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Committee
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24 April 2020

Dear Joan

WRITTEN UPDATE ON SCOTTISH GOVERNMENT'S RESPONSE TO COVID-19

Thank you for your letter of 6th April about measures to support the cultural sector during the current emergency. I replied separately on 20th April about the response to the Committee's Arts Funding inquiry report.

I am pleased to provide the attached written update on the key ways in which the Scottish Government is supporting the cultural and heritage sectors and individuals employed within the sectors during the pandemic. This outlines the key actions that we have taken and the measures that now exist to help the sectors remain resilient in these challenging circumstances. As we seek wherever possible to complement and add value to measures introduced by the UK Government, the update also includes a summary of those most relevant to the sector.

I note the Committee's request for regular written updates. We intend to provide an update in this form on a monthly basis in the first instance and we will keep the frequency of these updates under review.

This is a rapidly changing situation impacting many sectors of the economy including the cultural and heritage sectors. The Scottish Government is doing all we can to address the challenges we face. We will continue to monitor the situation and work with the UK Government and other partners to consider where further support may be required.

FIONA HYSLOP

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WRITTEN UPDATE ON SCOTTISH GOVERNMENT'S RESPONSE TO COVID-19 APRIL 2020, FROM CABINET SECRETARY FOR THE ECONOMY, FAIR WORK AND CULTURE

INTRODUCTION

The Scottish Government recognises that this pandemic is the biggest challenge we have faced in our lifetimes and the measures we take to deal with it must reflect its magnitude.

These are challenging times for everyone in Scotland. Alongside the risks to public health, necessary measures to stem the spread of the coronavirus are having severe economic consequences including direct impacts on the culture and heritage sectors and professionals working within them.

The Scottish Government recognises the importance of the culture and heritage sectors through its Culture Strategy for Scotland (launched in February) and is therefore committed to doing everything we can to ensure our world-class culture and heritage can continue to thrive. That is why we have taken decisive steps to address the impacts of this pandemic on the people employed in the cultural and heritage sectors.

In doing this, our primary focus is to support funders to keep funding flowing to individuals and organisations to enable them to sustain themselves through the immediate short-term impacts, while also keeping the medium to longer term recovery in view.

We continue to work hard and quickly to understand the different impacts on the various parts of the sectors as they become clear and we will use this information to identify new measures where we find that there are significant gaps in existing support provision.

To date the Scottish Government has introduced the following measures to redress the impacts of COVID-19 on the cultural sector and individuals employed within the sector.

ENGAGING WITH THE SECTOR TO UNDERSTAND THE IMPACTS

Since early March Scottish Government Ministers and officials and public funders have been seeking to understand the impact of the pandemic in Scotland. We have been working closely with partners and stakeholders to monitor the ongoing impact of the current situation in order to develop measures for the cultural and heritage sectors.

Officials met with representatives of our national cultural bodies including the National Performing Companies (NPCs), National Collections, Creative Scotland and Historic Environment Scotland, in early March to take stock of the evolving situation and ensure contingency and business continuity plans were in place.

This was followed by two round-table discussions in early April in which I was able to hear first-hand from the Edinburgh Festivals and a range of cultural organisations including Culture Counts, Scottish Contemporary Arts Network, Federation of Scottish Theatres, Scottish Artists Union, Scottish Music Industry Association and the Scottish Chamber Orchestra, on the challenges they and the sectors that they represent are facing.

We also recognise the very important role of the broadcasting sector during this time of crisis, in particular in providing impartial and accurate information to the public. We have been hearing from broadcasters including public service broadcasters and radio stations

across the country about the impacts to their businesses, with specific concerns about cashflow, reduced advertising revenues and suspension of production. We are communicating with the UK Government to ensure the right support is considered for radio, including community radio which is acutely impacted. Officials are continuing to keep in regular contact with STV, Channel 4 and BBC Scotland, as well as the UK communications regulator Ofcom, to discuss the impacts to operations and to audiences in Scotland.

We have also been hearing from businesses and self-employed workers, including freelancers, from all sectors including from festivals, creative industries and screen and broadcasting. We are ensuring that they have the best and most up to date information and support available to them.

