



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Relations Committee

Thursday 22 February 2018

Session 5



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Pàrlamaid na h-Alba

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CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE
4th Meeting 2018, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

Jackson Carlaw (Eastwood) (Con)

*Mairi Gougeon (Angus North and Mearns) (SNP)

*Ross Greer (West Scotland) (Green)

*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)

*Richard Lochhead (Moray) (SNP)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Janet Archer (Creative Scotland)

John Scott (Ayr) (Con)

Ben Thomson

CLERK TO THE COMMITTEE

Katy Orr

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Relations Committee

Thursday 22 February 2018

[The Convener opened the meeting at 09:03]

Decision on Taking Business in Private

The Convener (Joan McAlpine): Good morning and welcome to the fourth meeting in 2018 of the Culture, Tourism, Europe and External Relations Committee. I remind members and the public to turn off mobile phones. Members who are using electronic devices to access committee papers should ensure that they are turned to silent.

We have received apologies from Jackson Carlaw MSP, and I welcome John Scott MSP to the meeting.

Our first item of business is a decision on whether to take agenda items 3 and 4 in private. Do members agree to take those items in private?

Members indicated agreement.

Sustainable Funding for Arts and Creative Organisations

09:04

The Convener: Agenda item 2 is an evidence session with Creative Scotland on sustainable funding for arts and creative organisations in Scotland. I welcome the witnesses: Janet Archer, chief executive officer at Creative Scotland, and Ben Thomson, the interim chair of Creative Scotland.

Janet Archer has indicated that she wishes to make an opening statement. I ask you to be as brief as possible because I know that many members have questions that they would like to ask you.

Janet Archer (Creative Scotland): Of course. Thank you, convener. Good morning, everyone, and thank you for inviting us to give evidence this morning.

We are here to talk about sustainable funding for arts and creative organisations in Scotland. Creative Scotland's most significant means by which we provide that is three-year regular funding. Our first round spanned 2015 to 2018 and our guidance for the second round—2018 to 2021—was published in November 2016. The process and guidance for regular funding was tested with sector representatives who worked with us to review the guidance prior to us going live.

I want to start by saying that I am profoundly sorry that the delivery of the process has been a negative one for many. We cannot let that happen again. My role as chief executive of Creative Scotland is to take ultimate responsibility for everything that Creative Scotland does. I am currently in dialogue with everyone who is involved, at every level in the process, and I will make sure that we learn from this moment and resolve all the outstanding issues fairly and openly.

I would like to offer some context, which I hope the committee will find helpful. Regular funding is an open application process. This time, we had 184 applications and we have funded 121 organisations. Overall, we have committed to spending £33.9 million on regular funding: £1 million a year more than previously. That was due to a £6.6 million uplift from the Scottish Government, for which we are very grateful. Regular funding is no longer reliant on the national lottery, as it previously was. Previously, we put £6 million of national lottery funding into regularly funded organisations.

Many of you will be aware that, between September and December last year, we were scenario planning for some very difficult budget predictions. In the end, the budget was better than we expected, but it is important to recognise that the 21 per cent uplift that we communicated is made up of £10 million for screen, which is set against hard economic targets, and £6.6 million to replace the lost lottery income for the arts, as I have already outlined. That means that, in effect, our regularly funded organisations budget remains at standstill.

Despite that, we have been able to support 121 excellent organisations across Scotland and across art forms for the next three years. At one point last autumn, we thought that we might be able to fund only about half of those. The 19 new organisations in the network have not had a lot of press, so I will tell you a little about them. They include the Alchemy film festival in Hawick; Bodysurf Scotland in Moray; Starcatchers, Scotland's national arts and early years organisation; Lyra, which is based in Craigmillar in Edinburgh; Toonspeak Young People's Theatre, which provides free, high-quality drama and theatre activities for young people aged 11 to 25 in Glasgow; Theatre Gu Leòr, the acclaimed Gaelic theatre company; and the Tinderbox collective, which is based at North Edinburgh Arts.

Making funding decisions is never easy, and nowhere more so than in Scotland, where creative talent and ambition far outweigh the funding that we have available, particularly in the context of increased reliance on Creative Scotland as alternative sources of support come under increasing pressure. I fully understand that even those who have received standstill funding are really struggling. However, as stated in our arts strategy, we are committed to working with all organisations to support them to build resilience in the future.

Overall, the applications that we received totalled 33 per cent more than our available budget. That created a real challenge for us, particularly when organisations asked for an average of a 23 per cent uplift. We have tried to help by supporting all the organisations that are coming out of regular funding through providing transition funding of between six and 12 months at the same level that they are currently funded at. We are also meeting organisations to explain our decisions and, where organisations have been unsuccessful, discuss alternative routes to funding and how we might be able to support them in the future.

Regular funding is one of our three routes to funding, sitting alongside open project and targeted funding, which includes screen. Over the coming three years, we expect to distribute about

£83 million of Government and national lottery funds a year across the three funding routes. One immediate thing that I want to tackle, which is really important to me, is to make project funding more straightforward for artists and artist-led organisations.

I completely recognise and appreciate that the regular funding process has been more challenging this time round than it needed to be, both for those applying and for our staff.

It is clear that the introduction of the touring fund, which was based on a review of touring that included consultation, did not chime with everyone in the theatre sector and is not seen as a replacement for regular funding. That is one of the reasons why the board elected to take stock, increase the budget that is available for regular funding and add organisations into the network.

We understand that the final stage of the process has created real difficulties. None of us wants to relive the experience in three years' time. That is why, as we have already announced, we are committed to a root-and-branch review of how we fund. We will, importantly, do that in full collaboration with the people and organisations that we support.

We welcome all the constructive communications that we have received, of which there have been a significant amount. Much dialogue has emerged. We are meeting sector representative bodies—such as the Scottish Contemporary Art Network, the Federation of Scottish Theatre, Literature Alliance Scotland and others with which we already work closely—in the coming weeks to shape how we approach the review.

I thank the dedicated, hard-working and knowledgeable staff at Creative Scotland, who work every day to make a positive difference to art and culture in our country. Many have recently joined us after high-profile careers in the sector. Others have built up immense knowledge over years of service. They have worked thoughtfully and diligently on the regular funding round, dedicating a great deal of time, energy and care to the process.

We are all committed to doing things differently in the future. Many ideas have surfaced as we have worked through our difficult decisions and we look forward to sharing them as we enter into dialogue over the coming months.

The Convener: Thank you very much for that. I am sure that the sector hears your apology for what went wrong.

However, you designed the system and, when the funding for the regularly funded organisations

was announced on 25 January, Janet Archer said that the decisions had

“been arrived at through a careful and thorough decision-making process”.

Ben Thomson, repeated that. You said that the decisions had been

“arrived at through a clear and careful process”.

That was not true, was it?

Ben Thomson: I will make one correction to your opening remarks, convener: I am not the interim chair of Creative Scotland; I stopped being the interim chair last week. I am here because I was the interim chair over the period in which the funding round happened. Robert Wilson is now the chair of Creative Scotland. I took the job on for six months after Richard Findlay died. I ask that the minutes just say “previous interim chair”.

Janet Archer: The process that we delivered this time round was the same one that we delivered last time round. It involved an initial stage, which was to check applications for compliance. We then assessed them based on our guidance and then took each application into a balancing process, first through the lens of individual art forms and specialisms and then through a broader pool of thinking. In our guidance, we were clear that we would assess applications against our 10-year plan, our strategies and our sector reviews. That eventually generated a set of recommendations that went up to the board for consideration. We tested the process with a small group of sector representatives before we published it in November 2016.

We had planned the process so as to be able to make announcements by October, which was the timeframe that we announced after the 2015 to 2018 round. In the event, because of the late budget announcement, which was due to the Government waiting for a United Kingdom budget announcement, we could not announce until January because we received our budget in December. That is the difference between the timeframe this time round and the timeframe last time round.

The Convener: That is not what I asked you. I asked you why you said at the time of the announcement that it had been

“a clear and careful process”

when now you say that it was not and that it went wrong.

09:15

Ben Thomson: Since I joined the board in August 2017, every board meeting has discussed the RFO process. The scenarios were discussed

at each board meeting. Even up until the December board meeting, four scenarios were being discussed. Our last meeting before the budget was announced was on 14 December. At that point, we did not have any ideas about whether we would have a 10 per cent cut or a 20 per cent increase, so we had to plan for all those scenarios, which included looking at all the decision-making processes. Two of our board members—Karen Forbes and Erin Foster—sat in on the process to ensure that good corporate governance was being done.

