



OFFICIAL REPORT
AITHISG OIFIGEIL

Constitution, Europe, External Affairs and Culture Committee

Thursday 12 January 2023

Session 6



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**CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
1st Meeting 2023, Session 6**

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Donald Cameron (Highlands and Islands) (Con)

COMMITTEE MEMBERS

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Sarah Boyack (Lothian) (Lab)

*Maurice Golden (North East Scotland) (Con)

*Jenni Minto (Argyll and Bute) (SNP)

*Mark Ruskell (Mid Scotland and Fife) (Green)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Moira Jeffrey (Scottish Contemporary Art Network)

Sir John Leighton (National Galleries of Scotland)

Iain Munro (Creative Scotland)

Alex Paterson (Historic Environment Scotland)

Chris Sherrington (Music Venue Trust)

Donald Smith (Festivals Edinburgh)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 12 January 2023

[The Convener opened the meeting at 09:00]

Budget Scrutiny 2023-24

The Convener (Clare Adamson): Good morning everyone, and a warm welcome to the first meeting of the Constitution, Europe, External Affairs and Culture Committee in 2023. Our only agenda item is to take evidence as part of our budget scrutiny of the culture spending portfolio for 2023-24 following on from the committee's pre-budget scrutiny last year.

We are joined in a round-table discussion today by Alex Paterson, chief executive of Historic Environment Scotland; Iain Munro, chief executive of Creative Scotland; Donald Smith, director of the Scottish international storytelling festival and chair of the programmers group at Festivals Edinburgh; Chris Sherrington, policy and strategy support at the Music Venue Trust; Moira Jeffrey, director of the Scottish Contemporary Art Network; and Sir John Leighton, director general of the National Galleries of Scotland. Thank you all for your attendance at the committee this morning.

I will begin with a general question. In our pre-budget scrutiny report, we concluded that

“the sector now faces a ‘perfect storm’ as it struggles to recover from the COVID-19 pandemic, compounded by the cost of living crisis, and following on from longer term budget pressures.”

What is your assessment of how the Scottish budget for 2023-24 has responded to that “perfect storm”? How, if at all, has the outlook for the sector changed since evidence was presented to the committee a couple of months ago?

I invite Iain Munro to start.

Iain Munro (Creative Scotland): From our perspective, I do not think that the Scottish Government budget settlement for 2023-24 has responded to the perfect storm that I outlined to the committee. The risks to the future of the culture sector as we know and understand it have increased enormously as a result of the budget decision for Creative Scotland.

We have—somewhat unhappily I have to say—stepped in with national lottery reserves to offset the cut for 2023-24 and avoid passing on the impact of that cut in less than three months. Given what we are seeing and hearing at the moment

about the years ahead, if the cuts are sustained, we will have to pass them on to the sector, because the use of national lottery reserves is a one-off for us. Unfortunately, that does not mean a happy picture.

I can give you some illustrations of that, but even under standstill, which is what we will achieve through the use of our national lottery reserves in 2023-24, I still estimate that a quarter to a third of the current 120 regularly funded organisations are at risk in the months ahead. If the cuts last into the years ahead and we do not have national lottery reserves to offset them and we end up passing them on to the sector, I estimate that probably no more than 60 out of those 120 RFOs will be funded. As if that is not troubling enough, we expect that 250 to 300 organisations beyond that will be interested in multi-year funding, and they will also be unsuccessful because of the way that the budget settlements look in future.

To say that it is not a happy picture is an understatement. There is a lot of unhappiness about the implications of the situation, and it comes on the back of the past two to three years when things have been tough enough because of the pandemic, and on the back of sustained standstill funding which, as we have acknowledged for some time, is not sustainable. In this environment in particular, with inflation in energy costs and so on, we are probably looking at a real-terms cut of 20 to 30 per cent, before we have applied the budget equation and the decisions that we will ultimately need to make on multiyear funding.

It is not a happy picture, as I say. We will do our best to keep things calm and stable for the year ahead within the funding offer that we have, but in the years ahead it is going to be even more difficult. We are heavily reliant on our national lottery income stream to support the direct programmes for individual artists and organisations that are not in receipt of multiyear funding, but the pressure is increasing exponentially as a result.

