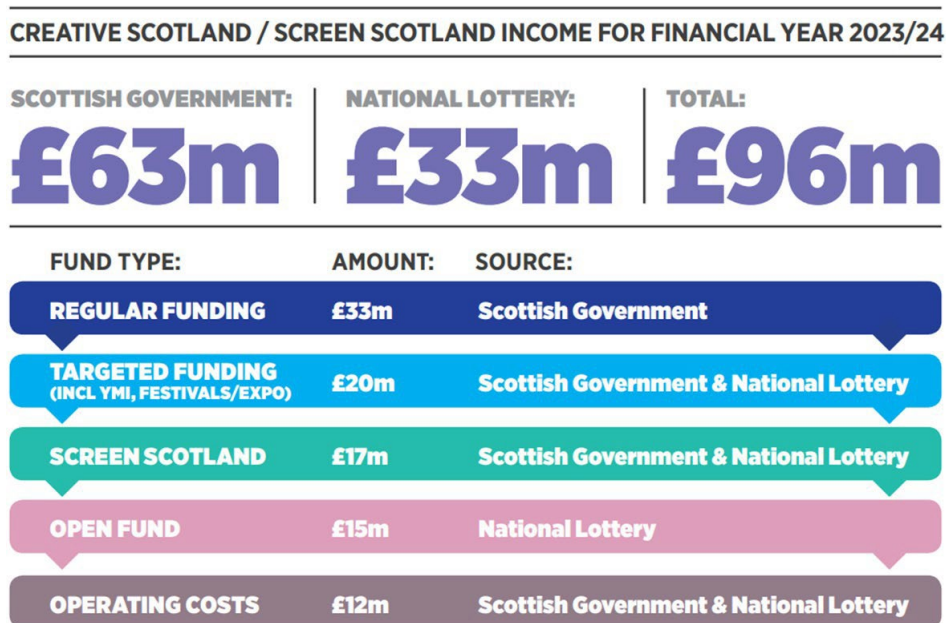


Creative Scotland’s submission to Inquiry into Budget Scrutiny 2024:25: Funding or Culture

Creative Scotland, inclusive of Screen Scotland, is the national body which supports culture and creativity across all parts of Scotland. We are a Non-Departmental Public Body, sponsored by Scottish Government and Scottish Ministers and we receive our funding from both the Scottish Government and the National Lottery.

Creative Scotland’s budget for 2023/24 is £96m as follows:



Background to the inquiry

The Committee agreed to take a cumulative approach to budget scrutiny over Session 6, focusing on the culture spending portfolio.

This inquiry follows on from the Committee’s previous pre-budget scrutiny for [2022-23](#) and [2023-24](#).

Questions from the Committee

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?**

2. [Our report](#) also concluded 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?**

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?**

This response builds on, and in some cases re-emphasises, the information provided in our earlier response to this inquiry, submitted in August 2022: [Committee-Submission-Final-CEEAC-August-2022.pdf \(creativescotland.com\)](#)

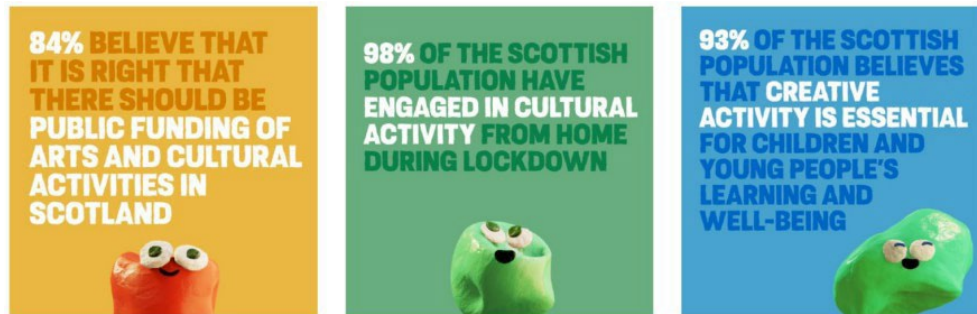
Context

Against a backdrop of standstill levels of public funding for culture and the ongoing challenges for those working in the culture and creativity sector of increased operational costs, high inflation, and the continued impact of the Covid-19 pandemic; the value and importance of culture and creativity to the people of Scotland remains undiminished.

Despite the challenges being faced, Scotland's artists, creative practitioners and cultural organisations continue to produce work that resonates, entertains and inspires people who live, work, study or visit here. Creativity in all its forms continues to be a vital part of life in Scotland.