From the board’s perspective, the process was very rigorous. The team was very rigorous, too. We had brought in outside consultants to look at each of the sectors. We looked at applications on a sectoral basis and on an overall portfolio basis.

When it came to January 2018, when we knew what the budget was—I am pleased to say that, at that stage, the lottery funding deficit had been addressed—we had an hour’s presentation looking at each of the art forms, the strategies behind them and why decisions had been made on each of them; we also looked at the whole portfolio in aggregate, to consider how it looked in terms of shape, geography, youth and EDI—equalities, diversity and inclusion—for example. The board then had a rigorous two-hour debate, challenging the executive on its decisions and strategies. At the end of that process, the 116 organisations that had been recommended to the board were approved for funding.

The Convener: I haven’t spoke to someone who was at the board meeting on 18 January. You said that the decision had been unanimous, but that was not the case, because—this has hit the public realm—your board members raised issues about, for example, the equalities agenda and the fact that you were taking away money from world-class theatre companies in the disabled sector and cutting children’s theatre in the year of young people. Therefore, there were no excuses for taking that action, but you went ahead anyway.

Ben Thomson: In any process like this, there will be reservations. Everyone on the board had reservations about certain things. Two significant organisations were added as a result of the December board meeting, although certain board members considered that they should not be part of RFO and should be handled in a special way. We took a further forty-eight hours to consider them, after which the organisations were added to the RFO list.

Everyone agreed that the list of 116 was to be funded, although I add that virtually every board member had raised concerns, which is absolutely the natural process when taking such difficult decisions. We had looked at areas such as youth, EDI and geographical diversity, as well as the

balance between networking organisations and direct organisations, and we had a very robust discussion about those things.

The Convener: I will stop you there. You said that you looked at geographical diversity. In 2014, your funding covered 21 local authority areas, but your funding still covers 21 local authority areas, so you have not improved your geographical diversity.

Janet Archer: I want to clarify the use of the word “unanimous”. Since Ben Thomson has stepped down, our new chair recently chaired his first meeting, where the board considered the use of the word “unanimous”. The meeting at which the RFO decisions were taken was in January. The board reflected on the minute of that meeting and amended it to say “majority decision”, and that change was made after the meeting. However, as Ben has said, overall, the board made the decisions and signed off the recommendations that the executive had made in January.

The Convener: It is a big mistake to say that the decision was “unanimous” when you had a huge barney at the meeting and members of your board flagged up the exact problems that have resulted in your being before us today.

I have also been told that it is highly unusual for board members to get papers, and when they do, those papers are changed at the last minute. Just before the 18 January meeting, the papers were revised at the last minute, to change the funding decisions that had previously been made.

Ben Thomson: Two relatively small changes were made between 12 January, when the papers were due to be sent out, and 18 January. They were discussed at the board. I do not think that it is unusual that there were a couple of small changes, given that we found out what the budget was only after 14 December and considerations were on-going at the time.

The Convener: The process is a long one—the deadline for applications was April. Moreover, you got extra money from the Government.

How many organisations were tagged as fundable by your specialist teams, only for those decisions to be overturned by management? How many times did that happen?

Janet Archer: I would have to see whether I can get the exact data on that point. We were scenario planning for a number of different scenarios. From October, we were scenario planning for a standstill budget, a potential uplift, a budget of -15 per cent and a budget of -30 per cent. Different groupings of organisations were identified for each of those scenarios.

The Convener: We know that Fire Exit has said that the specialists recommended that it should

receive funding, but that a management decision overturned that. There are lots of examples of that. We have received an unprecedented level of communication from the sector in a short period. There are many examples of companies that your specialists praised and recommended for funding, only for that to be overturned by your executive team.

Janet Archer: Overall, 156 applications could have been funded to the tune of £123 million. Our budget was obviously not £123 million, so our process—which is published—took into account assessment and judgment. We knew that we would never be in a position to fund all the applications. That is the case with all our funds. In open project funding, we fund 30 per cent of the applications that we get. We get many applications that are fundable but which we are not able to fund. Consequently, we have to make decisions that are based on our strategies.

The Convener: Before I pass over to Claire Baker, I come back to the fact that you have continually said that your process was very careful. Yesterday, I spoke to Frank McConnell, the choreographer for the dance company Plan B, which is based in the Highlands. It has lost its RFO funding. You have put in place transition funding for companies that have lost their funding. Mr McConnell told me that the company was offered £108,000 of transition funding. Some companies have been offered 12 months’ funding, but no reason was given for the fact that Plan B got six months’ funding of £108,000.

Mr McConnell went to a debrief meeting with Claire Byers, Creative Scotland’s head of arts and engagement, on 16 February. She asked Plan B to submit half a sheet of A4 on how it would spend that £108,000 of transition funding. According to Mr McConnell, she said, “You can spend it on anything you wish, save taking a holiday in the Bahamas.” She added that she alone just needed to sign it off and send it to the auditors. It took Plan B the best part of five months to work up its artistic ideas so that they could form part of an application. Somebody telling the company that it just needed to provide half a sheet of A4 that could be given to the auditors and that it could spend the money how it liked is not only patronising but seems to blow a hole through Creative Scotland’s assertions that it has a very careful process and that it is careful about the way in which it spends public money.

Janet Archer: It is the first time that I have heard that account of that meeting. I will go back to Claire Byers to ask for her feedback on it. I will also ask Frank McConnell, whom I have known for many decades, to talk to me directly about it.

The Convener: He also said that it was very difficult to talk directly to anyone at Creative Scotland.

Ben Thomson: As far as the additional funding amounts are concerned, the reasoning behind those decisions was explained at the meetings that I attended with the sectors. I am sorry if it was not explained well enough.

The reason for extending out transition funding was that although we had said that the decisions were going to be made by the end of November, because we were not in a position until the middle of December to know about the budget, they had to be pushed back until the end of January. We gave the extra funding so that, from the end of January, people had a full six months of financial support so that they would not have too short a period to readjust strategies if they did not get further funding. That was communicated to the sectors.

Janet Archer: I am clear that the board exercise on returning to the budget took into account the fact that we had included sector development organisations in the initial set of recommendations. We had not moved the budget over at that point, because we had said that we would always base the budget on the same figure that we used for 2015 to 2018. In the event, the board elected to extend the budget to account for an extra £1 million a year to accommodate the spend on sector development organisations in order to allow some additional arts-producing and touring companies back into play.

The Convener: There is obviously a huge amount of criticism that you have moved money away from artists to development organisations; I think that you have moved £4.7 million to fund bureaucrats instead of artists.

Claire Baker (Mid Scotland and Fife) (Lab): I am sure that it has been noted that Janet Archer has given a profound apology for the recent events. I noted that the new organisations that she talked about—I think that she said that there are 19 new ones—include organisations that work in the area of early years and organisations that work in areas that are perhaps not used to receiving regular funding. I take those points on board, but there are issues that need to be scrutinised if we are to look at how Creative Scotland will distribute funding in the future and what went wrong in the recent set of circumstances.

I have a question further to the convener's questions about this year's RFO announcement. As MSPs, we have received a number of representations, particularly from theatres that work with and provide artists for young people, and from the disability community. On 6 February, the board took a decision to reverse some of the

funding cuts. On what basis were decisions made for some organisations to have their funding reinstated and for others, which we have received representations on, not to have their funding reinstated? You have been at pains to stress that there was a detailed and thoughtful process to reach the original conclusion but, within two weeks, there was a turnaround on funding for some organisations but not for others.

Janet Archer: The board looked at all the organisations that had been assessed as being fundable but had not been funded. It had an account of all those organisations in their assessments and some narrative on how the recommendations were finalised. The board took its decisions in the context of all those organisations. Some advice was provided in relation to the organisations that had been assessed as being the strongest. Obviously, we could not fund all those organisations. The board discussed and debated that advice and other organisations that were on the list. We spent some time—I cannot remember how long—in the board meeting, and the board asked questions about organisations on the list. A significant number of our leadership team were in the room—our director of arts, director of strategy, deputy chief executive, director of finance and director of communications and the project manager who oversaw RFO—to ensure that we had the right information available to the board in making those decisions.