The Convener: I am just going to ask all the witnesses to respond in turn. Ms Jeffrey, would you like to go ahead?

Moira Jeffrey (Scottish Contemporary Art Network): First, I thank the committee for inviting us to give evidence today. I have 300 organisational and individual members across Scotland. I have met many of them since the budget was announced and it is so important for their voices to be heard here.

We have already talked about the perfect storm. The cut to Creative Scotland has left my members without a lifeboat. There are 120 RFOs across

Scotland and, as Iain Munro said, hundreds outwith that looking for multiyear funding. There are 5,000 jobs in the RFO network alone. Those jobs are in places such as Portree, Lumsden and Huntly in Aberdeenshire, and Lybster in Caithness, and those people are facing an uncertain future because of the cuts.

The committee will well know that all this comes on the back of long-term standstill for the sector. My members tell me that, once those jobs are gone, they will not come back.

Donald Smith (Festivals Edinburgh): Obviously festivals generally across the country share a lot of those pressures as well as others, such as the Covid hesitancy factor in rebuilding audiences, a process that has, however, begun. The low level of international tourism is affecting galleries and so on as well as festivals.

The angle that I might add is that, although public support is critical, it is not the only factor in the crisis. Many of us who are on the front line are now focused on how we can adapt to survive through the next period. A constructive dialogue has begun with funders about maximum flexibility in the way in which existing funding is deployed, and about focusing on the key strengths of individual festivals, whether they are local, national or international, rather than having a generalised tick-box exercise where all funded organisations are expected to do A to Z.

It is a really tough picture. Festivals are taking a hammering, but we are hanging in and looking at how we can adapt to get through this.

Chris Sherrington (Music Venue Trust): I, too, thank the committee for the chance to speak here today. It has been great to come up and speak about how the grass-roots music sector is struggling. My colleagues will often talk about how the public funding cuts are going to have a real impact on them. It is disappointing for grass-roots music venues that received wonderful support post-Covid and were starting to look at more public funding support are now being told that there is not much chance of them getting funding.

The big concern about the budget is that, unlike in England and Wales, where venues continue to receive support from business rates relief, only 10 of the 84 grass-roots music venues in Scotland that we represent will be able to receive any rates relief at all. There is concern that that produces a lack of competition against Wales and England. It also means that, in the end, venues will end up putting up ticket prices, which they find difficult to do, and that they will have to increase their income to cover their costs, which have risen more than five-fold. That is a concern for venues because, with everything else that is going on—including their energy costs going up—they do not feel that

they should have a fixed cost such as business rates imposed on them when their colleagues and compatriots in other countries are not having to face that concern.

We see an opportunity to start going out into the commercial sector and trying to get investment from there. We recognise the need to increase that side, so it is good to hear discussion of levies. We would also encourage more investment from further up in the industry. Music events with high ticket prices have little impact on supporting grass-roots venues, unlike the position in other areas, such as football, where, for example, all the Premiership teams support the lower levels. That does not happen in music. We encourage the committee to consider options such as levies on higher-end ticket prices to support grass-roots music venues. Unfortunately, the current concern about business rates puts such venues in Scotland at a disadvantage to those in the rest of the United Kingdom.

Sir John Leighton (National Galleries of Scotland): I thank committee members for the opportunity to speak to them. At my previous appearance, I outlined the stark position that is faced by the National Galleries of Scotland and by national collections in general. We discussed generic issues across the culture and arts sector, including the lingering effects of Covid, inflationary pressures and the loss of self-generated income, all of which members will be familiar with. We also talked about particular issues that collections of national importance face, including the high proportion of fixed and unavoidable costs of securing and caring for priceless, world-class collections and the high costs of maintenance of the buildings, estate and infrastructure that go along with them—all at a time when we are still trying to rebuild audiences. It was a stark picture that we faced.

According to some projections that were in circulation at the time, we were expecting a fairly massive deficit this year. The draft budget recognises those pressures, certainly for the National Galleries of Scotland. I think that I can also speak for the two other national collections on that. I can see a way to balance the budget next year, which is a rather different picture from the deficit of seven figures—£1.6 million—that we were previously projecting. That is therefore something of a relief for us.

