particularly in areas where school rolls are declining, is inefficient and hinders Councils’ ability to allocate resources to best meet local needs.
26. The financial climate that Councils are currently operating in means that over the next 2-3 years we will see (and are already seeing) the withdrawal of whole areas of service which support individual and community health and wellbeing outcomes: leisure services; community facilities; benefits and money advice services; homelessness and housing support services; community and third sector grant support. Withdrawing these services will (given where they are focused at present) disproportionately impact deprived communities. These areas also deliver social returns for example in reducing reoffending and community cohesion which will be lost as services are cut.
27. In their ‘[Trends in Funding or Culture](#)’ briefing, SPICe set out that whilst spend on culture services has gone up and down in cash terms over the period 2011/12 – 2022/23, there has been “*significant real terms reductions in spend by local government in these areas*”, as demonstrated in the charts below.

Local Government spend on Culture and Libraries

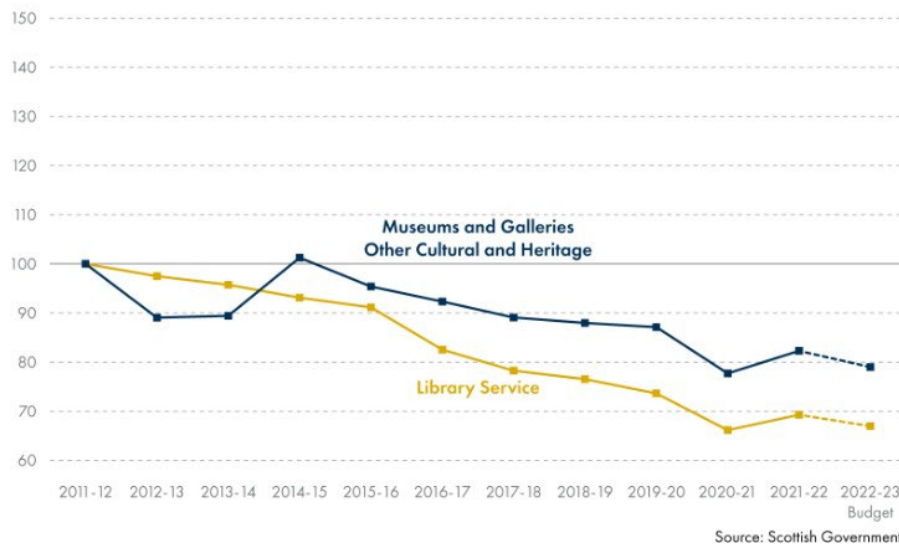


Source: SPICe, Trends in Funding for Culture, June 2023

28. The 2023/24 Budget also continues to prioritise funding for health and does not recognise the need for a whole systems approach that prioritises funding for prevention – this is covered in more detail in the response to Question 2.

Local Government spend on Culture and Libraries

Real Terms 2011-12 = 100



Source: SPICe, Trends in Funding for Culture, June 2023

29. The 2023/24 Budget was another single year budget. This means uncertainty for Councils but also for the partners they fund in the third sector and communities, as Councils can generally only offer single year budgets to organisations, or where they do offer longer term funding, this comes at financial risk to the local authority. Cycles of short-term funding also does not support a meaningful shift towards preventative practices, as covered in the response to Question 2 below.

Reduced income generation

30. As set out in our previous response, the sector was hit hard by the pandemic and attendance has yet to return to pre-pandemic levels. COSLA identified the level of income lost across cultural and leisure services in Local Government (including ALEOs) was estimated to be around £200m in 2020/21. Income generation for the sector is likely to be adversely impacted for some time yet as behaviours have been impacted by the pandemic, and now also by the cost-of-living crisis. The [latest information](#) from the Cultural Participation Monitor, undertaken by the Audience Agency and the Centre for Cultural Value to look at people's changing participation patterns since the pandemic, found that a quarter of people still see Covid as a reason that they do not attend cultural events. However, cost of living concerns are now a bigger consideration, with 60% of people saying this is a barrier to attending cultural events. People have less disposable income to spend on culture and leisure, particularly if facilities have to introduce or increase charges.