Claire Baker: From the representations that we have had from the sector and from discussions among MSPs, nobody disagrees with the decision to reinstate the funding for those organisations. However, we have had representations that suggest that those that have managed to get their funding reinstated are the most organised and vocal, or are the most high profile with regard to their cuts, whereas other organisations have not managed to get their funding reinstated even though they can show that they provide good-quality and high-level work. They are still not to receive any funding.

Janet Archer: Just to be clear, I point out that the board looked at the highest-assessed organisations, and three of the organisations that were selected for funding were in that category. The board then looked at its commitment to equalities in the context of the equality impact assessment that we had produced by that point, and it also looked at our guidance from the cabinet secretary in relation to the additional £6.6 million. As I think is illustrated in your committee papers, that guidance asks us to think about children and young people.

09:30

Claire Baker: It is astonishing that the equality impact assessment, the children and young people aspect, the Government's policy on equality in the arts and so on were not considered prior to the decision being made the first time around. I am quite surprised that those things were not obvious to people.

Janet Archer: Overall, we have a considerable amount of provision for children and young people across the network. The board just wanted to add to it.

Ben Thomson: At the meeting on 18 January—that is, the one before the meeting on 2 February—the board looked at the 116 recommendations, and there was a very strong debate about the relative measures of networked organisations versus direct organisations, which is an issue that we can perhaps come back to. There was also a lot of discussion about the touring fund and how it will work. We should remember that the RFO mechanism is only one mechanism that we fund. We had taken into consideration the reports about touring and the difficulties in that respect. We did a 55-page report in conjunction with the FST on how to make the touring situation better and, in that regard, we were swayed by the fact that the new provisions for touring meant that there were better ways of funding touring companies that were not in the portfolio. That was a significant debate that we had.

However, in light of the subsequent discussions, we recognised that RFO status is important to organisations. We listened to that feedback and, when we met on 2 February, we discussed how much more of the budget we could take to add to RFO funding. Dealing with the head of audit, we felt that we could take £2 million out of the things that we wanted to do in more strategic ways. No funding was being reduced; we were just taking an uplift in funding from strategic things. As a result, we had an additional £2 million that we could put back into RFOs. Our first debate, therefore, was about whether, given the importance of the RFO statement that we were getting feedback on, we could put any more money into RFOs.

We also saved a bit from a reduction in transition funding, which took the total figure up to £2.6 million. After all, the organisations that were coming back in would not need such funding, as they would now be among the regularly funded organisations. Once we had set the additional amount going into RFOs, we looked at all 42 organisations, took the feedback from the executives about which of them should be prioritised, particularly in light of the discussions that we had had on EDI and youth, and came up with the additional five organisations that were to

be added to the list. That took the total number to 121.

Claire Baker: Organisations have described the application process as opaque. For example, they do not understand why their funding gets cut, and they cannot anticipate the likelihood of their funding being reduced. How do you respond to such criticisms of the process?

Ben Thomson: I really understand and sympathise totally with those organisations. Such funding is really important, and it is very hard to take such decisions, even though we are trying to get what will work best for culture in Scotland. However, we are trying to work not just with RFOs but with the other organisations and the other pots of funding that we have to help those art forms to develop in other ways. We have talked to each of the organisations that we could not fund through RFO and discussed with them how they can access other forms of funding to take their business plans forward.

Ross Greer (West Scotland) (Green): I want to drill down into the process surrounding the emergency board meeting. Janet Archer has outlined who was in the room, but a number of the organisations that were discussed as the subject of that meeting have indicated that they were not aware of it. Can you confirm to us whether the organisations whose funding applications were discussed again at the emergency meeting were informed in advance that their previously unsuccessful applications were back on the agenda?

Janet Archer: No, we did not do that, because the meeting was called at very short notice during a week in which much was happening. At that point, we did not know whether the board would be of a mind to extend the budget to accommodate any more organisations, and it felt inappropriate to raise hopes if they were not going to be met.

Ross Greer: A number of those organisations, either towards the end of the process or immediately after receiving news that their application had been unsuccessful, raised concerns with you that the reports that had been compiled on their applications contained factual inaccuracies by the time that they had reached your board, and a number of them requested urgent meetings with you. Why did you not feel it important to meet those organisations and get clarification on whether there had indeed been factual inaccuracies instead of some disagreement over judgment ahead of a meeting in which you would be discussing whether to fund them? Surely errors in the process and factual inaccuracies would have made a material difference to whether they were going to receive funding as a result of the emergency meeting.

Janet Archer: Post the first set of announcements on the 116 organisations, we set up meetings with all the organisations that had and had not been funded. We are now in the middle of that process; in fact, I would say that we are not even halfway through all the organisations that we need to meet to feed back and look at future options for funding. We have had some complaints about the accuracy of the process, and we will obviously treat them in accordance with our policy, but we have not concluded that process at this stage.

Ross Greer: Can you understand why an organisation might have lost all confidence in Creative Scotland if it believed that there had been a factual inaccuracy in the report on its application and it had been unsuccessful in receiving funding and then it had heard after the fact that its application had been considered again at an emergency board meeting, but the factual errors that it had raised had not been addressed and it had again been unsuccessful?

Janet Archer: I can and, as I have said, we are in the middle of the process of looking at all the organisations' assessments with applicants. Once we have completed that process, I will be in a position to give you a better sense of the extent to which that is an issue.

Ben Thomson: It is also worth saying that the board did not meet to look at factual inaccuracies. It met because of an understanding of the real significance that people attach to RFOs, and we were able to increase the budget over the three years by about 1 per cent of our total budget for reallocation. The decision was on whether we could get a little bit more to increase the envelope for RFO funding so that we could award funding to those organisations. It was the same process, but we were extending the list by what, in the end, was an extra five organisations.

Ross Greer: With all due respect, I do not think that we are discussing the question whether the board met to discuss factual inaccuracies; the board met to discuss whether organisations that had been unsuccessful were going to receive funding. It is entirely possible that, had there been factual inaccuracies in the process, they would have been materially relevant to the decisions that were eventually made. The factual inaccuracies are absolutely relevant to the discussion that the board had, but whether they were the reason for the board meeting is not relevant.

Ben Thomson: The board was unaware of any factual inaccuracies.

Ross Greer: Given that a number of organisations had raised those concerns, that seems to be an internal communication issue for your organisation. Those organisations had raised

concerns about factual inaccuracies among a range of concerns. If the board had been unaware of those concerns before it had made funding decisions and unaware that the reports that it had received were potentially inaccurate, that, again, is a serious material consideration. Who in Creative Scotland was aware that concerns had been raised about factual inaccuracies? If the board was not aware, where did the awareness stop, because those organisations clearly wanted the board to be aware?

Janet Archer: We have many applicants, and we are deploying all our lead officers and directors into meetings with organisations. As I have said, we are midway through that process at the moment, so I cannot account for the full extent to which there may be factual inaccuracies. We have not yet taken stock of the outcomes of those meetings. We have a log that is being populated at the moment. Once that log has been completed, I will be able to report to you.

Ross Greer: I have one more question on the same point. Why was the board not informed? If you had received concerns about factual inaccuracies and the board was then to make a decision based on the same information that it had previously, why was the board not informed that there were potentially factual inaccuracies in the paperwork that it was going to base its decision on?

Janet Archer: At the time of the second set of decisions, I was unaware of the fact that there were factual inaccuracies in any of the assessments. I still do not fully understand the extent to which there may be factual inaccuracies.

Ross Greer: However, Creative Scotland was aware. There was an internal communication breakdown. Those concerns were raised with the organisation ahead of the emergency board meeting, but the board members were not informed of that. That is a serious internal communication breakdown.

Janet Archer: I am just trying to make sense of this. You will understand that we are in the middle of a process that has not been completed. We had an extensive amount of correspondence following the announcement of the first set of decisions, and that correspondence constituted a range of campaigning for individual companies, including thoughtful contributions relating to whether or not regular funding is the right way in which to deploy funding, and concerns that were raised by individual organisations. All of that correspondence needs to be collated, using the process that we are going through now, so that we can sit down and discuss with individual applicants what their concerns are and check whether there are, indeed, factual inaccuracies. When that

process is concluded, I will be in a position to give a fuller answer to your question.

The Convener: I am going to bring in John Scott, because I know that he has some questions relating to those factual inaccuracies.