The underlying structural issues that others have mentioned do not go away. We will have to work extremely hard to keep building our revenue and income streams. We will also have to hope for fair winds for the recovery and return of audiences. As will be the case for other organisations, we will have to look closely at our operating and business models to see whether we

can maintain our levels of ambition and access but do so as effectively and efficiently as possible. That is particularly the case when the messaging that is coming through is, "If you think this coming year will be hard, you had better prepare yourself for a much harder time to come in two or three years." We take that messaging on board.

This morning, I speak to the committee in a somewhat different position from when I was last before it, so I acknowledge that the Scottish Government has recognised the concerns that we laid out previously.

Alex Paterson (Historic Environment Scotland): I echo the remarks of my colleagues in thanking the committee for its invitation to speak to it again.

At the outset, convener, you asked whether the pressures were still there. They are. As I said at my previous appearance, although the impact of Covid is easing, it has not gone away. Cost of living pressures and the general economic challenges on utilities, inflation and other fixed costs have not gone away either for our organisation or for the wider sector. That said, I echo Sir John Leighton's acknowledgment of support from the Scottish Government through the budget process.

We have ended up with a grant-in-aid settlement that is 5 per cent less than the resource spending review suggested it might be given the challenging budgetary environment that the Government is operating in. I thanked the minister for a good settlement, but of course we look at these things through different lenses. I am looking at it through the lens of Historic Environment Scotland, and that is our view.

09:15

It is important to say that grant in aid is one component of our total budget for next year, and a major part of our income is the income that we generate through non-grant-in-aid sources such as access to our sites, admission charges, membership and all the other commercial activities that we generate income from. The evidence from this year is that the visitor economy has come back faster and stronger than we anticipated, and we foresee that continuing into 2023-24. When I add what we regard as a good settlement for the year from the Scottish Government to what we see as improving opportunities from the commercial aspects of our business for the 2023-24 financial year, we are in a better position than we thought we would be in when we embarked on the budget-setting process, which will help us do a number of things.

I said last time that we expected a very significant increase in our utilities costs, and we

still do: maybe not a quadrupling, as I said last time, but certainly a doubling, which is quite significant. I am delighted that my colleagues have a good pay settlement, but that adds to costs and so on, so we carry increased costs before we do anything else. The budget will feed through into a number of areas where organisations and people across Scotland will see the benefit—for example, we will invest more in our estate, which is fundamental to our core business. I fully expect that we will invest more in our grants programmes, so all our organisations will benefit from that as well.

To summarise, the challenges and pressures are still there but, from HES's point of view, we thank the Government for giving us a good settlement through grant in aid. We can supplement that through what I hope are realistic estimates for commercial income.

The Convener: It was remiss of me not to thank you all for your previous written submissions on the budget process and the newer updated ones that came in before today's meeting. I expect a free-flowing round-table discussion, so if you want to come in and answer a question that has not been directed at you by a member, please catch my eye or the clerk's eye and we will try to get you in.

I open with questions from members, and I invite Ms Boyack first.

Sarah Boyack (Lothian) (Lab): It is good to be able to follow up the discussions that we had last year. I want to pick up on the opening comments of Iain Munro from Creative Scotland. You mentioned a number of organisations that you fund and the potential impact on budgets, because they have had cuts and significantly rocketing costs.

We need to look at the opportunities. We have raised things such as the per cent for art scheme and the tourist visitor levy, but they seem a long way off, as does social prescribing. What do you think the solutions are now? In the organisations that you mention—this was also mentioned in the SCAN submission—there has been a hollowing out, and a lot of artists and cultural workers have already gone. What is your advice on what we should say in our budget report?

Iain Munro: The ideas that you mention must be pursued, but they are supplementary to core culture budgets, which are the foundation or cornerstone of the business models of so many organisations. It is from the confidence of those public funds that they can build their relationships, other earned income, sponsorship, philanthropic giving and so on. At the heart of the equation is a solid and confident public funding settlement. It should be seen as investment; it is investment in

those organisations for culture, but it is also the case that that investment translates into social and economic impacts. Those wider impacts are also at stake here.

I mentioned my concern earlier that, if the cuts endure, confidence in public investment in those organisations will be undermined, which will have a negative ripple effect in the eyes of others. I predict that, if the cuts endure, the size, shape, diversity and reach of those organisations will reduce enormously, which means that all that cultural, social, and economic value will contract.