31. Income from sport and leisure has historically been used to subsidise culture and any increased costs. The possibility of cross-subsidy has diminished as sports and leisure attendance related income has dropped, as have flows of income from ancillary activity including catering and gift purchasing associated with museums and art galleries. As an example, Glasgow Life's income dropped by £38m overnight in March 2020 and has still not recovered. This was approximately one third of their

budget. There are also embedded conservation and management costs for our cultural inheritance whether they are actively accessible and visited or not.

32. Lost income will need to be addressed through efficiencies, service redesign and considering any fees or charges – and meeting future pay awards and inflationary pressures will compound this challenge. Introducing or increasing fees and charges will also impact on equality of access and on who can take advantage of the wellbeing benefits that these services can bring, creating further barriers to public services and exacerbating inequalities in our communities.

Increased operating costs and capital investment

33. The sector continues to experience increased operating costs – with rising energy costs, pay pressure and increasing costs for supplies and materials (for example the cost of pool cleaners has significantly increased). Despite energy conservation measures many culture and leisure venues continue to use a lot of energy, such as libraries, theatres, leisure centres and swimming pools. As mentioned above, these increased costs may have previously been subsidised by activities such as gym membership, but this is now more challenging.
34. There are also maintenance costs for properties, many of which are at an age where ongoing works are required. Councils are also still faced with significant inflationary pressures in capital projects, and this is having an impact on the investment Councils can make in the culture and leisure estate. This impacts Councils' and ALEOS' ability to invest in the infrastructure and decarbonisation of the estate, which will have an impact on achieving net zero targets.
35. Local Government investment in the built environment is crucial. Council buildings and assets, such as libraries, are often critical to communities and local and national economies. If these assets are not maintained, adapted, or built as required then this has a negative impact on all aspects of peoples' lives. This has the same impact as if they are closed due to pressures on revenue budgets.
36. Lack of investment has significant impacts on the outcomes for communities – for example, social and rural deprivation and the resultant isolation leads to poor mental and physical health outcomes, with knock on increases in demand for other Council and public sector services.
37. Critically, this reinforces the need to ensure that any new spending commitments are seen through the lens of the opportunity cost for existing core services and assets where cuts are currently being made.

Workforce challenges

38. In addition to the above pressures, Councils and ALEOs also still face workforce challenges. The sector has been significantly impacted by pandemic, with a historical dependence on high levels of freelance staff, many of whom left the sector due to the financial exposure caused by the pandemic. Brexit has also contributed to recruitment challenges.
39. The pressure on Local Government core funding further compounds recruitment challenges as there is limited scope to uplift those on lower rates whilst protecting

the integrity of the pay scales further up. There is particularly a challenge in the leisure sector where, as we have protected the lowest paid, this has eroded the pay differential between for example, cleaners, lifeguards, and instructors, who must have specific qualifications and checks. This therefore exacerbates the staff recruitment and retention issues that have been increasing for several years.

The Impact of these challenges on the culture and leisure sector

40. Continued flat cash, or near flat cash, settlements are not sustainable given inflation, rising energy costs, increases in demand for services and additional policy and legislative requirements. As COSLA has said in previous submissions to this and other committees, this leads to reductions or cuts in services. Councils and ALEOs have sought to manage budget reductions in ways that minimise the impacts on services, but cracks have been starting to show in the culture and leisure sector in recent years, for example cutting back on exhibitions, learning and outreach programmes, reducing opening hours and introducing/increasing charges. As a result of the 2023/24 Budget and increasing costs and inflation, even tougher decisions are having to be made, such as the closure of swimming pools, libraries and cultural venues. Councils are also needing to consider job losses and the further reduction or withdrawal of services.
41. In '[Culture & Sport SOS](#)', we highlighted the impact that the £1bn funding gap for 2023/24 may have on the culture and sport sector if the sector were to take its 'fair share' of the financial pressures. This highlighted that the impact of cuts would mean less families able to access culture and sport services and facilities during a cost-of-living crisis; library closures or reduced opening hours, with implications for those who rely on these as safe, warm spaces; and organisations who deliver services on behalf of Council potentially having to hand back contracts due to costs pressures. Put simply, fewer culture and leisure services will result in fewer people in the community able to enjoy the health and wellbeing benefits they provide.
42. What is needed is fair and flexible funding for Local Government to enable ongoing and sustainable investment in culture and leisure services. This will ensure local decisions based on local needs and circumstances and ensure wider benefits are enjoyed by communities.
43. We welcome the Scottish Government's commitments as part of the Verity House Agreement to:
 - a. adopt a default position of no ring-fencing or direction of funding unless there is a clear joint understanding of a rationale for such arrangements,
 - b. review current funding lines and in-year transfers ahead of the draft 2024-25 Budget Bill, with a view to merging into the General Revenue Grant, and
 - c. through the development of a robust Fiscal Framework, simplify and consolidate the Local Government Settlement.
44. Fulfilment of these commitments will require a significant shift in approach to the funding of Local Government but have the potential to substantially address the concerns we have raised in this and other submissions and crucially, support Councils in delivering positive outcomes in relation to our shared policy priorities.