John Scott (Ayr) (Con): Indeed I have, convener. Thank you for allowing me to attend your committee this morning. I also thank Janet Archer for appearing before the committee today and for her apology, and I pay tribute to Richard Findlay for his lifelong contribution to the arts in Scotland. While I am at it, I also pay tribute to the almost 300 volunteers at the Gaiety theatre in Ayr and to Jeremy Wyatt and Ian Welsh, who now run the Gaiety, as well as to South Ayrshire Council and the Scottish Government, through Alex Neil. All of them have come together to refurbish and resurrect the Gaiety in recent years.

I say that to let Janet Archer know how much effort has gone into that iconic community venture and how much effort went into Borderline Theatre Company, which Janet and I discussed a week or so ago. Borderline was destroyed by the previous arts council when its funding was withdrawn because it was regarded as having been too successful. I invite her to note that regular funding is vital to the future of the Gaiety.

Even at this late stage in the process, what funding can still be directed towards the Gaiety? I understand that the Gaiety's application was misunderstood by Creative Scotland in terms of the funding that was available to it. I am happy to go into more detail about that, but I would be interested in Janet Archer's initial response.

Janet Archer: The Ayr Gaiety Partnership is one of the RFOs that has not been funded although we funded the organisation for a long time, including through capital. We are in discussions and have had an initial meeting, and we will continue to have meetings with both the theatre and the local authority to look at options for alternative routes to funding in the future.

09:45

As John Scott knows, because he and I have had a conversation about it, I am aware that South Ayrshire, which I think has about 7 per cent of the population, is lean on provision overall. It is important that we work with South Ayrshire Council and others to stimulate stronger applications in the future, and we are committed to doing so.

We fund a number of initiatives in Ayrshire. We have a place partnership with South Ayrshire Council in which we have invested £200,000, which is matched by local investment. We fund Scottish Youth Dance, to which we gave £107,700

to work with young people in North Ayrshire. We have funded other smaller initiatives, such as in Pennyburn, as well as the zone initiative in the area. A number of initiatives are under way.

We are considering seriously how to extend our investment beyond the 21 local authorities in which we are investing, although the committee should be aware that eight of the 12 remaining local authorities did not submit applications. We are not able to fund through the RFO route when people do not apply to us. However, there is a clear anchor point, historically, in Edinburgh and Glasgow. As has been said, we faced the same issues last time round. We must have an open and honest conversation with our sectors and with the public about whether that is the right thing for Scotland. We are completely open to having that discussion as part of the process of reviewing how we will distribute funding in the future.

John Scott: If my memory serves me correctly about a conversation that I had, Creative Scotland understood, from its application, that the figure of £1.7 million was available to the Ayr Gaiety theatre. However, I understand that the figure was misread by Creative Scotland and that, in fact, the funding that was available to the theatre was only £1.1 million. I am not certain of the source of those figures, but that is a difference of £600,000 arising from Creative Scotland's misunderstanding in its assessment of the Ayr Gaiety's application. That is a huge amount of money. I stand to be challenged on the figures, but that is my recollection of the conversation. That is my first point.

I turn to my second point. Do you realise that the decision to withdraw funding from rural Scotland—in essence, from anywhere south of Glasgow and Edinburgh—and to concentrate it around the central belt, as appears to have been done, notwithstanding the small amounts of funding that are available in Ayrshire, which you have talked about, appears to be elitist and, frankly, dismissive of Ayrshire and the Scottish Borders? How will you address that in the future and in the immediate term? The decision is having an immediate and real effect on our iconic community asset in Ayrshire.

Janet Archer: The decisions that we have made have been based on the strengths of applications. I do not want to comment on individual applications in any respect. We are in discussions with South Ayrshire Council, and we have set a meeting to have a discussion with both the council and the theatre. We have already met representatives of the theatre to discuss initial options for future funding, and the report that I have had is that that initial meeting was positive as regards looking at options for alternative routes to funding for the venue in the future.

We need to take this step by step. Nevertheless, John Scott is correct in saying that it is important that we serve the people of Scotland. Clearly, there is a challenge in the historic commitments to fund organisations that have emerged from the central belt. We need to have an open discussion, involving everybody who benefits from funding everywhere, about how we can tackle that.

The Convener: We will have to move on, to allow other members to ask their questions.

Tavish Scott (Shetland Islands) (LD): I want to go back to Ross Greer's questions about the two board meetings. Please correct me if I get the dates wrong. Your board met on 18 January to make decisions about the regular funding model—is that correct?

Ben Thomson: Yes.

Tavish Scott: When did the board meet in February?

Ben Thomson: It met on 2 February.

Tavish Scott: What happened between 18 January and 2 February to make the board change its view on five organisations?

Ben Thomson: On 18 January, there were 116 recommended organisations and we had a robust discussion about, in particular, all the art forms and how the organisations fitted the strategies within the art forms. We looked at such factors as geography, EDI, youth and network versus direct, and we had a robust discussion about touring. If we got anything wrong, it was because we were under the misapprehension that the sector was more behind the strategy of providing the touring programme through a different mechanism. I put my hand up to that, having not been long in the job. I would have probably been better served had I understood that more.

We had set up a funding mechanism to allow touring to happen. The feedback from the sector—as evidenced by the report that I mentioned earlier, which had been produced in conjunction with the FST—showed real concerns that touring was not done particularly well in Scotland, and we wanted to address that. Whether the RFO was the right mechanism for that—

Tavish Scott: Is that why companies were not given funding in the RFO?

Ben Thomson: Not all of the five companies were touring companies. Only four out of the five were.

Tavish Scott: However, is it not the case that the touring fund does not exist yet?

Ben Thomson: The touring fund has been announced.

Tavish Scott: But the touring fund does not exist as we speak.

Ben Thomson: The fund does not exist, but the allocation for the touring fund has been made for the next year.

Tavish Scott: Which financial year is that?

Janet Archer: It is for the year from April 2019.

Tavish Scott: We are in 2018.

Janet Archer: The commitment to the companies that are impacted is for 12 months, in order to create a bridge between now and that point.

Tavish Scott: That is not what I am asking. Why did you make a decision in your second emergency board meeting, which took place a matter of days after the previous board meeting, to reinstate those five organisations?

Ben Thomson: Because of the feedback that we got. It is important to listen—

Tavish Scott: Who was the feedback from?

Ben Thomson: At that stage, the decisions had gone out, and we had had feedback from organisations and bodies such as the FST that they did not see the strategic fund as being an alternative. They saw being an RFO as conferring a very important status and they wanted, as far as possible, to go through being an RFO.

In the light of that, the board's first question was whether we could do any more. We met in the light of the feedback, and there was a large amount of—

Tavish Scott: If there was more feedback, would you have another meeting? Do you not get the point that that calls into question your whole procedures? People kicked up, as they inevitably do when they do not get funding—it is understandable, as you have said—but you then had an emergency board meeting and reinstated five organisations. The logic of that was that people would kick up even more, you would have another emergency board meeting and you would put more back in.

Ben Thomson: The board discussed that point. We could just have been intransigent and said that we were sticking at 116 and not listening to anyone. The criticism then would have been that people do not listen to feedback when it comes to them. It is a debate. The option that was on the table, which was discussed on 2 February, was to do nothing, leave it at 116 organisations and trust in the strategy going forward. That was a valid option to take. Such things come down to judgment and balance. In the light of the fact that we thought that there was greater support in the sector for touring—in the overall portfolio, EDI and

youth was strong, but some of the decisions on touring included quite a bit of EDI and youth—and because of the feedback, the board asked whether we could stretch the budget any more without reducing core funding in other areas by taking away some of the increases that we had wanted to make and putting that money back into RFO funding.

Tavish Scott: I entirely get all of that, Mr Thomson, and I appreciate that you are no longer the chairman. However, do you not see that you seem to have set a precedent whereby, if organisations that are not funded make enough noise—I presume that they get on to the cabinet secretary, their MSP, John Scott and so on—a huge row is created and Creative Scotland then has an emergency board meeting a few weeks later and changes its mind?

Ben Thomson: We had to reach a balanced judgment, and I am sorry if we got that balance wrong. I quite understand that the squeaky wheel getting the grease, as someone described it, sets a precedent. On the other hand, I think that any organisation or body, whether Government or otherwise, should listen to the feedback that it receives, assess it and make a balanced judgment. That is what a board is supposed to do.

Tavish Scott: Does that mean that more of the 40 organisations that did not get regular funding are still in the game? Do they still have a chance of getting some?