We cannot lose sight of the fact that those other ideas need to be pursued but they might come on stream only in the medium to long term; unless we can get to that point without core public funding at the heart of the equation, we risk losing those organisations that offer so much. There will be no provision to the extent that we see currently, so it is self-defeating in that regard. Those ideas and the cross-portfolio work that is done in areas of health, education and so on are important, but they are supplementary to core culture budgets.

Earlier, Moira Jeffrey mentioned the jobs position at the 120 RFOs: 5,000 jobs in direct employment. Beyond that, it is worth noting the millions of attendances at the cultural venues that are associated with those 120 organisations as well as—I think—the 25,500 support opportunities for individual artists. Those are just the regularly funded organisations; many hundreds of organisations exist beyond that, which similarly support individual artists and our assets in individual communities across the geography of Scotland and work in important cross-portfolio areas of health, education and so on to address matters of inclusion and diversity. The wider ecology and network of organisations that we currently see is what is fundamentally at risk without sustained, adequate levels of public funding from which those organisations can build their other income streams.

Audiences have been mentioned today, too. The pattern of audience behaviour has not yet settled post-pandemic, but it is the case that audience attendances are down in certain quarters—particularly, but not exclusively, for paid venues for performing arts. Audiences bring with them not only ticket income but bar, catering and retail income, as well as an effect on the wider visitor economy. The overall financial equation has to be grounded in a confident culture budget settlement for the years ahead. Unfortunately, it looks as if significant risks to that settlement exist at the moment; we will see major reduction in all that provision in the years ahead if no fundamental change takes place.

Sarah Boyack: That the budget cut will have real impact is a really powerful warning to us.

Many of those venues have already started to dive into their reserves, so there will be no spare cash left for organisations to keep going, never mind invest in buildings. That is really powerful evidence.

I will follow that up with Moira Jeffrey. In your submission, you gave us powerful case studies, which cover the matters of wider community benefits, impact on the economy and loss of jobs—if we lose people from arts and culture, we do not get them back. Do you want to say a bit more about that?

Moira Jeffrey: Yes. A number of my members have provided case studies. I will start with Deveron Projects in Huntly. Its director, Natalia Palumbo, shared some information with me. She said:

“In terms of impact on hospitality, business, education, the importance of core funding for culture is most evident in towns and villages.”

Deveron Projects gets less than £200,000 a year; I think that it gets about £110,000 a year. She went on to say that Deveron Projects

“has a team of six people and supports approximately 50 artists a year (from residents to visiting facilitators and researchers etc)”

and that

“audiences from all over the UK attend more than 200 events a year”,

which has an instant impact on rural Huntly, as people

“rent property, stay in local B&Bs, shop locally, go to local pubs and restaurants”

and

“contribute to local schools and initiatives.”

Deveron Projects has a key role to play in the town centre. In 2019, it took over an empty property in the town and built it as a space for the local community and an international creative community. It hosts events and has incubated two community businesses since it opened. It provides free space for community groups and is available for commercial organisations to hire. All that has been built by a tiny team of artists and cultural workers with that core investment. It simply cannot continue without the core investment.

Another really helpful example to understand is Atlas Arts, which is based in Portree and works across Skye, Raasay and Lochalsh. It has income of £150,000 a year, which is an infinitesimal sum if considered across Scottish Government spend. That investment allows Atlas Arts to plan ahead, and it supports four core jobs as well as dozens of freelancers. Atlas Arts has two boat-build cafes, a community boat race, a new Gaelic children’s book, a Gaelic artist’s residency, two long-term

artist commissions with Scottish artists, a library of community-made books, film screenings and multiple partnerships across Skye, Raasay and Lochalsh.

It is important to understand how Atlas Arts describes its mission; it describes itself as the “connective tissue” of the community. Working in partnership with local charities and local authorities, it has created apprenticeships, worked with local restaurants and made a huge investment in local Highlands and Islands freelancers. It creates jobs and training opportunities for young people, which have a huge effect in that location.

