

How are budgetary decisions supporting the recovery?

As part of the major impacts of two years of strict Covid regulations on all levels of arts and events workers, small traders and cultural organisations, Edinburgh's international festivals faced existential challenges that were only averted through much welcomed support and emergency funding from local and national governments. Even before the impact of the Omicron wave, the Government's Strategic Framework showed that arts, culture and recreation services were worst hit of any industry, with GDP at -17.9% against February 2020 compared to half that drop of -8.5% for the hospitality sector.

The £2.1m in targeted Scottish Government Resilience Funding for the 2022 comeback and 75th anniversary of Edinburgh's Festivals has recognised the key roles of our flagship festivals in rebooting livelihoods nationwide through Scotland's global cultural reputation and onward tour bookings. Without this investment, it would not have been possible to stage major opening and closing events and offer over 55,000 free tickets; to manage the iconic Street Events and provide key support functions for thousands of Fringe artists; and to support thirteen major Fringe producers to enhance their creative programmes, fair work commitments, risk management and sustainability. **These interventions helped the August festivals make a successful return to scale with new offers at around 80% of pre-pandemic levels, up from only 10% in 2021, highlighting potential future areas to secure continued recovery where public investment will support the drive to deliver more public value for the long term.**

However, longer term recovery is being seriously set back by production cost inflation running at upwards of 30%, reflecting labour and materials shortages. Even more concerning, energy cost inflation for many cultural venues coming into the winter is looking to be over 300% - taking bills into the hundreds of thousands of pounds and risking a return to a crisis of cultural closed doors. The forecast recession will hit revenues that have not fully recovered from Covid, and is highly likely to reduce corporate sponsorship and donations dramatically as supporters have to look at internal cost savings.

At the end of the last financial year, the wider channelling of emergency Omicron funding into the sector-wide funds (around £11m for creative freelancers and £50m for cultural organisations and independent cinemas) supported recovery by recognising the extended period of hardship for individuals and enabling cultural organisations to refocus on rebuilding. Sadly, in the face of major ongoing challenges, more needs to be done to stabilise a still fragile sector. The biggest difference for organisations in the last round of emergency funding is that they have been able to apply for funding to strengthen organisational reserves. **This recognition - that increasing financial resilience is a vital component of rebuilding a more sustainable culture sector – should be at the core of budgetary policy into 2023-24 given the inflation shocks being sustained, which far outpace 10% general inflation due to rocketing prices for fuel, materials and supply chain contracts.**

What should be the Scottish Government's priorities?

The festivals rely on, and help nurture, Scotland's wealth of cultural talent, connecting them with international peers and ideas. This is all part of the rich cultural life across the nation that will be important to future wellbeing and prosperity as Scotland seeks to address longer-term challenges to our society. We therefore bring forward this submission in the context of the national discussions we take part in through Culture Counts and the Events Industry Advisory Group. These recommendations for priorities apply not only to central Government policy but also to all relevant national agencies and NDPBs.

A. Recovery and sustainability

- Public funding for culture since the austerity budget of 2010 onwards has been increasingly stretched, as expectations from multiple stakeholders have increased while the value of grants has reduced by 30% in real terms. Public funding approaches for the coming year should learn from the recent adaptations and innovations during Covid restrictions in order to support resilience and change rather than overstretch. **In future budget rounds there must be a realistic rebasing and alignment between funding levels and expected outputs, with different parts of the cultural ecosystem enabled to focus on what they do best.**
- For core-funded organisations, **the lifting of previous grant conditions continues to be an essential measure to enable organisations to be agile in planning on much shorter and more uncertain timescales.** In this context it is also worth

noting, that despite operational constraints, releasing grantees from activity targets during the last few years opened up opportunities for them to work in more focused and tailored ways to support isolated and vulnerable people.

- The newly agreed [2030 Vision for a Resilient and Ambitious Festival City](#) highlights the **importance for recovery of local and national funders sustaining the maximum possible long-term funding for festivals' core programmes, in order to secure the public value of the work they create.**

B. Creative Development pathways

- With fewer people actively working in live culture at present after the scarring of Covid closures, it is a critical priority that pathways for creation, production and participation across Scotland should be rebuilt. Without this as a priority, Scotland will have a long-term lag in new work and creative opportunities.
- **Public funding for commissioning and production of new work could help generate more viable livelihoods for selected creatives with lower risks borne by individuals.** An example is the Scottish Government's Festivals Expo Fund, which provides the support of world-leading international platforms to showcase Scottish artists while investing nearly 90% of funds in direct production and promotion of their work, offering an efficient mechanism to enhance the potential for making a living from their artistic practice.