Ben Thomson: No, because we have stretched the budget as far as we can. It is a small stretch over the three years—we are talking about £250 million, and we are stretching the budget by an extra £2 million, which is about 1 per cent. Could we stretch the budget a little bit more to add some organisations and review the ones that have been put through? Who would be the next organisations that we would choose, taking on board the discussions that we had on 18 January?

Tavish Scott: Okay. I forget who asked the earlier question about scoring, but I think that Janet Archer said that a scoring mechanism was presented to the board in relation to the 40 organisations that did not make it the first time round. Can I assume that the five whose funding was reinstated were at the top of that list according to the scoring criteria, points system or whatever it was?

Ben Thomson: There was more than one scoring system. The scoring is done on the basis of absolute scores, but there is also a judgment factor. The board asked to look at EDI and youth considerations in making the additional decision, and that was subject to a large discussion. Three of the five organisations came out on top in the overall scoring system and the other two came out

highly in the EDI and youth sections. That was where they came at the end of the decision on the five extra organisations.

Tavish Scott: Okay. Thank you.

The Convener: How many of the unsuccessful organisations scored as highly as the five whose decisions were reversed?

Ben Thomson: None scored as highly as three of them.

There is a difference in the organisations that apply between those that are potentially fundable and those that are not. There are many more organisations that are fundable whose requests cannot be met. As Janet Archer said, we would like to do more but we have limited funds. In the end, we have to exercise a degree of judgment and say which ones we think are going to be the most effective at delivering art and culture in Scotland.

Stuart McMillan (Greenock and Inverclyde) (SNP): I want to go back to the issue of the geographic spread of the funds. In the first round of funding, for 2015-18, 21 local authorities were covered; 21 local authorities were covered in the current round. A few moments ago, Janet Archer mentioned that eight of the other 11 authorities did not put in any applications. Bearing it in mind that after the first round, Bonnar Keenlyside indicated some concerns about the geographic spread, what actions did Creative Scotland undertake to try to ensure that there would be a wider geographic spread in the second round?

Janet Archer: As I have reported to the committee previously, we have appointed a new head of place, partnerships and communities—Gary Cameron—who is working very closely with local authorities. He is looking at developing a clear approach to how we might reach out better. We are obviously keen to get into areas at community planning level. We do not have the staff resources to do that across 32 local authorities, so we are looking at clusters of local authorities and working with networks that represent different geographic parts of Scotland.

That process has begun. We think that there are about nine parts of Scotland where we are not featuring as strongly as we should. We cannot tackle all of that immediately, but what I think we will do—although it is not yet wholly defined—is focus on three areas a year. Obviously, Ayrshire will be one of our first priorities. That is the approach that we will be taking, because we need to work closely with people on the ground to look at what can be done. It will, perhaps, initially involve project funding and then move into RFOs or whatever form of funding we have available to people in the future.

Alongside its commitment to touring, the board made a commitment to equalities, diversity and inclusion and also to business services. We want to cover that area so that we can support organisations to become more resilient, to look at new models and to access funding beyond Creative Scotland's funding, which is only about a quarter of the overall turnover of the organisations that we support.

We will be doing that work on the ground. We will allocate staff resource to have those important conversations with people and to encourage more applications from people who, at the moment, feel that Creative Scotland is a barrier that they cannot get through and who do not see themselves in the funding streams that we offer. Our director of strategy has produced a think piece, which we are looking at internally, on how we can open the door more widely to people from different parts of Scotland.

10:00

At the end of the day, we are challenged by the fact that the budget is finite. We distribute a lot of money, but we always have to make choices. We make choices with peers daily—our panels involve sector peers and Creative Scotland staff—and we are able to fund only one in three of the groups from which we receive applications. That is the nature of the organisation.

Stuart McMillan: You mentioned the nine areas of Scotland in which you will do further work. Have you already had a discussion at board level on your strategy for that? You mentioned that you will probably focus on three areas at a time. What scoring system will you use to pick the first three, the second three and the third three areas?

Janet Archer: We have not had that discussion at board level, although we have reported on our current place partnerships in different parts of Scotland—I mentioned South Ayrshire, which is one of them. We will have that discussion at the board meeting on 29 March, which is when we will set the targeted funding for the strategic work over the next period. We elected not to take the whole budget to the board in January, because it felt as though we had enough to do at that point. Ordinarily, we set our final budget once we get confirmation of the final budget from the Scottish Government, and we are doing that again this year. The board meeting on 29 March will look at the allocation of budgets across everything else that we do outwith regular funding and decisions will be made then on how we move forward.

The Convener: Sorry, Mr McMillan, but I have a quick supplementary for Janet Archer on that.

You say that you are now addressing the issue but, as Mr McMillan said, the Bonnar Keenlyside

report was published in 2014, and you have been aware of the geographic distribution problem for the entire time that you have been in office; indeed, there was a huge row about it before you came into office. To people in areas of Scotland that are not being funded, this will sound like far too little, too late. You should have been doing it a long time ago.

Janet Archer: Forgive me if I have not been clear, but we work geographically in many different ways. There is a new initiative to accelerate how we work in relation to places, but we already have place partnerships with a large number of local authorities, which are set out on our website. Those involve co-investing against match funding from local authorities, which makes our resource go further. It is a bottom-up approach. We work with communities to help to develop their aspirations in the arts.

We have a number of delegated funds, which are also listed on our website. For example, visual arts funds have been distributed recently. As I said, the organisation leads much more work than regular funding in different parts of Scotland. Open project funding is also distributed across Scotland; we distribute money weekly and make announcements about that funding regularly.

The Convener: Mr McMillan, had you finished?

Stuart McMillan: I have one more question. Notwithstanding what Ms Archer has just said, I have jotted down some of the local authorities that have not been successful, and I find it difficult to understand why Creative Scotland has not attempted to work in some of those areas. I am sure that, perhaps with a bit of assistance or encouragement, bids would have come in from areas such as North Ayrshire or West Dunbartonshire.

In my area, Inverclyde, there has been only one successful application. I am delighted about its success, but I know of other organisations locally that certainly could have and possibly did put in applications, because there is a wealth of creative talent in the Inverclyde area.

Janet Archer: Our regularly funded organisations programme is only one of the routes to funding, but all our funding programmes are application based, so we can fund only against the applications that we receive. We are accelerating how we work in local areas and we will do our very best to reach out to as many people as possible. We are also thinking about whether we can make it easier for people to apply for open project funding. It does not require a business plan but, even so, it is not straightforward for everyone. We are looking very hard at whether there are ways to open things up and make it easier for folk to make an application to us.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): Notwithstanding your apology to the sector today, Janet, I think that there will still be a lot of frustration and anger out there, given the amount of correspondence that the committee has received on the matter.

Is there a clear strategy whereby people in the industry know what you are looking for? It seems as though confidence has been shaken and people are not clear about why you have made decisions. You made decisions after the sector had gone through all five stages of the funding application process, and then there was the U-turn, which appears to have been a knee-jerk reaction. That has clearly shaken the confidence of people in the sector.

You said that you will learn from this moment, and there was mention of external review panels and outside consultants. Who are they? Do you think that your assessment criteria at board level are robust? What will you do to restore the confidence of the sector?

Janet Archer: I am already talking to a number of individuals and organisations that are representative of the different sectors that we support. My personal instinct is to get out and talk to people as proactively as possible to understand their concerns, and to work with sectors to co-design how we fund in future and share some of the difficult challenges that we have had as an organisation in distributing funding. It is not an easy straightforward process when we receive more applications that are suitable for funding than the number that we are able to fund. That is not unusual for organisations such as ours.

I completely accept that we need to be clearer and maybe more focused in relation to how we deploy strategy. We began a process of doing that with the board in October, led by Ben Thomson, and we all agreed that we need to be more focused in future in how we work. The board made a decision to wait until the new chair was in place. He started last week, and we are now in the process of looking at how we research and how we do things.

We said last year that, before we made decisions on RFOs, we would go through a process of strategy review and funding review, and that had to happen in the middle part of our 10-year plan. We always knew that that was going to be the case. We have had a period of stasis following Richard Findlay passing away, and the board made a decision to wait until a permanent chair was in place before we moved on with that. However, we are absolutely committed to doing that now.

In relation to strategies, when I joined the organisation, it had carried out some really clear

work on art form needs. There were individual sector reviews for each of the sectors, including touring. The touring review that was produced, which was written by Christine Hamilton, says that touring is the single most important issue for the theatre sector, and we picked up on that when we produced our arts strategy in 2016. It is really clear from that strategy that we wanted to support excellence but also access, and we wanted to support organisations to build resilience because we knew that there might be challenges ahead in terms of public funding.