That is what we stand to lose, on the basis that it is not coming back. The big question for me is around the fact that I simply do not understand the strategic position that it leads us into. The organisations are meeting the performance framework and the outcomes that the Scottish Government is asking of them in communities right across the country. I really cannot understand the strategic framework that would suggest that that reduction in investment is sensible or appropriate for communities.

Sarah Boyack: I wonder whether Donald Smith wants to come in. You mentioned visitor hesitancy after Covid in relation to festivals, but there is also the cost of living crisis. What do we need to do more of to enable festivals to be more successful? We have already lost the Edinburgh Filmhouse and the Belmont Filmhouse, which is impacting on the film festival.

Donald Smith: I was going to make the comment that we do not need to be predictive about all this, because it is already happening. We have lost the Edinburgh international film festival and two venues. However, again, I acknowledge that there is an adaptability and resourcefulness in our sector that will be critical. I acknowledge that funders and activists are struggling to find a formula to take forward a new model for a film festival. It is the cycle of things.

Acknowledging what both Iain Munro and Moira Jeffrey have said, I hope that the committee will urge the Government not to pick out our sector for a reduction in the next funding round. Pragmatically, one wonders whether the existence of those lottery reserves left Creative Scotland a little bit exposed in this budgetary round. I am not sure what the background to all that is.

For all the reasons that have been outlined, I hope that the committee recognises the importance of a positive settlement for the creative sector as a whole, including the festivals. I do not think that the festivals exist in isolation; they work with organisations in localities, support creative artists and have strong connections with

community networks, the health sector and schools and education.

09:30

It is important to add that, over recent years, in a combination of policy development, grass-roots activity and the way that new, multipurpose arts organisations have developed and emerged, the cultural sector's contribution to the objectives of Scottish society as expressed through the Parliament, local government and the Government has grown enormously.

The issue of local authorities is pertinent. Clearly, they are under enormous pressure and are another important backbone of investment in local and regional cultural venues of all kinds.

I echo what others have said. I am really pleased that the national collections and Historic Environment Scotland have received settlements that address the crisis issues. I hope that the committee will advocate that the broader cultural sector deserves similar treatment as we move forward.

Sarah Boyack: Is it possible to get a sense from Chris Sherrington of what kind of money we are talking about in terms of business rates? I think that he said that only 10 organisations got support but I presume that it is not a massive amount of money. The challenge is that, to go back to Donald Smith's point, local authorities then have less income.

Chris Sherrington: Currently, from the information that we have been able to gather from venues and rates, it would be a minimum of £1 million annually so, depending on your view, it is either a lot of money or not. One of the big issues is that retail, hospitality and leisure relief, which a lot of grass-roots music venues were able to receive, has not been carried on in Scotland as it has been in England and Wales. It was initiated in England in 2018 as something that would carry on and has been kept on as a temporary measure. Looking at the information that we get, we expect that, across the venues that we look after as well as additional venues, the relief would cost about £1 million.

We are aware that local authorities are under pressure, and we are not saying that we want to take that money away from them, but, compared with the rest of the hospitality sector, venues have extra costs on top of what hospitality normally has. As well as the usual bar and catering costs, there are additional performance costs, which they often have to supplement; they invest in many loss-leading performances, which goes on to develop grass-roots performances. For every £1.25 that we invest in performances, we receive only £1 back from ticket costs. To cover it, the rest comes from

bar costs. Therefore, having additional costs on top of that will be a struggle for venues.

There are opportunities in the music sector that are probably not available in other areas of culture. I mentioned ticket levies. At grass-roots level, the average ticket price is £10.90. It is really not possible to make up the extra costs—the £1 million that we are talking about—from that, because we would have to increase ticket prices substantially but, when it comes to bookings, artists would not want to increase ticket prices here compared with prices in other areas of the UK. However, if we were to look at a ticket levy for the further end, such as arena shows, just a £1 increase on tickets for shows at the two arenas in Scotland would probably generate £1 million within the year, which would help to offset the cost that we are talking about.

Therefore, we look to that as a short-term solution. We could quickly implement a pipeline investment fund that would take money from the top end of the cultural ladder and invest it back into the grass roots. That would not necessarily require legislation. It could be done through opportunities to push and influence the arenas and other larger contributors. A £1 levy on tickets for those venues, where the average ticket price is about £60, makes much less difference to the person who is buying it. Often, there are already ticket levies in place for those arenas; if you buy a ticket for those kinds of shows, you will often see that there is a levy for the venue. We would like that money to be used to invest in grass-roots music. There is an opportunity there. That is one way that we could look at covering the extra £1 million.