C. Supply Chain programmes

- A pool of skilled technicians and suppliers also needs to be re-established and upskilled. Many technicians have moved to the screen sector, with the positive outcome of helping to fuel rapid growth in screen production but the knock-on effect of needing to replenish this skills pipeline. This creates a need and an opportunity through investment programmes to help more young people – whose jobs have been most disadvantaged by Covid closures - get back into the labour market.
- **The nationwide event sector networks that developed during the pandemic could open up opportunities in the area of skills development for sustainable live events for stage and screen, through initiatives to stimulate schools and further education partnerships taken forward at city region scale.**

D. Resilience and change investment

- Given the gap in activity for most live artists, stimulus measures to support the ability of creatives and creative organisations to rebuild will also be important - such as **rates relief and incentives to attract match funding from sponsors, donors and other supporters.**
- External evaluation has shown that the unique five year partnership programme Platforms for Creative Excellence – a joint initiative between Scottish Government, City of Edinburgh Council and the Edinburgh Festivals - has been essential to invest in transformational changes to programme innovation, creative development and community engagement. **Scottish Government need to consider the nationwide opportunities of scale that will be lost if legacy planning for the PlaCE programme cannot be sustained** – the equivalent of over 70 co-created projects, development for 380 creative practitioners and 150 school and community engagements.

E. Community creativity capacity

- In developing our long-term partnerships with community organisations during Covid restrictions, themes that often come through are the importance of small-scale personal interventions and long-term engagement.
- **If expanding community creativity opportunities for wellbeing is an important objective in recovery, this needs to be resourced with quality and depth of engagement prioritised over volume.**
- Our recent programmes have shown that such **projects in these areas can be attractive to donors and private sector partners but only if a foundational grant intervention and multi-year commitment has been made through public sector sources.**

F. Global Reconnection

- The Scottish Government's global affairs framework recognises that culture is a powerful tool for building bridges between people and reinforcing mutual understanding, and can also be an engine for economic and social development. Steps need to be taken across 2023-24 to ensure that the international profile of Scotland is secured across cultural sectors and cultural audiences.
- **Renewing Scotland's place in the world following the enforced insularity of the past few years will require support for reconnection across three channels: through international programme partnerships, through industry networks and bodies, and through wider media communications.**
- With regard to the first of these, and the new difficulties of securing mobility for temporary creative workers between the UK and EU post-Brexit, **we support the Culture Counts call to establish an Office for Cultural Exchange to safeguard and support international touring, festivals and residencies.**

2 Despite an increasing recognition of the established health and wellbeing benefits of culture, the Committee has previously heard that this had not led to transformational change in terms of both a cross-cutting approach within Government and increased budgetary support for culture across a number of spending areas - what needs to change to embed culture and health and wellbeing across government and the public sector?

Please provide your response below:

We welcome the current conversation with the national partnership on culture about where measures can better recognise and value the role of diverse cultural activity in a successful Scotland with opportunities for all to flourish.

While this is a useful focus point, it must also be remembered that the positive national impact of a thriving cultural life is ultimately cross-cutting and intrinsic. A healthy baseline of national investment in creativity is analogous to the country's commitment to investing in fundamental research, in the knowledge that society benefits from curiosity-driven research even though the applications can't be predicted.

Based on Eurostat and Scottish Government figures, the proportion of GDP spent on public cultural services is at least 33% lower in Scotland than the EU average, a gap in excess of £400 million. **The baseline level of national public funding committed to culture should be considered in the context of EU averages, if the ambition for culture to play a crucial role in the challenges of transforming our society and economy is to be fully realised.**

A fundamental challenge in embedding culture across the wider Government and public sector, is that to date the primary impetus for considering any such cross-cutting outcomes seems to come from the culture sector and cultural policy makers. **A sign of culture becoming embedded across public policy priorities will be to start seeing the demand coming from non-cultural players in other government and public sector portfolios.**

3 The Scottish Government's independent Advisory Group on Economic Recovery in the wake of COVID-19 recommended that Ministers should in relation to the creative sector seek "ways to increase public and private investment across the sector to allow it to recover and compete" – can you provide examples of where this is happening or ways in which it should happen?