Creative Scotland helps tell this story through our advocacy work, including through the [Our Creative Voice](#) initiative, sharing data, evidence and case studies which demonstrate the impact that culture and creativity have on our society, our economy and our lives as individuals and in communities. For example:

- We know from the Scottish Household Survey that more than 90% of people in Scotland participate in cultural activity of some form. 70% of the public in Scotland consider themselves to be creative, and 65% see arts and culture as an important part of their life, and both these figures are rising.
- There is significant and consistent public recognition of the importance of culture and creativity in all our lives. Creative Scotland commissions public survey work which shows that over four in five Scots (84%) agree that there should be public funding of arts and cultural activities in Scotland.
- The Scottish public recognise the importance of culture and creativity, with 84% agreeing that Scotland is a creative nation. They also recognise its importance locally, with over two-thirds saying their area would lose something of value if local cultural amenities were not there.



- Economically, the culture and creative sector makes a significant contribution to Scotland's finances. The latest Scottish Government Growth Sector Statistics show that the Gross Value Added (GVA) of Scotland's creative industries was £4.4bn in 2020 (the most recent data available), representing a 62% increase in GVA since 2010. In 2021, 78,175 people worked in the sector, an increase of 3% on 2018 and a 9% increase since 2010.

There is no shortage of success stories to be told about Scotland's culture and creativity and we tell those stories daily across our channels, with some recent examples being:

- [40th Orkney Folk Festival](#) – for the first time in four decades sold 8,000 tickets representing an uplift of more than 10% on previous records;
- [Findhorn Bay Festival](#) – returned after a four-year break following COVID-19, delivering an estimated £987,948 in local economic benefit;
- [HebCelt 2023](#) – had 18,000 attendees generating millions for the Lewis economy;
- [Glasgow Film Festival 2023](#) – cinema admissions increased by 25% from the 2022 festival;
- [Festivals – 14 major festivals](#) received a share of the £1.8 million SG Expo Fund, supporting them to maximize national and international opportunities for artists;
- [Edinburgh Fringe – 18 shows from Scotland](#) performed across 9 venues at this year's Edinburgh Fringe Festival, supported by the Festivals Expo Fund (Made in Scotland Showcase);
- [YMI](#) – in the 20th year of the Youth Music Initiative, nearly £1.7 million has been awarded through open routes to 63 community music projects across Scotland.

Scotland's Screen sector also makes a significant contribution, creatively and economically. As announced in August 2023, [research commissioned by Screen Scotland](#) demonstrates significant growth across all areas of production, particularly inward investment film production and High-end TV. More specifically:

- Inward investment film and HETV production spend increased by 110%, from £165.3 million in 2019 to £347.4 million in 2021;
- In total, an estimated £617.4 million was spent on the production of film, TV and other audiovisual content in Scotland in 2021, compared to £398.6 million in 2019, up 55% compared to 2019;
- Employment (full time equivalent jobs) in Scotland’s screen production sector rose from 5,120 in 2019 to 7,150 in 2021, a 39% increase.

Growth is in large part due to sector development work undertaken since Screen Scotland was formed as part of Creative Scotland in 2018, including the opening of new or expanded studio facilities, particularly FirstStage Studios in Edinburgh, where Prime UK’s *The Rig* (which has returned to Scotland to film series 2) and *Anansi Boys* were filmed, and the expansion of The Pyramids in West Lothian, home to another Prime UK HETV series, *Good Omens 2*. These studio facilities have made Scotland an even more attractive place to film, opening in time to catch the global post pandemic boom in production.

Even from the summary of evidence provided above, we can see how important Scotland’s culture and creative sector is to people, to communities, to our well-being and to our jobs and economy.

However, for this to continue, and to develop further, increased public investment is required after many years of standstill budgets.

Committee questions and our responses

*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?***

In our view, the perfect storm as quoted by our Chief Executive Iain Munro in his evidence session to the Committee last year, is still in full effect.

Scottish Government budgets for culture remain at standstill (at best) with no indication that they will increase in coming years.

Operating costs for cultural organisations continue to rise, influenced by inflation, global economic conditions and by new statutory requirements such as necessary commitment to Fair Work.

Alongside this, income generation for the culture sector through ticket sales, donations and other grant funding, continues to get ever more challenging as the cost-of-living crisis bites across society.

Recent evidence from a survey conducted by Creative Scotland amongst Regularly Funded Organisations in Spring 2023, starkly demonstrates the ongoing impact of this perfect storm, including:

- All organisations reported increased operational costs over the previous year, with some reporting increases greater than 100% (and up to 200%). Over half of the organisations told us they have used their reserves in the last year to offset rising costs (particularly energy costs).
- Over 80% of organisations reported cost increases resulting from current policy imperatives, with high numbers concerned about the cost impact of prioritising environmental sustainability and responding to the Fair Work First agenda.
- In the last year, over half of organisations have seen a reduction in attendees at events and performances, and nearly half have seen a reduction in the number of participants.
- Creative Scotland's most recent [audience intention survey](#) shows arts and cultural activities have decreased in importance for the public due to rising cost of living concerns, with the public cutting back on their expenditure on arts and culture and becoming more concerned about ticket prices.