Sarah Boyack: That is very helpful, because I do not think that that issue has been raised in the committee before. I know that there are issues about changing ticket prices as the date of an event gets nearer. You mentioned a ticket price of £60, and I have seen much bigger prices than that, and there is a question about where all that money goes. That has been really helpful in our thinking about the stark issue that there is not enough money. There has not been enough funding for a long time, but there will be a crisis this year and going forward—I appreciate that.

Chris Sherrington: We announced the idea of the pipeline investment fund back in 2018; it has been a good way to get the industry to invest money back into grass-roots music. Last year, we launched a fund, which we administer through the Music Venue Trust, that gives money to venues so that they can take part in investment and development. It is currently limited to £5,000 but, for a lot of those venues, £5,000 makes a massive difference, because it allows them to invest in

production improvements, sound desks and staff training.

Even in the two or three months that the fund has been open, we have had more than 100 applicants, and we have already distributed £120,000. We have managed to raise that money from national lottery events that we have run that have brought ticket income back in. Therefore, there is a framework for that kind of ticket levy to be put in place and for it to start the investment straight back into venues.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): I am returning to a familiar theme, Alex Paterson, but it is one that you mentioned—the reopening of the estate. HES has had an uplift, although I appreciate that it is one that you needed, given the enormous estate that you have to maintain in difficult times and the lack of ticket revenue that you have had. What plans do you have to move back to the model of selling tickets on more sites? How many sites are presently closed?

Alex Paterson: I will not go back over the high-level masonry issue that we discussed the last time that I came to the committee.

First, inspections are progressing well. We have done more than 30 inspections at sites across the country, which is good. We have been doing them right through the winter because the weather has been conducive to that, so the inspection programme is ahead of schedule and going well. We should bear in mind the fact that the rationale behind the high-level masonry project is health and safety. We will improve access to or open sites only when we are comfortable that our health and safety concerns have been addressed.

However, of the 70 sites that were in the group of sites that we were concerned about, we have been able to open or improve access to more than 30. That does not mean that they are all open, but we have improved access to them. I asked my team yesterday about improvements since I last attended the committee, which was in the last week of September 2022. I will give you a few examples.

You might have seen that we put out a press release this week to say that Dumbarton castle will reopen, which is hugely important. In December, I spent a day with Dumbarton politicians and stakeholders to talk about what we might do collectively, but the key is to open the castle. We are suggesting that it will reopen around March. That is a good example of where we had an issue of concern; we did the inspection and found stuff that justified our taking the action that we took; and our teams on the ground were able to fix the problems that we had identified.

As a result of the inspection programme, we are able to reopen Dumbarton castle, Lochleven

castle, Aberdour castle, Holyrood abbey, Culross abbey, St Andrews cathedral and a number of other sites, and there are other sites where we have improved access. Access to Dirleton castle and Dryburgh abbey has been improved.

We have not benefited from income on some sites over the past 12 months.

There are some assumptions in our forecast commercial income. For example, we opened Doune castle in June last year and St Andrews castle in August. We will have those sites open for the full year, but we will also bring on other sites such as Dumbarton and Aberdour, which we did not open at all last year, that will contribute towards our income. That is where we are. I assure the committee that our focus, and our absolute priority, is to get as many of our sites open as quickly as we can.

In the inspection programme, we have covered a lot of our big sites; some of the smaller sites will be inspected in the course of this year. Our priority is to get the sites open as fast as we can, because we know that that has an impact on local communities and so on, but we can do so only when we are certain that health and safety issues have been addressed. I cannot sit here a year from now and say that we opened some sites because we thought that they might be okay and then we had an issue. Health and safety drives us, but we are making really good progress.

Mark Ruskell (Mid Scotland and Fife) (Green): Thank you for the evidence this morning—it has been pretty sobering.