Question 2: 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?

45. We are not yet seeing the transformational change needed in terms of a cross-cutting approach and increased budgetary support for culture across Scottish Government spending profiles. In our submission to the Committee's 2023/24 Pre-Budget Scrutiny, we highlighted that **what is needed is a whole systems approach and investment in social determinants of health, with funding focused on prevention and early intervention**. The Committee has also recognised the need for a 'reappraisal of what is considered health spending' and 'consideration of the contribution which preventative spend in areas like the arts and other cultural activities make towards health and wellbeing'.
46. **However, the 2023/24 Budget sees the continuing trend of significant increases in health and social security spending and does not recognise the need for investment in social determinants of health**. This is not a sustainable position either for public finances or for public health, household wealth or people's wellbeing.
47. The Scottish Fiscal Commission's (SFC's) projection that "Scottish Government spending over the next 50 years will exceed the estimated funding available by an average of 1.7% each year" is predicated largely on an expectation that spending on health will continue to grow significantly - "from around a third of total devolved spending at present to about half in 50 years' time". In the SFC's projection, health accounts for nearly two-thirds of spending growth, due in large part to increasing prevalence of chronic conditions.
48. However, as we have made clear throughout this and other submissions to the Committee, we do not believe that just spending more and more money on medical health interventions is the most effective approach to improving health outcomes or ensuring sustainable public finances.
49. Simply putting more resource into health is not the answer. Indeed, cutting budgets that have a preventative role in tackling poor well-being may simply lead to an avoidable acceleration in expenditure on health later on. This is of concern as - [analysis of the National Performance Framework \(NPF\) outcomes](#) shows that key indicators like healthy life expectancy, drug and alcohol use and premature mortality are not improving, and [many official measures of health inequality are already worsening](#). For example, National Records of Scotland data shows that healthy life expectancy fell by 2 years between 2014-16 and 2019-21, reversing previous rises, and healthy life expectancy is 25.5 years less in the most deprived than in the least deprived areas. This is despite health funding having increased in absolute and relative terms – by 53% in cash terms between 2013/14 and 2022/23. There is [evidence](#) that investment across Local Government services reap public health benefits, and disinvestment causes harm and widening health inequalities. There needs to be a reversal of cuts to Local Government services to reverse this trend.
50. The approach taken in Scottish Budgets in recent years has meant continuing to focus funding in areas where things have already gone wrong in people's lives, rather than providing funding to stop them going wrong in the first place. By contrast,

Local Government services - like housing, education, childcare, employability, and culture and leisure - play a significant role in preventing poor health outcomes, reducing demand for healthcare services, supporting people into employment and helping to reduce dependence on the welfare system. These key social determinants of health must be invested in if we are to see improved health outcomes and address health inequality.