We said in that strategy that we would do a piece of work on theatre touring. We commissioned that work, which was done through much conversation with the sector, and it was running in parallel when we opened for applications for regular funding.

We have been working hand-in-hand with many people so that we can respond to the clear issues that exist in the arts sector. The touring issue is significant. The number of dates that touring companies have reported they are able to access has dropped from something like 23 to 13. If companies are not able to generate the income that they once could, huge pressures are created. We need to take focused and concerted action to help companies work with venues to build audiences, in order to continue to sustain access to the highest-quality art for folk across Scotland. That piece of work has been on-going for a very long time, and it is right that we continue to focus on that with the theatre and performing arts sectors.

Ben Thomson: When I became interim chairman in August, I recognised that the system was very complicated and that we needed to do more to empower the people who speak to the organisations and sectors, so that they are able to do things differently with a clearer set of priorities and items. They were working with six columns, 15 pillars and four interlocking themes, and how to prioritise all that became quite complicated.

We want to move to a much simpler base in which the ultimate justifications across the organisation will be around the benefits of each decision on cultural, social and economic grounds. We discussed that, with background papers, for a whole day in October. Given that we are in the middle of the RFO process and that the RFO strategy has already been set, and given that I was only the interim chair, the board decided that it would move that decision to 2018, when a permanent chair would be in place and the RFO process would be completed.

Janet Archer: In defence of the ambitions and priorities in the 10-year plan, they were worked through in consultation with many people. When we published the plan, we went out on the road,

we had workshops in different parts of Scotland and we talked to more than 1,000 people. We had a sector reference group, which, I think, consisted of 28 people from different parts of the arts sector who contributed to that journey. Given all that involvement, we thought that we did quite well to get down to five ambitions and 15 priorities. However, all of us realise that that needs more focus in the future.

Rachael Hamilton: That is not reflected in the correspondence that we have been getting, in which people refer to your new approach. I think that the sector believed that it was reaching the strategic requirements to qualify for the funding, but there has been a lack of communication. There might have been engagement with 1,000 people in the sector, but perhaps those people applied for the funding but did not get what you were trying to communicate. That is where the breakdown has been. The issue is not just the timeframe but the communication from Creative Scotland. The sector believed that it was meeting the strategic objectives. Organisations applied for the funding, got through the five stages in the application and thought that they would get sustainable funding, but that has not happened. There has been a knee-jerk reaction in those six organisations.

There can be excuses about the timings but the whole process regarding the assessment criteria at board level is a fundamental fault within Creative Scotland. Who are your outside consultants? You need to commit to making it clear how your decisions are made. For example, the Ayr Gaiety theatre thought that it was meeting the strategic objectives because the theatre strategy had not been published. How could it meet those strategic objectives, when a theatre strategy was absent?

Ben Thomson: On your specific question, our external assessors and panel members for open project funding are on our website, so you can see the sorts of people that we bring in to give advice. We use seven people on theatre matters, but we bring in outside people in each of the different art forms to give additional colour and depth to the decisions that the executives make.

10:15

The Convener: You are talking about open project funding, but you do not have any external assessors for RFOs, do you?

Janet Archer: No. This time, we elected not to do that—

The Convener: And that has been a big criticism of the process.

Janet Archer: We did an initial scan to see whether that might be possible, but because so many people are involved in the RFO process, it became quite hard to find people who could contribute.

Mairi Gougeon (Angus North and Mearns) (SNP): Coming on the back of Rachael Hamilton's questions, I think that you have already covered a lot of the points that I was looking to raise. I was going to touch on the sheer level of correspondence that we have received, a common thread in which is the lack of consistency in decision making, the lack of transparency and the lack of communication. Two of your board members have resigned and, as Tavish Scott and Claire Baker have already said, it seems that it is those who shout the loudest who get their funding decisions reversed.

As has been suggested, there are clearly fundamental problems with the process, and the situation will have to be reviewed to look at where you go from here, because the process for getting to this point clearly has not worked. Indeed, I want to ask about that review process, because it will need to have an independent element to look at what happened, what went wrong and where we go from here.

Secondly, since those decisions were taken, what engagement have you had with unsuccessful applicants, and how will you support those organisations from here on? Will you work with them to try to identify other sources of funding? How is that relationship going, and has that work already started?

Janet Archer: On your second question, we are meeting organisations daily. At those meetings, some of which are lasting up to five hours, we are talking through our decision and looking at options for alternative sources of funding. Those meetings are under way, and we have made a commitment to having more than one meeting when that is the right thing to do. Some people prefer to have a shorter meeting and then to meet again.

As for your first question, we absolutely need to review the process. We are used to reviewing things in three ways. First, we need to have an internal review, which all our staff will be keen to be part of; we have begun to consider how that might be framed and then we will undertake it as an internal exercise. Secondly, we need to engage with peers and the sector. We have begun to talk to sector organisations, and we will work out how we will manage that process. Thirdly, we need to bring in independent thinking and advice, which is something that we have done in other instances. That will allow us to frame how we move forward.

We are always going to have to make difficult decisions, because, unless something changes,

there will never be enough money to fund everybody through regular funding. I should also point out that 50 per cent of the applications that we got from organisations asked for more than 50 per cent of their total turnover from the process, and we need to think hard about the right level of contribution that regular funding might make to an organisation and how that might marry up with other income streams. Different organisations have different levels of experience or challenges in accessing other forms of funding, and all that needs to become part of the conversation and the thinking about how we frame and deliver funding in future. However, decisions will always need to be made. We need a clearer, more focused set of agreed policies to ensure that everyone agrees with what we are endeavouring to achieve through all our funding routes and that we do not get into this situation again.

Mairi Gurgeon: Do you actively work with people who are preparing applications and help them through that process?

Janet Archer: We provide advice through our inquiries service and through officers, but we do not have the staff resource to provide one-on-one support for everyone making an application. After all, we get a higher volume of applications than we have staff. As you might have noticed, other funding agencies are even starting to pull back from offering an inquiries service. We do what we can, but it would be wrong of me to suggest that we can offer every applicant detailed advice with the resource that we have available.

Mairi Gurgeon: I assume that all that will be included in your review. Will there be an independent element to that?

Janet Archer: There are things that we could do better in providing advice. For example, we could do something online that provides a more human account of the steps for making an application, with guidance that is not just written down but uses other means and media. All those things can be thought about.

The Convener: Mairi Gurgeon asked you whether there will be an independent element to the review. Can you give us a yes or no to that?

Janet Archer: We have not yet made a commitment with regard to how the review will be framed, because we are still having internal discussions on that matter, and we will discuss it with our board and sector organisations. We are well used to working with independent consultants on different aspects of our work, but we need to consider that aspect in the context of what everybody wants us to do before we make a final decision. Obviously, that would come with a cost that would need to be taken into consideration.

The Convener: I would have thought that, given the situation, the expectation would be that there would be an independent review.

Mairi Gurgeon: On another point of clarification, you talked about independent consultants advising on the review, but that is different from people actually carrying out an independent review. Which of the two will it be? Will you be looking at having a review that is carried out independently?

Janet Archer: We have not yet made a final decision, and I can honestly say that this discussion has not yet been had with our new chair. I will, of course, be discussing the issue with him. As I have said, I am very used to working with independent reviewers on the pieces of work that an organisation does, but I would not make such a commitment until I have had the conversation with our new chair. I completely agree with the convener that we need an honest root-and-branch look at how this process has worked in order to create a platform for future thinking with regard to where we move to. I am not afraid of that.

The Convener: Many people will be surprised to hear that you have not already put that in place, given that you have announced the review. However, I will move to Richard Lochhead.

Janet Archer: Can I respond to that point, convener?

The Convener: Yes.

Janet Archer: We are still in the middle of the process of meeting organisations. As I have already said in my testimony, we do not yet know the full extent of the concerns of the organisations that we are talking to. We want to complete that process and then decide where to go next.

The Convener: Right.

Richard Lochhead (Moray) (SNP): First, thank you for awarding funding to Bodysurf Scotland in Moray, which shows that at long last progress has been made in addressing the issue of geographical spread. The award will be most welcome.

With regard to the decision-making process, I very much recognise the severe difficulties and the pain associated with funding rounds. Once a group asks for and gets three-year funding, it wants another three years and then another three years after that, which squeezes out any room for innovation or new applicants. I absolutely get that, and that is why it is important for the decision-making process to be transparent and credible.