I want to ask you collectively about the policy that your organisations have on reserves. I know that the impact on Creative Scotland's reserves will be quite big this year, but I am thinking of the policy on reserves more widely. Does the budget, and the headwinds that the cultural sector are encountering, mean that there needs to be a rethink of the reserves policy? Are there particular demands on reserves beyond the budget that organisations will face in the future?

Perhaps Iain Munro can start, and then we will go round the table.

Iain Munro: I will start by talking about the reserves policy and then talk about the sector organisations. Creative Scotland, as a public body, has an avenue of income beyond the Scottish Government budget: the national lottery, which has no annuality attached to it. That means that we can build up a reserves position. Maintaining reserves is good practice for any business, but we have been pursuing that anyway, for a variety of reasons, many of which are to do with how we could use those reserves to sustain organisations through the headwinds of the perfect storm that we have talked about previously.

Using our reserves to offset the Government cut means that that resource is not available to be used for those other purposes, so, in a way, it gives with one hand and takes with the other. It is good practice for us to continue with building up reserves, but we are not allowed to do so in relation to Scottish Government funding because of the annuality point.

On what that means for our organisations, it is worth recognising that Creative Scotland was really pleased to be able to negotiate and secure an enormous package of additional support measures from the Scottish Government during the pandemic. Over two years, there was an extra £151 million. It was fundamentally important to be able to sustain organisations through all the challenges of that period, but some of the later packages in particular enabled us to support organisations to build and strengthen their business models, including options to strengthen their reserves.

Unfortunately, however, given the economic pressures that are part of that perfect storm, much of that has evaporated. Our position now is not just that there is no financial resilience. In many parts of the sector, there is no fat left, as it were; we are hacking into the bone.

As many of the organisations are charities, I am sure that the Office of the Scottish Charity Regulator would look to them to have reasonable reserves, but I think that much of those have gone. We are now in a position in which the fragility that pre-dated the pandemic is back tenfold, because much of the good work that was done to strengthen organisations during that period is now gone and there is no opportunity to tackle that further. There are no financial safety nets in the current equation in the way that there were during the pandemic. We will always want to encourage good business practice in the governance of all sector organisations, but their ability to secure that position is deeply challenged in the current environment.

09:45

Moira Jeffrey: Members of my organisation are reporting that they are using their reserves simply to meet their wage bills. Let us take the example of the hugely successful Fruitmarket gallery in Edinburgh. Its audience figures are gradually returning to near pre-pandemic levels—it has had 96,000 visitors since April. It has really effective fundraising mechanisms, but it also relies on core funding from Creative Scotland. That funding has been at standstill for well over a decade. The cost of simply applying the living wage and its equivalent across the gallery's 53 staff is £105,000. That is all coming from reserves. It reports that, by the end of 2024-25, it expects to

have used up all its reserves on running the organisation.

As well as meeting the living wage, we are meeting increased costs for artists' rates. In relation to permanent salaried staff, there is an aspiration to meet the benchmarks that everybody else would meet around the public sector pay deal.

That is the position simply to meet wages. I note that the Fruitmarket has experienced a doubling of its energy costs. Therefore, on the question of reserves, they are disappearing fast.

Donald Smith: There are one or two pragmatic issues to think about from the point of view of the front-line organisations and the activists who keep the whole culture sector going, particularly its community aspects. There is a huge raft of cultural organisations—this also applies to individual artists and creatives who operate as one-person businesses—that have no reserves and for which that is simply not a relevant issue. In that sense, the question is a slightly corporate one.

I will flip that round, because I am always looking for the positives. We have just finished the year of Scotland's stories, which was one of the most successful of the themed years that we have had in Scotland. The huge success was the small grants programme, which drew on Scottish Government finance and national lottery funding. A huge number of local community organisations benefited. The report and evaluation show the hugely positive outcomes that have come from a relatively modest investment, which was in that sector of people who do not operate on corporate models. As that is where a lot of the grass-roots energy in the arts is, such public support programmes—whether they come from the public sector, the lottery or wherever—are essential, because those people live from one project to another.

On reserves, Iain Munro referred to the fact that, as organisations, most of us are charities, and we are under the cosh when it comes to having enough money in hand to fund closure and to meet redundancy and wind-down costs, which is a requirement in the charity sector. Quite a number of organisations will be on the risky edge of not being in a position to meet those statutory requirements.