Please provide your response below:

Recovery in the culture sector is widely expected to be a five-year process, especially for town and city centres, and it will be important for the Scottish Government to look at the positive role that could be played by ongoing fiscal stimulus and tax incentives that are under devolved competence. As outlined in response to Question Two, public funding for culture in Scotland is at least 33% lower than the EU average - a gap costed at £400m-£800m depending on calculations of local authority spend, resulting in a more fragile and precarious sector than our European neighbours. All efforts to increase new revenue streams for culture are needed to stop this becoming even more damaging after the last few years of Covid lockdowns followed by the current cost of living crisis and rampant inflation.

Local: Across Scotland, spending on culture by local authorities as a non-statutory area has reduced dramatically in real terms over the past decade. If as a nation we want to support cultural opportunities for a wellbeing society, local authorities should have access to more ways to determine revenue raising and income generation measures to halt and reverse this trend. **One such mechanism would be a Transient Visitor Levy, with the required Government legislation identifying that the revenue generated should be reinvested to not only solve any policy challenges of tourism but also enhance the annual cultural offer for residents and visitors alike. Culture and creativity should also be capitalised on more in future commitments to long-term innovation programmes e.g. building on City Region Deals.** In Edinburgh & South East Scotland this has levered up important partner investment for example through the AHRC funded Creative Informatics programme.

National: Scottish Government exploration of the policy to create a ‘percentage for the arts’ scheme should be accelerated, where 1% of funding for major public buildings would go towards community art commissions – the resulting proceeds could reportedly be much more than Creative Scotland’s annual budget and this is a potentially transformative opportunity that must be a priority to develop. A key guiding principle for us is that such a scheme should operate more like Lottery endowments than like Section 75 capital investments around building developments – because the biggest need for communities is ongoing revenue for participatory activities. Such a scheme could also support approaches that enhance environmental sustainability of the sector’s practices and cultural infrastructure.

International: The seismic shifts of Brexit and Covid-19 have brought into sharp focus the importance of restarting pipelines of cultural export and inward investment for national recovery and renewal. Creative industries, major events and tourism have been identified as key opportunities at local, regional, Scottish and UK levels to contribute to a thriving economy. It is imperative for this sector to regenerate to a scale of global ambition that will enable us to reassert our international position and thus **programmes such as the Scottish Government’s Festivals Expo Fund should be retained and put onto a multi-year basis as a crucial mechanism for product investment that helps creates the global marketplace that provides a livelihood for Scottish talent.**

4 The Committee has previously agreed with COSLA that a ‘whole system’ approach is essential to the spending review and that this is consistent with an outcomes-focused and collaborative approach; our view is that it is only through such an approach that the necessary funding can be freed up to ensure that sufficient cultural services are available to meet the increased demand arising from cultural prescribing– what progress has been made in moving towards a whole system approach, what are the main barriers and how do we overcome them?

Please provide your response below:

As we understand it, whole system working requires systems thinking and tools that enable an ongoing, flexible approach by a broad-range of stakeholders to identify and understand current and emerging issues where, by working together, we can deliver sustainable change.

Within our sector an embryonic whole systems approach can be seen in the creation of the Event Industry Advisory Group (EIAG), under the auspices of VisitScotland, which was established to represent the events and festivals sector amid the devastating impact of the pandemic and provide a coordinated voice during the national response and recovery planning. This Group has evolved over the last few years into a valuable forum for debate and discussion, helping the sector to apply systems thinking, methods and practice to better understand event challenges and identify collective actions.

It is our view that **the role of the Event Industry Advisory Group should be enhanced as we start to reshape the landscape in our post pandemic world.** Developing the roles of such a body would also deal with one of the main barriers to creating a whole system approach, namely the preponderance of temporary structures that entrench short termism rather than embed long term and macro level thinking.