These discussions have helped us to identify perceived gaps in immediate support, to gain a better understanding of emerging evidence and to promote data gathering and sharing and longer-term recovery planning. Ministers and officials continue to engage in regular calls with our partners to understand developments, issues and initiatives.

IMMEDIATE FINANCIAL RESPONSE

Creative Scotland announced in March that they will honour funding commitments regardless of whether the funded activity is cancelled, reduced or rescheduled. Historic Environment Scotland has similarly indicated in advice to its grantees that it will be as flexible as possible with regard to activities that are cancelled or postponed. The Scottish Government is also putting in place measures to allow the Scottish Government's EXPO funding which supports festivals to be repurposed where required. We are also supporting the National Performing Companies, honouring our funding commitments to them regardless of whether the funding activity is cancelled, reduced or rescheduled, and by enabling redeployment of funds awarded for international touring towards amelioration of cancellation costs incurred and their COVID-19 response. The National Performing Companies are making various arrangements to safeguard the incomes of their staff, and the artists and creative personnel working on current productions and projects.

We continue to work with partners and funders, including Creative Scotland and Historic Environment Scotland, to explore ways to assist with resilience for affected organisations and individuals, including self-employed and freelance professionals.

SCOTTISH GOVERNMENT SUPPORT FOR THE CULTURE AND HERITAGE SECTORS IN RESPONSE TO THE COVID-19 PANDEMIC

FINANCIAL SUPPORT

On 18th March 2020, I announced a package of support worth £2.2 billion to limit the impact of COVID-19 on the business community. This support has been tailored to the tax base and tax system in Scotland. New measures delivered during the 2020-21 financial year for non-domestic properties offer a range of rates relief and grant support:

- 100% rates relief for the retail, hospitality, leisure and aviation sectors
- 1.6% rates relief for all properties across Scotland, effectively reversing the planned below inflation uplift in the poundage for 2020-21
- one-off £10,000 grants to a range of businesses in receipt of Small Business Bonus Scheme (SBBS) relief, Rural Relief, or properties eligible for SBBS and in receipt of

either Nursery Relief, Business Growth Accelerator, Fresh Start or Disabled Relief on that date

- £25,000 one-off grants to businesses in the retail, hospitality and leisure sectors for those with a rateable value between £18,000 and £51,000

The package of grant scheme measures is being administered by local authorities. Creative organisations meeting the eligibility criteria would be able to apply using the application form available on their local authority website.

We are using the Non-Domestic Rates system to distribute support because it is the fastest, most effective way to reach businesses. The Business Grant funding is targeted to support small businesses and those medium sized businesses in the retail, hospitality and leisure sector who are liable for non-domestic rates to maximise the number of businesses we can support. For further information on eligibility for these reliefs and grants, please visit <https://www.mygov.scot/non-domestic-rates-coronavirus/>

On 15th April the Finance Secretary Kate Forbes announced additional funding of £220 million of further grants being made available for businesses - including the recently self-employed - to help them deal with the ongoing impact of the coronavirus (COVID-19) outbreak. Further information is available at the following link: <https://www.gov.scot/news/additional-support-for-business/>

The new package of measures includes £120 million to extend the Small Business Grant scheme to ensure that, in addition to a 100% grant on the first property, small business rate payers will be eligible to a 75% grant on all subsequent properties.

A further £100 million fund is also being made available to protect self-employed people and viable micro and SME businesses in distress due to COVID. This fund will be channelled through local authorities and enterprise agencies to target newly self-employed people and businesses who are ineligible for other Scottish Government or UK Government schemes.

Applications for the £100 million fund will be open by the end of the month, and the new arrangements for the Small Business Grant will be in place to receive applications on 5 May.

On 21st April I confirmed that grant funding for the newly self-employed suffering hardship and SMEs in distress will be available in the coming days.

The £100 million fund to support the self-employed and SMEs announced last week will be broken into three separate funds as follows:

- £34 million Newly Self-Employed Hardship Fund, managed by Local Authorities, will be allocated to the newly self-employed facing hardship through £2,000 grants
- £20 million Creative, Tourism & Hospitality Enterprises Hardship Fund, managed by the Enterprise Agencies in partnership with Creative Scotland and VisitScotland for creative, tourism and hospitality companies not in receipt of business rates relief
- £45 million Pivotal Enterprise Resilience Fund, managed by the Enterprise Agencies for vulnerable SME firms who are vital to the local or national economic foundations of Scotland

The Scottish Government is also providing £1 million to top up Creative Scotland's Bridging Bursaries in the not-for-profit sector.