The challenges being felt by the culture and creative sector are also reflected in demand for Creative Scotland funding.

While we welcomed the Scottish Government's decision in February 2023 to reverse the 10% cut to our Grant in Aid Budget which was originally announced in December 2022, it should be noted that the £6.6m this cut related to has not yet been confirmed in Creative Scotland's budget. This reversal simply restored our budget to standstill level and did not increase the funding we have available to support the culture and creative sector, where demand continues to grow. There was, however a £2m cut to our budgets for Screen in 2022/23 with a similar sum ring-fenced by the Scottish Government in 2023/24 and £1.5m removed from Culture Collective funding in 2022/23.

Creative Scotland is currently rolling out a new approach to supporting culture and creative organisations on a multi-year basis. The new [Multi-Year Fund](#) replaces the existing Regular Funding programme, which currently supports 120 organisations across Scotland; and elements of the Open Fund and Targeted Fund. Combined, we currently support 350 organisations on a multi-year basis across these three funding routes.

Earlier this month, on 17 August, we announced the fact that just over [500 cultural organisations have registered their intention to apply for Multi-Year Funding](#), with Stage One opening for application on 06 September. The indicative annual value of those applications is in excess of £113m. This is roughly three times the amount that Creative Scotland has available to support organisations on a multi-year basis, unless the budgets available to us increase.

As such, we anticipate being able to support far fewer organisations in the future, compared to the 350 organisations that we currently support on a multi-year basis.

This message is being communicated to the culture and creative sector as we roll out the new Fund, including through [Briefing Sessions](#) and regular communications across our channels.

Alongside this, there has also been a 52% increase in Open Fund applications from 2019/20 to 2022/23, and this high demand is continuing into the current financial year. For example, we received 656 applications between 01 January 2023 and 31 March 2023, compared to 368 applications in the same period in 2018, meaning current demand represents a 78% increase between the two periods. In terms of value, the requested amount increased from £7m to £14.1m over the same period, an increase of over 100%.

In addition, Creative Scotland has reduced the scope of our Targeted Funding routes due to budget pressures, all of which means that while demand from both cultural and creative organisations and individuals is increasing year-on-year, the budgets we have at our disposal are decreasing in real terms.

Following a two-stage application process, Multi-Year Funding comes into effect for successful applicants from April 2025. Until then, we will continue to support organisations and individuals through our existing funding routes. However, as we currently have only a one-year budget commitment from the Scottish Government, with no budget certainty past March 2024, coupled with the fact that there is no indication that future budgets will increase, these existing funding routes are also under increased pressure, not just from increased demand.

The 120 Regularly Funded Organisations that we currently support have been on standstill funding since at least 2018, some for much longer. Our analysis, taking into account increased operational costs due to high inflation, increased energy costs, and increased costs associated with implementing Fair Work policies, against a backdrop of standstill funding, translates to real-terms cuts of up to 20% for Regularly Funded Organisations annually.

Our analysis also suggests that up to a third of these organisations are at serious risk of insolvency in the short term, and over half are financially weak (requiring redundancies or other cost savings).

Apart from the cultural and social impact that losing these organisations would have on local communities, nationally and internationally, the current funding situation puts 900 jobs at immediate risk with loss of financial support or freelance opportunities for more than 12,000 artists and creative practitioners.

The organisations at risk of insolvency in the short-term due to standstill funding and increasing costs include:

- Major cultural organisations of national and international importance
- Key nationwide festival infrastructure
- Producing companies and venues in the performing arts
- Community focused arts organisations
- Many organisations focused on Equalities, Diversity and Inclusion (EDI)

Establishing robust data sets that enable an international comparison of public spending is extremely difficult due to different governance models and accounting regimes.

Where data is available, this shows that Scotland and the other UK nations have relatively low levels of spend on Culture as a percentage of overall Government spending. Comparison with European countries shows that Scotland's spend on Culture is comparatively low and consistently below the European average.

Closer to home, recent trends in funding to the UK arts councils and cultural agencies shows small increases in budgets: Arts Council England core funding is set to rise by 2% between 2023-24 and 2024-25 and the draft budget for Arts Council Wales for 2023-24 is a 2.8% increase on the previous year. The Irish Government will provide Fís Éireann/Screen Ireland with a combined budget of €37.7m in 2023, twice the budget allocated to Screen Scotland through a combination of Scottish Government GIA and National Lottery funding.