Why did you not anticipate the backlash from the arts community, especially with regard to the rejected applications from groups working with performers with disabilities and those working with

children? After all, some of these groups have got a lot of praise over the years and appear to have been very effective. You must have anticipated that backlash. On the one hand, you may say that they did not score high enough in the assessment process; on the other hand, you have since revisited some of those decisions, so you now agree that they are effective organisations and that they should get support.

Janet Archer: We reported risks to the board at the January meeting. There will always be risks when there are more applications that you could fund than you are able to fund because of the budget. Whether it was those risks or risks, we would always have disappointed some applicants. You may remember that we had disappointed applicants to the 2015 to 2018 funding round, too.

Richard Lochhead: Why did you decide to reject the applications in the first place?

Janet Archer: On the basis of the proposition that there was an opportunity to fund touring companies in a better way in the future than through regular funding.

Richard Lochhead: Do you agree that your decision-making process has had its credibility severely damaged?

Janet Archer: Yes. As I have said, I am profoundly sorry about that, and I am completely committed to reviewing and to understanding the detail of how that has come to be and to making decisions quickly in collaboration with people in the sector.

Richard Lochhead: If I remember correctly, the applications went in, on average, about nine months before a decision about them was made. My impression from the evidence that the committee has received is that applicants were notified via email if they were unsuccessful. Was that the case? Was there constant communication over the nine months in which updates were given, explaining how applicants could improve their applications, or was feedback provided on the likely outcome of their application?

Janet Archer: We were in regular communication with organisations and made statements about how we were considering budget outcomes. Those came through Iain Munro, who led the funding process. We communicated to organisations consistently.

To be honest, we had anticipated much greater cuts to our budget. We had to scenario plan not only against potential Scottish Government budget cuts, but against a repeat of last year's huge 15 per cent reduction in national lottery funding. Therefore, two serious issues were pointing at us from two directions, so we were very careful about communicating consistently to organisations over

the period. Despite that, I think that I am right in saying that the applications that we had received from existing organisations called for funding 24 per cent above current levels, which is indicative of funding needs—or the perceived needs of individual organisations.

We know that organisations have been operating at standstill funding for a good decade or more and consequently will always apply for additional funding in order to generate opportunities for artists to work and for audiences and participants to be able to access the arts. There is a lot of ambition in Scotland, which is to be credited.

Richard Lochhead: A big theme is the perceived disconnect between Creative Scotland and the arts community, which has shone through much of the evidence that we have received and the commentary in the media. When Ben Thomson outlined the decision-making criteria, I did not understand it—it sounds very complicated. How on earth applicants are supposed to interpret it when they are putting together applications escapes me. What is your response to the view among many people about that disconnect? Creative Scotland is also seen to be very bureaucratic—today's front page of *The Herald* talks about £150,000 being spent on 30 consultants.

Janet Archer: I think that *The Herald's* front page is talking about the cost of employing peer sector experts to contribute to our decision making. Obviously, we pay people if we ask them to help us with making decisions.

Sorry, but could you remind me of your question?

Richard Lochhead: What is your response to the perceived disconnect between Creative Scotland and the arts community?

10:30

Janet Archer: My teams and I have always had much debate and discussion on all the pieces of work that we have done on sector reviews, strategies and funding. I attended an FST meeting just before Christmas. If I am being really honest, I think that what happened is that, over the period when we were looking at what were extremely difficult scenarios, we did not engage closely enough with organisations to tell them that that is what we were doing. That was quite a challenging prospect for staff, because if in last October or November we had communicated the fact that we faced having to cut by half the regularly funded network, that would have created another set of anxieties.

At the time, my focus was on making the case for investment in culture, as was Ben Thomson's. We produced "Creativity Matters", we published data on our website and we met many MSPs and ministers. We proactively made the case for arts funding. In doing so, we worked closely with the cabinet secretary, who was successful in generating an extra £6.6 million for the arts. It felt vital that we should be doing that work rather than putting out a message that we might have to reduce the network by half.

Ben Thomson: As someone who came into the organisation, I would like to provide an outside perspective.

It is a difficult role being a funding organisation for the arts, because there is an element whereby companies think that, if they have had funding for the past three years, they are entitled to funding going forward, because they have come to rely on that money. Decisions of the kind that have to be made when 19 new organisations are brought in and 15 existing recipients are taken out will always cause a level of disquiet and difficulty. Because an RFO goes through that process once every three years, a tension is created once every three years. This is a really big event for people, so there is quite a lot of debate, anxiety and stress. That certainly was not helped by the chair dying halfway through the process, which caused a considerable amount of stress in the organisation. It is interesting to note that none of the other board directors was willing to take on the position of chair or capable of doing so, probably because they recognised how difficult the process is to get through.

However, I do not think that any of that should lead to the successes that Creative Scotland has had over the past three years being underestimated. No one would disagree that culture and the arts in Scotland have done well. That is down to the organisations concerned, but it is also down to the organisations that support art and culture in Scotland, such as Creative Scotland. In that period, with the support that the Scottish Government has provided in making the case, we have addressed the difficulty of lottery funding for the time being, which is a major achievement for the sector as a whole.

I totally understand why people are upset, frustrated and angry, and I am sorry about that, but the process has that effect every three years. That should not take away from the fact that Creative Scotland is a very credible organisation and that art and culture in Scotland are doing very well. We have supported 121 organisations—more than ever before—and I think that art and culture in Scotland will continue to flourish over the next three years. Over the past month, noise has been created, particularly in the press, with words such

as "fiasco" and "disconnect" being used. I totally understand and appreciate why that has happened but, over the long term, the organisation has created a huge amount of added value for the sector. The sector is doing very well, which is a credit to everyone who is involved in it.

Richard Lochhead: I will leave it there.

The Convener: Thank you very much. We have gone over time, but I think that we owed it to the sector to do so, because we received an unprecedented level of correspondence from it. Given how many concerns have been raised, it is right that we have explored the issues.

Some members want to ask supplementary questions, so I would like us to go on for another 10 minutes, if that is okay.

Claire Baker: Creative Scotland was established as an independent decision-making body. We have gone into detail about how the decisions were made. What impact did tweeting on the subject by the Cabinet Secretary for Culture, Tourism and External Affairs have, and did you have a discussion with her prior to the meeting on 2 February?

Janet Archer: It had no impact and we did not have a discussion with her.

Claire Baker: Was there no discussion at all? It is recognised that there was, in the two weeks following the announcement, increased pressure on the organisation from politicians as well as from arts organisations.

Janet Archer: We did not discuss regular funding with the cabinet secretary. I attended an event with her as part of our Gaelic showcase at Celtic Connections, but we did not discuss regular funding.

Claire Baker: Thank you. We realise that Creative Scotland has a limited budget to spend. Comments have been made about the increase in the proportion that has gone to second-tier support organisations. Do you understand why there are questions about that? How do you justify it and what are the benefits of providing more support to those organisations?

Janet Archer: I take responsibility. We did not communicate well on that. Previously, we supported some, but not all, of those organisations. Some of them changed. Previously, we had a separate budget alongside regular funding that supported sector development. This time round, we brought those organisations into play with regular funding in order to simplify things. Overall, some organisations came out, but some came in. The new ones—Creative Dundee, Creative Edinburgh and the Scottish Music Industry Association—all provide for organisations,

companies and individuals beyond regular funding.

Regular funding can support only 121 organisations, but Scotland's creative sectors are much bigger than that, so we wanted to provide support so that those organisations could consider innovation, new models and sustainability, as well as providing advice, guidance and insight about how to work in the various sectors. It feels to us that it is really important to do that.

Pressures on public budgets are getting tougher, so we need to find ways of working to generate sustainable models—as per the committee inquiry's name—in an appropriate way in the future. There are things that we can offer through working with sector development organisations that can help with that. Some of those organisations—for example, Arts & Business Scotland—do tremendous work in stimulating private investment in the arts.

Ross Greer: I have a couple of questions for clarification on the touring theatre fund. When was the decision made to create it?

Janet Archer: The touring theatre fund was proposed as part of “A Review of Touring Theatre and Dance in Scotland: Final Report, April 2017”. The amount of money that would be needed for it was based on counting how much we spend ad hoc through open project funding, which is about £1.7 million a year. The strong advice that we got from the consultation that we have undertaken is that it would be much better to have a focused touring fund.