This funding is intended to relieve the hardship of individuals and smaller firms that are ineligible for support from the UK Government or are not in receipt yet of the funds they need to survive.

Our hospitality, tourism and creative sectors have been decimated by this crisis and previously profitable businesses have seen demand dry up overnight.

However, because of the decisions the Scottish Government has taken, thousands more self-employed people and small businesses will be able to benefit from support compared with elsewhere, and we have been able to help sectors of the economy that are not being supported in other parts of the UK.

As well as dealing with this immediate crisis, we must look to the future. We must ensure that those businesses with a part to play in strengthening resilience in Scotland's economy survive this crisis and thrive in future, which is why £45 million is being allocated to those firms.

We continue to engage with businesses on a regular basis to understand their needs and press the UK Government to deliver for them.

THIRD SECTOR RESILIENCE FUND

The Third Sector Resilience Fund is a £20m emergency fund for charities, community groups, social enterprises and voluntary organisations working in Scotland. The fund will support organisations that already deliver services and products but find themselves in financial difficulties directly as a result of the coronavirus pandemic. The primary intention of the fund is to help third sector organisations to stabilise and manage cash flows over this difficult period.

The Fund will provide grants between £5,000-£100,000. In addition there will be up to a further £5m available in fully flexible, 0% interest loans starting at £50,000. The fund will be complemented by specialist business advice from Just Enterprise to help grant recipients maximise the impact of the financial support. More information can be found [here](#).

£350 MILLION FUND TO SUPPORT WELFARE AND WELLBEING

On 18th March I announced an additional £350 million will go to those most affected by the coronavirus (COVID-19) pandemic.

The funding will be made available to councils, charities, businesses and community groups and designed to be flexible, cutting down on red tape to enable them to respond swiftly and according to local need for people impacted economically or through reduced contact with society, including anyone struggling to access food.

The emergency funding package will be allocated to existing funding streams through several new funds, with the £95 million package direct to local authorities made up of:

- £50 million in Barnett consequential from the UK Government's hardship fund is being passed direct to local authorities to support their own local resilience, support and hardship plans.
- £45 million will be added to the existing Scottish Welfare Fund which makes Community Grants and Crisis Grants available to those in immediate need. This more than doubles

the current £35.5 million fund, which is administered by local authorities. They will be given more flexibility in how it is used to ensure they can fully support people in financial crisis, including workers in the 'gig economy'.

In addition:

- a £70 million Food Fund will help organisations in the public, private and voluntary sectors address issues of food insecurity, especially for older people, and families who may not be able to rely on free school meals
- a £50 million Wellbeing Fund will help charities and others who require additional capacity to work with at-risk people who may be worst affected by the crisis, including homeless people and those experiencing fuel poverty
- a £40 million Supporting Communities Fund will be used to support the rapidly growing and inspiring community efforts at a local level which will be vital to national resilience, including supporting people at risk because of age, isolation, carers, homeless people and asylum seekers and signposting people to sources of help such as applying for benefits
- £50 million will go to meet an anticipated increase in applications for the existing Council Tax Reduction Scheme and Scottish social security benefits
- £20 million will be allocated to a Third Sector Resilience Fund, to help ensure the health and continued viability of the third sector organisations affected by cash flow and other problems, which have a key role to play in our national response
- £25 million will be kept in reserve to allow swift and flexible responses to rapidly changing circumstances

CREATIVE SCOTLAND SUPPORT

Creative Scotland is providing an expected total budget of £14 million of support in response to the COVID-19 situation. This is available to support those – including freelance creative practitioners - whose work in the arts, screen and creative industries has been affected by the measures introduced to reduce the impact of the COVID-19 outbreak.