The culture and leisure sector is key to achieving shared outcomes

51. The Scottish Government has clearly stated that its three overarching policy priorities are tackling poverty (particularly child poverty), delivering a just transition to net zero, and ensuring sustainable public services - and these are shared priorities with Local Government as stated in the [Verity House Agreement](#).
52. Achieving our ambitions requires whole-system thinking and a focus on prevention and early intervention; as a place-based leader, critical to joined-up service delivery, **Local Government is the crucial partner in addressing each of these priorities.** To fulfil this role, Councils should be empowered to better support delivery of more services locally, building on their unique local knowledge and local democratic accountability. It is therefore essential that funding for Local Government is fair, sustainable and flexible - otherwise, delivering on those priorities will be impossible.
53. Culture and leisure services provided by Councils and ALEOs make a specific contribution to shared priorities – as set out in the following sections. Fair and flexible funding for Local Government would allow increased investment in such social determinants of health.
54. The culture and leisure sector delivers physical and mental wellbeing benefits, encouraging active engagement and help people to connect with and contribute to their communities, helping to reduce social isolation and loneliness and improve resilience – issues which were exacerbated by the Covid pandemic. Culture also has educational benefits and contributes significantly to developing the confidence and sense of identity in young people, helping to addressing the poverty related attainment gap. Culture has a significant role in removing barriers to learning, for example in Aberdeenshire giving a place for Doric in schools and community engagement has increased the confidence of young people who speak Doric at home, thus helping their overall learning. On a very local level libraries help equalise society and address child poverty through ‘book bug’ joint reading with children, acting as a venue from which employability services are provided and amongst other things by providing support to people making benefit claims. The importance of these venues may also change and provide different support to communities, for example libraries have been helping very directly in the energy crisis by providing easy access to warm premises for those not able to heat their own homes or those that are homeless.
55. The culture sector is an important driver in Scotland’s local and national economy as a significant contributor to tourism in cities, towns and rural areas. Local communities can also benefit from the film industry and the use of natural and built heritage as locations, through the immediate spend benefit during shooting but films also attract visitors to these locations. The same applies to cultural events that Councils both deliver and fund, which attract specific audiences and promote Scotland on the world stage. Reducing Council resources has an impact on the extent to which Councils

can support such events, and therefore limits the benefits these events can have. The sector also has a key role in providing local and wider employment, creating a strong pipeline of talent, job and training opportunities. Activities, such as curating and lending collections as well as performing arts also support international relations and understanding.

56. The sector is also key to helping achieve net zero targets. The culture and leisure estate is a huge user of energy and water, making a significant contribution to Councils' carbon emissions. Investment to decarbonise the leisure estate and improve resource efficiency will be crucial to help achieve net zero targets locally; however, with cuts to capital funding this will be challenging. These venues and services are also key to realising human rights, in particular the right to cultural life and the right to the highest attainable standard of physical and mental health which are to be incorporated into law during this parliamentary term following the recommendations from the National Taskforce on Human Rights Leadership.
57. A [Social Value Calculator](#) has been developed in partnership with Experian, Sheffield Hallam University and 4GLOBAL which uses evidence based academic research linked to intelligence from the DataHub to measure and value the impact of sports and physical activity offered in leisure facilities. The tool has been used by a small number of Councils in Scotland, with a total of around 130,000 participants. The tool has demonstrated an average social value of these leisure facilities of £110.50 per person, equating to £14.4m total social value:
- Physical and mental health (£2.6m of social value generated because of, for example, reduced risk of strokes, cancers, dementia, depression)
 - Subjective wellbeing (£8m of social value generated as a result of improved life satisfaction)
 - Individual development (£127k of social value generated because of improved educational attainment and increased earnings)
 - Social and community development (£3.7m of social value generated as a result of prosocial and diversionary activities)
58. Social value from physical activity is projected (from the small sample) as having a social value benefit in the order of £110m across Scottish Councils. In the longer term, data from more members could be used to provide a firmer basis for such projections.

The Scottish Budget needs to reflect a far greater focus on prevention and early intervention.

59. As highlighted above, funding must be redirected from addressing problems to upstream services that help prevent problems from occurring, as much more cost-effective interventions. The SFC's projection shows exactly why it is essential - however challenging in the short term given limited resources - to focus on prevention and invest in the services that impact on the social determinants of health, such as culture and leisure.
60. Similarly, a long-term strategic approach to financing and delivering public services is needed - rather than budgeting only from year to year and making what may be

short-sighted cuts to funding that have long-term consequences. This point was made clearly by Audit Scotland in its [briefing on Scotland's public finances](#):

"In the long term, the economic and fiscal outlook means that continuing to make small-scale budget cuts is unfeasible. [We] have continued to underline the importance of reforming public services to manage the sustainability of public finances... Reform is most successful when it is planned and targeted – in contrast with flat budget reductions across the board which reduce spending across the public sector, without considering the impact on wider ambitions."