Ross Greer: I understand that that was proposed in April 2017: when was it agreed that that fund would be created?

Janet Archer: That has not yet been agreed by the board.

Ross Greer: So organisations that had submitted applications for regular funding and which met the criteria when they submitted the applications became ineligible for regular funding because they had become eligible for a fund that has not been created and does not have any detail behind it.

Janet Archer: The detail of the final guidance, which we committed to co-designing with the theatre sector, has not been signed off yet. The board has discussed the provision for the strategic spend.

Ross Greer: My first question has still not been answered. The fund was proposed in April 2017 and the final details have not been agreed. When was it agreed that the fund would be created? That is separate from its being proposed and from its final details being worked out.

Janet Archer: We predicted a very difficult budget scenario. As other public bodies did, we found out about our draft budget on 14 December. It was only at that point that we knew that we would be able to respond to the recommendations of the touring review and begin to budget for such a fund. Until we got our draft budget from the Scottish Government, we were unable to consider whether a touring fund was an option. Prior to that, we were modelling very difficult scenarios against, potentially, 15 or 30 per cent less funding.

Ross Greer: The review that the proposal came out of was very clear that touring theatre requires longer-term funding. Is it correct to assume that making the touring fund an annual fund has been ruled out because that would run counter to the recommendation on which the proposal is based?

Janet Archer: I am sorry—I do not understand your question.

Ross Greer: Regular funding is three-year funding. There is some concern in the sector that the proposed touring fund would be annual funding.

Janet Archer: We have not decided that yet. It could be a longer-term fund.

Ross Greer: The proposal is based on a report that was very clear in its recommendation that the reason why something different had to be done with touring theatre is that it needs longer-term funding.

Janet Archer: Yes. That is the discussion that is taking place now. It will very much depend on what the sector wants us to do, but it is possible that that could effectively account for the remainder of the two-year period for RFOs. We are entering a three-year period. The remaining three touring companies that we have not funded through regular funding—the current ones, because there are many more besides—are funded for 12 months. It is possible that the touring fund will play out over the following two years, if that is what the sector wants us to do. I imagine that that is highly likely, because it is a strategic programme and it will need to be designed and delivered over time for it to really work. It will be entirely dependent on—

Ross Greer: We could discuss this for far longer. I have one final question for clarification. What is the timescale by which the details of the touring fund will be agreed? By when will the committee and the sector know exactly how the fund will function?

Janet Archer: My original commitment was that we would publish the guidance for the fund on 1 June. I have had some feedback from the sector that that might be a bit premature, so we need to work with the sector. There are two working

groups, chaired by members of the FST, with which we need to work in order to determine a practical timeline for when that fund can open. We are absolutely committed to ensuring that the first grants are in place so that delivery can happen from 1 April 2019. We just need to work out the practicalities and ensure that co-design of the fund allows people to have a voice and to be involved.

The Convener: John Scott will come back in.

John Scott: If I have understood correctly, you took a system that was working for assessing bids for RFOs that, although complicated—it had 15 pillars and six columns, or maybe it was the other way round—was nonetheless understood by the internal evaluators. You started again and changed it completely, but you did not communicate that and you have now apologised for the chaos. Ayr Gaiety theatre is collateral damage in all that.

Further, according to Ben Thomson, it appears to be the case that you introduced another new criterion, which was noise and clamour: if a bidder made a sufficient amount of noise and clamour, their bid would be reassessed. I am left with the feeling that I have somehow failed my community in Ayrshire because I and others did not make enough noise, and therefore you did not reconsider the Ayr Gaiety bid. How will you recover the situation for organisations that were previously viable, such as the Gaiety, but which are now—as Burns would have said,

And no for onie guid or ill
They've done afore Thee!—

in a position where their viability is threatened by your actions?

10:45

Janet Archer: Ayr Gaiety is funded until September. We have already met representatives of the theatre to provide advice on other options for funding. We will meet representatives of the theatre and the local authority very soon—next week, I think, but I will check that—to progress that conversation, and we will continue to advise them over the coming months. We fully understand how challenging and hard it is for organisations that have applied for funding and not received it, but the decisions are based on the quality of the applications that we receive. That had to be taken into account with respect of the 184 applications that we had from around Scotland, because we did not have the budget to fund them all.

Ben Thomson: From the strategy review, there was an understanding that the strategy could be a lot simpler and clearer, and that a strategy should be introduced, not for the RFO process that was currently happening but for the RFO process going

forward. The RFO is under a current process that has already been set out, so people had to meet its requirements, but there was recognition that the RFO process is complicated, and that people are put off by it and the criteria that they have to meet. There was recognition that we should have a strategy that would change that, and that we should start work on it as soon as possible.

Janet Archer: We have had positive communication from some folk, even in instances where we have made a difficult decision and not funded applicants to the level for which they applied. I have had communication from some people saying that they understand how we have made our decisions. Just this week, we had a communication from one affected venue that has reviewed its application and assessment, and says that they absolutely understand the process, that it makes sense and that they are not going to challenge the decision.

I want to get through the totality of the meetings so that we can really understand the scale of the issue that we are dealing with in order to report properly to the committee. We clearly understand that there is an issue in South Ayrshire, and that there are issues in relation to other applications that have been made but not funded. I want to understand the full extent of that before properly commenting on what we are dealing with.

The Convener: To go back to the reversal of some of your decisions, you explained up to a point how you will fund it, but you also said that some of the money will come from targeted funds. Can you give us reassurance that funds for the place programme will not be among those targeted funds?

Janet Archer: Yes. We will continue to work on the place programme and, as I said to Stuart McMillan, we have in place a plan for how we might extend our work geographically. We must also have an honest conversation about how we look at the totality of what we do around Scotland and make difficult decisions in the future.

The Convener: Can you reassure us that the shortfall will not come out of the place partnership programme?

Janet Archer: No shortfall—

The Convener: In order to fund the decisions that you have reversed, you said earlier that targeted funds, which include the place partnership, would be used. You ruled out some things, including the youth music initiative, which is, quite rightly, protected.

Janet Archer: Targeted funding for 2018-19 remains at the same level as 2017-18: we have the same budget available.

The Convener: Claire Baker raised the fact that you are spending £4.7 million on organisations that are not artist led. You answered, but many people will still find that inexplicable. Apparently, you had a review on funding individual artists, which was supposed to conclude in September 2017. What did that review recommend?

Janet Archer: The review reported to our leadership team earlier this year.

We have two options. One is to make the application process more straightforward and to simplify the questions that we ask organisations. We could make it a two-stage process so that people do not need to fill in the whole form before gauging whether the project that they are putting forward fits the guidance.

We also have the option of looking at our open project funding budget, which at the moment is split between organisations and individual artists and creative people. The majority of that is spent on organisations. I do not have an exact number in my head, but it is something like a 78:22 split. We can change the dial and allow for more funding for artists and individuals within open project funding, which we are considering very seriously. I can imagine the organisations that benefit from the funding wincing as I say that, because it would mean that we would have less available for them.

There is a difficult decision to be made. We do have 121 regularly funded organisations and a similar number of, or more, hidden regularly funded organisations that are funded through open project funding. That is a very brutal challenge for us to face as a funder, but those are the mechanisms that we currently use to support Scotland's cultural sector. There is always a balance of decisions to be made as regards how we focus funding but, clearly, it is important to provide for artists and artist-led organisations, which is in our strategy.

The Convener: You are the organisation that people rely on to do that, more than they rely on any other, which is why they are so upset that such a large part of the Government's £4.6 million uplift has gone to organisations that I know spend a lot of time lobbying people like me. They offer workshops and mentoring, which is all very well, but they do not support artists or provide them with a living wage that allows them to make art, which is what people will be very concerned about.

The other point that you have raised today, and about which people will be very concerned, is the moving of the goalposts in the application process for touring theatre companies, which you did without telling them. We have heard today that the touring fund has not even been signed off by your board. That will be of real concern to people, given that withdrawing the funding from such

organisations was such a key part of your strategy.

There are many more areas that the committee wishes to explore and, as a number of members have said, we have had a great deal of engagement from the sector. Therefore, after our evidence session today, we will have a discussion about how we can best deal with some of the concerns, based on what you have told us today.

I thank both our witnesses for coming to give their evidence and for going over the scheduled time today. It is appreciated.

10:53

Meeting continued in private until 11:24.

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