The three elements of Creative Scotland's response includes:

1 The Creative Scotland Bridging Bursary Fund – This fund will provide those freelance creative practitioners who are most deeply impacted by the cancellation of work due to the virus with a one-off bursary of between £500 and £2500. In March Creative Scotland allocated a budget of £2m to this fund. This fund opened for applications on Monday 30th March. Due to unprecedented demand in the first three days of the fund which saw over 1000 applications received seeking a total of £1.8m, Creative Scotland announced on 2nd April 2020 that it was pausing the scheme to take stock and to ensure that those who have been unable to apply to date, including those who are ill, an opportunity to apply at a later date. The fund reopened for submissions on 20th April. This is now a £4m fund. This includes £1.1 million of repurposed grant in aid and a further investment of £1m announced on 20th April from the Scottish Government, an investment of £1m from the Freelands Foundation as well as National Lottery funds.

2 Screen Scotland Bridging Bursary Fund – This fund supports freelance practitioners working in Screen Scotland's film and TV sector in Scotland who are facing immediate financial difficulty due to the loss of income as a result of COVID-19. It will also provide a one-off bursaries of between £500 and £2500 to those people who are most deeply impacted by the cancellation of work. Screen Scotland has allocated a budget of £1.5m to

this fund. This fund opened for applications on 30th March. Over 240 applications requesting nearly £0.5m had been received by 2nd April.

3 Open Fund: Sustaining Creative Development, – This fund supports people to develop and/or reimagine their creative practice and programmes of work in the current and evolving context. In recognition of the different needs of individuals and organisations Creative Scotland has created distinct application routes for each. The maximum award will be capped at £50,000 and the programme will be reviewed after three months. The lowering of the maximum award will allow for a greater spread of support during this period and for an assessment of the impact of COVID-19. In order to maximise the reach of funds, reduce administrative timelines, whilst managing staff capacity, applicants will only be allowed to have one live application at a time. Creative Scotland has budgeted a spend of £7.5m of National Lottery funding for 2020-21 and this will be used for this fund. This fund opened for applications on 3rd April.

SCREEN SCOTLAND'S SINGLE PROJECT DEVELOPMENT FUNDS

Screen Scotland's Single Project Development Funds – Independent film and TV production companies can apply for newly ring-fenced development support of between £3,000-£50,000 to develop creative and ambitious projects over the next 3-6 months. Applications can include enhanced Producer fees of up to 25% of the project costs, up to a maximum of £5,000. Both funds open for applications from Tuesday 14th April 2020. The two new funding routes are:

- The £500,000 Broadcast: Single Project Development Funding Route will support the development of work across live-action and animation. Covering both scripted and unscripted genres, the Fund will prioritise UK Network and Subscription Video on Demand focused TV projects with existing commissioner engagement and the potential to be multi-part and/or returning.
- The £500,000 Film: Single Project Development Funding Route will support the development of single feature film projects across live-action, animation and documentary.

FINANCIAL SUPPORT FOR MUSEUMS IN MOST IMMEDIATE NEED

The Scottish Government is working with Museums Galleries Scotland (MGS) to try and mitigate the impacts with the aim of supporting those museums and galleries in most urgent need both in terms of resource and digital resilience. We were able to offer an initial £80,000 which will enable support for those most at risk of folding by the end of April.

MGS has been monitoring the sector's financial needs arising as a result of Coronavirus and are ensuring their funding is responsive. All of their regular grant funds have been suspended until further notice to allow flexibility to respond to the current situation. We have also provided £400,000 in additional funding to MGS to enable more museums and galleries to benefit. MGS has launched two funding programmes to help museums affected by the coronavirus (COVID-19) outbreak:

- The Urgent Response Fund is a £700,000 fund to support museums and galleries critically affected by the COVID-19 outbreak. This funding is available to independent museums who are most acutely feeling the impact of COVID-19. It will help cover urgent core costs for a maximum of 3 months. They will provide grants of between £3,000 and £60,000. Priority will be given to organisations that are most at risk (but note that priority

will be given to those who had a viable business model prior to COVID-19 restrictions); look after Recognised collections; have taken steps to reduce costs where this is possible; and do not have access to other sources of support (applicants will be asked about their eligibility for, and applications to, other sources of funding announced in response to COVID-19)

- The Digital Resilience COVID-19 Fund is a £55,000 fund which will cover up to £3,000 to buy equipment and software to help with digital working during this period of closure.

HERITAGE EMERGENCY FUND

The National Lottery Heritage Fund is providing a package of support for the heritage sector as a response to the coronavirus (COVID-19) crisis.