61. It is recognised that there are challenges with shifting to a preventative and early intervention approach, however as Audit Scotland also set out its [briefing on Scotland's public finances](#), *"Although it will be difficult, investing in preventative spending will be necessary to meet some of the Scottish Government's core outcomes"*.
62. It may take a number of years to demonstrate the effectiveness of preventative work and this needs to be accepted within planning and budgeting if progress is to be made. This is particularly important given the financial challenges Scottish Government face in the medium to long term. This is clearly not a one-year budget solution, as improvements to outcomes will not be evident for some years. However, the process of recognising the impact of underfunding in key areas is urgently needed now to tackle the financial challenges faced in the medium-term.
63. In the context of culture and leisure, there needs to be a greater understanding across Scottish Government portfolios, at official and political level, and across wider public sector organisations, of culture and leisure as a key social determinant of health, the wider benefits of the sector, benefits in terms of preventative approaches and the range of outcomes that these services contribute to, such as those highlighted in sections 54-58. For example, social prescribing is a good example of a preventative approach. There are some very good examples of this in practice but there is no consistent funding for social prescribing to support increased referrals, or funding to scale up activity where this is happening.
64. As a more general point, **innovation needs investment**. As highlighted in our pre-Budget response to the committee last year, there is some good learning within the sector to be taken from the pandemic (for example hybrid models), however embedding these approaches is dependent on Local Government capacity to invest in services and systems.
65. Our response to the Finance and Public Administration Committee's Pre-Budget Scrutiny 2024/25 sets out wider points around the best use of limited Scottish Government resources – including the need for a frank discussion about priorities (what can/can't, should/should not be funded/delivered), reducing and not adding to policy demands, and the need for Scottish Government to consider the relative cost-effectiveness of universal provision. As set out earlier in the response, we welcome the direction of travel with the Verity House Agreement and Local Government has an expectation that many of the structural issues raised in our previous submissions to this and other Committees will start to be worked through jointly as we approach the Scottish Budget 2024/25 and subsequent budgets, albeit recognising the significantly challenging context this is set against.

Revenue Raising Options

66. The committee has commented on the Visitor Levy being an innovative approach for funding the culture sector. We welcomed the publication of the Visitor Levy (Scotland) Bill in May 2023, which represents a key step towards a more empowered Local Government in Scotland. By providing each Council with the power to set a rate independently, the Visitor Levy empowers local decision-making, with Councils able to respond to the needs of their area and the people who live there. While this is a positive step, it is important to note that this is not the answer to pressures in the culture and leisure sector. The use of any additional revenue raised through the Visitor Levy would be at the discretion of each local authority and in some cases will generate little or no additional revenue for Councils.
67. There are other options for revenue raising that Local Government could be empowered to use to enable greater investment in communities. Key to opening further avenues for local revenue raising is the creation of a new Fiscal Framework between Scottish and Local Government, and the Verity House Agreement includes a commitment to conclude this by the end of September 2023.

Question 3: 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?

68. Although publication of the Culture Strategy was welcomed, it is not very clear on how the ambitions would be achieved or how the strategy may inform budgetary decisions. The Culture Strategy Action Plan should set out clear, realistic actions.
69. The Culture Strategy needs investment and joint political ownership – without investment, it is difficult to see how the Strategy (and updated action plan) can positively influence provision at a local level in the tight financial climate.
70. Local Government is committed to working in collaboration on culture and wellbeing (participating in groups such as Culture Partners, National Partnership for Culture meetings and through Culture Convenors meetings), however, as set out above, to ensure a more sustainable future for the culture sector and to see the change that is needed, there must be investment in a whole systems approach, redirection of funding towards preventive approaches (including with the culture and leisure sector), and long term, sustainable funding. A longer-term and cross-cutting view is needed across portfolios, which recognises that investment in culture is more cost effective than focusing funding where problems have already happened, and that this may mean costs now but will lead to savings down the line. The refreshed Culture Strategy Action Plan should aim to reflect this and consider the relevant role of Community Planning Partnerships.
71. Part of the challenge is defining what we mean by 'culture'. The term is very broad and there are very different scales of venues and activities, from high-profile local museums and galleries to community-based arts activities in halls and other venues; the stewardship of the collections that service these; future purchases and

sponsorship; concert halls and theatres, support to live performances and creative work; and libraries in their broadest roles.

72. Further work needs to be done to ensure that all Scottish Government directorates and public sector organisations understand what we mean by 'culture', recognise the contribution of culture and leisure services across a range of outcomes (economic, education, health and wellbeing) and the impact of underfunding in this key area in terms of pressures and greater costs arising elsewhere. A strategic approach to embedding culture and health and wellbeing is needed and funding needs to reflect the contribution of culture.