During the pandemic, we have also seen the creation of citywide planning groups at local level and joint planning between local and national authorities. Although to date these have been mostly created to deal with immediate challenges, these groups displayed the same whole systems approach. **These experiences could usefully be built upon to institute integrated multi-year planning between local and national authorities across infrastructure, regulation and regeneration issues, which is needed to secure the future of nationally and internationally important events such as Edinburgh's Festivals.**

Such groups have also identified one of the further barriers to adopting a whole systems approach across the wider cultural sector: namely the multiplicity of metrics and reporting requirements across different public funders. It is our view that **greater streamlining of metrics and reporting requirements by funders, recognising of course that there will always be some differences in aims and outcomes between funders, could help to direct maximum effort towards delivery of cultural services** – which will be crucial in the challenging context of further real-terms reductions implied by the Resource Spending Review.

If such a challenging context is indeed reflected in budgets for 2023-24 and beyond, we also recommend that Scottish Government and its national agencies and NDPBs will need to **focus reduced resources to safeguard a fundamental 'National Grid for Culture' – a strategically targeted approach to public support that stimulates nationwide exchanges of cultural creation, participation, production and distribution.**

5 The Committee's view is that it is essential that, wherever practical, multi-year funding for the cultural organisations the Scottish Government supports is passed on to the groups and individuals being funded who should, where appropriate, also receive a multi-year settlement – what progress has been made in moving towards multi-year funding, what are the main barriers and how do we overcome them?

Please provide your response below:

After more than a decade of one-year spending reviews, the benefits for resilience and innovation of being able to offer longer-term settlements would be significant. Some progress has been made, such as through the Platforms for Creative Excellence (PlaCE) programme - a five year partnership programme between the Scottish Government, the Edinburgh Festivals and City of Edinburgh Council. **We recommend that the Government take account of evidence, such as the interim external evaluation of the PlaCE Programme, of the critical long-term nature of the programme for the strategic shifts required both before and during the pandemic.**

The programme also identifies one of the barriers to driving such multi-year funding: namely the drive to measure short term outputs rather than long term outcomes. It is our belief that **greater grant effectiveness in a constrained environment could be secured by adopting an outcomes rather than an outputs approach, which by its very nature would necessitate a multi-year funding approach.**

A further barrier to the implementation of such multi-year funding is the lack of a whole systems approach, as noted under Question Four. **A whole systems approach would support the cultural sector and other partners to work together to create a next generation framework for those programmes which they jointly believe can have a transformational effect on creation, production, distribution or participation.**

This could have a particularly strong impact on programmes that stretch organisations and provide a creative framework for a broader range of artists.

6 The Committee has previously stated that the collaborative learning from managing the response to COVID should be harnessed and built upon; for example, in exploring how innovative ways of working such as the shift to digital platforms can enhance the accessibility of cultural activities while at the same time improving health and wellbeing – what progress has been made in embedding the collaborative learning from managing the response to COVID, what are the main barriers and how do we overcome them?

Please provide your response below:

We see the following principles as critical to overcoming barriers to embedding collaborative learning.

Systemic Change: Although the pandemic was an existential moment for many in the cultural sector, there is sense that for some there has not been the time or motivation to strategically shift behaviours, processes and practices while in survival mode, in particular when some early rounds of emergency funds focused on preventing insolvency rather than supporting adaptation. It will therefore be important that time and space is given for collaborative contemplation about major changes needed to create a more sustainable and resilient cultural sector.

Long-term funding: The whirlwind cycle of annual funding applications creates an associated programme cycle that is not conducive to collaborative learning beyond that required for immediate delivery. There is growing evidence for how much difference sustained long-term relationships and planning make to the depth and sustainability of cultural outcomes, and a foundational commitment of public funding over the long-term is critical, as set out in answer to Question Five.

Portfolio approach: One of the key barriers to collaborative learning 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 creative pipelines of opportunity at individual, organisational, local, national and international levels.

Research & Development: A lot of the success of many private sector companies is down to the amount of time, energy and resources they invest in their long term research and development functions, with an average level of 15% of turnover dedicated to such a function. On the contrary the cultural sector is often not in a position to identify such lines on their budget sheets and can be locked into cycles of delivery

without the necessary time to reflect and learn. Enabling cultural players to better identify and value such an R&D function would allow organisations to adopt a longer term and more collaborative learning approach.