This includes increased advice and support, longer-term skills and capacity building initiatives, and a £50 million Heritage Emergency Fund to provide emergency funding for those most in need.

They are also currently developing longer-term support and more information on this will be available soon.

The Heritage Emergency Fund is accepting applications for funding from £3,000 to £50,000. The application form will be available from 15th April and you will be able to apply until 30th June 2020.

They are working closely with partners and stakeholders and will review this timescale in line with need and demand. They expect high demand for this fund and will prioritise funding against the criteria for the fund.

Further details are available at the following link:

<https://www.heritagefund.org.uk/funding/heritage-emergency-fund>

UK GOVERNMENT SUPPORT

The UK Government has set out a package of measures to protect public services, people and businesses through this period of disruption caused by COVID-19. This includes a package of 9 measures to support businesses, a number of which should be helpful to the culture sector and the creative industries (although some apply in England only):

- the Coronavirus Job Retention Scheme, which we are encouraging all bodies in the sector to make use of as it provides 80% of the costs of staff who can remain employed but are not required or are unable to work..
- deferring VAT and Income Tax payments
- a Statutory Sick Pay relief package for small and medium sized businesses (SMEs)
- a 12-month business rates holiday for all retail, hospitality, leisure and nursery businesses in England (England only)
- small business grant funding of £10,000 for all business in receipt of small business rate relief or rural rate relief (England only)
- grant funding of £25,000 for retail, hospitality and leisure businesses with property with a rateable value between £15,000 and £51,000 (England only)

- the Coronavirus Business Interruption Loan Scheme offering loans of up to £5 million for SMEs through the British Business Bank
- a new lending facility from the Bank of England to help support liquidity among larger firms, helping them bridge coronavirus disruption to their cash flows through loans
- the HMRC Time To Pay Scheme

SUPPORT FOR SELF-EMPLOYED

On 26th March the Chancellor announced an income support scheme for the self-employed which is on par with the coronavirus job retention scheme for 95% of the people who are majority self-employed. The UK Government will provide a grant worth 80% of their income covering at least three months, similar to the scheme for employees. However, those self-employed with earnings over £50,000 will not receive any support. This support is outlined in the following measures:

- The government will pay self-employed people who have been adversely affected by the coronavirus a taxable one-off grant worth 80% of their average monthly profits, up to £2,500 per month, covering initially three months' of earnings.
- Profits are calculated on the basis of either their latest available tax return (2018-19) or, alternatively on the basis of their average trading profits over the past three years.
- The scheme will initially cover 3 months of earnings but can be extended if necessary.
- Self-employed will be able to claim these grants and continue to do business.
- The Chancellor estimates that 95% of people who are majority self-employed will benefit from the scheme.
- For the 5% not currently covered, the Chancellor claims that their average incomes are such that they are more likely to be able to sustain themselves.
- The scheme will not support those self-employed who pay themselves in lower taxed dividends, rather than profits. These individuals are unlikely to get support from either the self-employed or employee scheme.

ELIGIBILITY

- The scheme is open to self-employed individuals with trading profits up to £50,000, who make a majority of their income from self-employment.
- To minimise fraud only those already in self-employment, who have a tax return for 2019 can apply. People who have started their business after 2018-19 will therefore not be covered.

DELIVERY

- The scheme is expected to be up and running by the beginning of June, with a backdated payment made then that covers previous three months. The Chancellor has argued that the measures announced so far – in the form of business interruption loans, the deferral of SA income tax and increased generosity of the welfare system for self-employed - will tide people over until then.
- If eligible, HMRC will contact self-employed individuals with an online form, they pay the grant straight to their bank account.
- Self-employed who have not filed their 2018-19 tax return yet will be given another 4 weeks to submit to ensure they are eligible.

SUMMARY OF GUIDANCE

We have published a short summary of the different measures of support available to help navigate the funding landscape to key members of the sector (<https://www.gov.scot/publications/coronavirus-covid-19-culture-and-creative-sector-support/>). This summary draws upon the latest information and support on the Creative Scotland, Scottish Enterprise and Scottish Government websites, and all the applicable guidance and support available from the UK government, and is regularly updated.

Scottish Government
April 2020