So, in short, our answer to the Committee's question is very much 'yes', the perfect storm intimated in previous submissions and evidence sessions continues and the funding situation for culture and creativity in Scotland remains short-term in nature and precarious in reality.

2. [Our report](#) also concluded 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.**

In the last twelve months, and since previously giving evidence to the Committee, Creative Scotland's Grant in Aid budget was cut by 10% in December 2022 in proposals from the Scottish Government and, following a strong reaction from the culture and creative sector, was restored to standstill level in February 2023.

This means that Creative Scotland's budget from the Scottish Government for the current financial year remains static year-on-year. Given we only have an annual settlement from the Scottish Government, we do not know what our budget will be beyond March 2024 and, therefore, neither do the people and organisations that we support across Scotland's culture and creative sector.

Furthermore, we are currently in discussion with Scottish Government on the possibility of 'in-year savings' and have been asked to consider where we would be able to make cuts to our Grant-in Aid budget for the current financial year, 2023/24.

In terms of Screen Scotland, an unplanned for 22% reduction in funding from the Scottish Government in 2022/23 has impacted skills development, business development and production attraction. While we have reported, only this week, significant growth figures for Scotland's film and TV sector over the past few years, this reduction to Screen Scotland's 2022/23 budget will be felt in coming years, particularly if a similar reduction is required by Scottish Government in 2023/24.

Continued growth in the screen sector is anticipated by the BFI, Screen Scotland and the UK Government. How Scotland captures that growth is in part dependent on Screen Scotland's ability to work with US based studios and platforms. This is particularly crucial in 2024/25 when it is expected the current US strikes for actors and writers will be resolved, unlocking another period of growth. The risk is that if Scotland does not capture those new film and TV projects, they will land elsewhere in the UK or Europe and will be anchored there for years to come.

As stated earlier in this submission, we are also in the process of rolling out a new approach to supporting culture and creative organisations on a multi-year basis. This is necessary for a number of reasons, most significantly, that current budget levels do not enable Creative Scotland to support the number of organisations that we currently do, at a sustainable level. Years of standstill funding against a backdrop of increased operating costs, high inflation and the ongoing impacts of the pandemic, all mean that current levels of funding being offered to organisations does not enable them to operate effectively or to develop the range and breadth of creative work that the people of Scotland deserve.

We are clearly communicating that, unless budgets from the Scottish Government increase over the coming years, the new Multi-Year Fund will not be able to support as many organisations across Scotland as we currently do. Our aim will be to provide sustainable support to a smaller number of cultural and creative organisations. This means that many organisations

currently operating will either need to adapt the scale and scope of what they do or, inevitably and unfortunately, cease operating.

In order to prevent this happening, the Scottish Government will need to do two things:

- Increase the level of funding it provides to Creative Scotland to support cultural and creative organisations at a level that comes closer to the clear potential and demand that exists in Scotland;
- Commit to at least a three-year budget for Creative Scotland to enable us, in turn, to commit to longer term funding plans for the organisations that we support and enable them to plan effectively and develop work of excellence and impact for the people of Scotland.

It's important to note that Creative Scotland currently has a one-off reserve of £17m in National Lottery funds, separate from Scottish Government funds. Our Board has allocated this to support organisations who are currently in receipt of year-on-year funding from Creative Scotland, but who are unsuccessful in their application to the new Multi-Year Fund. Any support for organisations would be short-term, supporting organisations to plan for any restructuring and realignment that may help with future sustainability.

Given the significant number of organisations that we expect to need this transition support, it is vital that this budget is protected specifically for this purpose. Otherwise, a significant number of organisations currently in receipt of Creative Scotland funding, and who are unsuccessful in their application for Multi-Year Funding, would simply have their support cut off at the end of March 2025. It is right and proper that we are able to support those organisations to either transition to a new operating model or to wind down.

*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?***

At time of writing, Creative Scotland is waiting to see the Scottish Government's Culture Strategy Action Plan.

We have not been heavily involved in its development to date and would hope that our advice, knowledge and experience, alongside that of people and organisations in the culture and creative sector, would be sought in the final drafting of the Plan.

At the risk of repeating what has been set out earlier in this submission, while we welcome the creation of a strategic framework, that sets out clear aims, ambitions and outcomes for the

Scottish Government's support for culture, this must be firmly rooted in levels of resource that match that ambition.

We would like to see a Culture Strategy Action Plan for the support of culture and creativity in Scotland that is developed collaboratively with the appropriate stakeholders, which is fully costed and where future levels of investment match the ambitions set out in the Plan.