That is how it looks on the front line, pragmatically speaking. It sounds rather pessimistic to say that organisations need to hold on to enough money to wind down, but that is what people will be looking at.

At a Scottish Government culture department seminar that I attended, I noticed that one line of questioning was, "What is it essential to save?" Are we really at the stage of thinking about what

will go to the wall? If that is the situation that we are in, can we have a strategy or review of what is critical, or will it just be a process of attrition whereby different organisations and venues go to the wall? It will not be a case of killing them, but neither will we strive officiously to keep them alive.

That might sound a bit grim. To a degree, some of the corporate discussion about collective investment is critical, but the pragmatic reality of running venues, festivals, organisations or whatever is survival on whatever basis to get us through. As Sir John said, this is not a one-off year.

I would like to talk about how culture as a whole contributes to Scotland's international standing. We have not addressed that issue or talked about innovation and all that. We can come back to it; I am just addressing Mr Ruskell's question.

Chris Sherrington: One of the major issues that we are looking at with our members is the fact that, although the majority of them act as though they are not-for-profit organisations, they are not structured in that way. That is mainly because many venues were initially driven by a need in an area or community and by one or two people who saw the need to set up a venue. Many of those venues will be set up as sole traders or as a limited company. Because they are also often seen as hospitality venues that do music, which is definitely not what they are, they are often set up using a commercial structure and do not look to set up as a charity.

We have encouraged a lot of venues to transfer to the charity set-up, which will involve them in looking at reserves. Many of them do not have reserve structures in place. Many were ineligible for funding support during the pandemic mainly because it was aimed at limited companies; that was a prerequisite. We saw a massive issue with partnerships and sole traders not being able to receive funding during the pandemic.

The other thing is that many of them operate as not-for-profit organisations in as much as they are not making a profit and the rewards for the people who are involved are much lower than they could be. We asked venue operators what their average salary is in comparison to the rest of the arts sector. For venue managers, that is usually around £35,000, but for most of them in the music sector it is £20,000. In fact, the main answer that we got was that the operators had not taken any money at all.

During the pandemic, lots of venues were encouraged to apply for funding, and they were able to apply for reserves as part of that. The question that many of them had was, "What are reserves?"

Further to what Iain Munro said, I thank the Government for its support during the pandemic. It was a wonderful support strategy. Unfortunately, a lot of venues were unable to receive some of it and, as I say, they are not living off reserves at the moment. They never really had them because they often invest straight back in to what they want to do. If they are wondering whether they should invest in a new sound system or the next artist, they will do that before putting reserves in place. That is not to say anything against the business nous of those people, but they never had any excess money in the first place and have often been unable to apply for public funding that requires them to have reserves in place.

As I said, we have seen an increase in applications for funding as there are tax breaks involved and we encourage venues to take part. However, as I mentioned when talking about business rates, unlike a lot of charities that work in the sector and are already receiving business rates relief, most grass-roots venues are not eligible for that. Unfortunately, most of them do not have reserves; those that did saw them wiped out during the pandemic.

Mark Ruskell: That is useful.

Sir John Leighton: I echo what colleagues have said. In the situation that the sector faces, reserves are not the answer. In business terms, it is obvious that, if they exist at all, reserves are for short-term crisis funding and the issues that we face are not short term.

National Galleries of Scotland, as a non-departmental public body, does not tend to hold or build reserves because of the annuality that Iain Munro referred to. We have the support of an independent charitable foundation into which philanthropic funds can go. Those tend to be used not as reserves; they are used to support longer-term projects that require multiyear funding, which is harder to do because of the annuality of NDBP funding.

We have also looked at whether it is possible in a Scottish context to have something like an American model of building up an endowment fund. That would not be reserves; the interest from an endowment fund would help to relieve some of the funding pressures. Of course, the capital sums would have to be huge before generating any income that would be of use, and endowment funds are exposed to the very risks across the economy that we are all familiar with. Therefore, I do not think that we would be able to pursue that with any great degree of success.

Alex Paterson: I agree with what my colleagues have said. We know of organisations in the heritage sector that are using reserves just to stay afloat—or to try to stay afloat—and that is not

the purpose of reserves, so I concur on that. Through our grants programmes, we are, for example, trying to support organisations to be sustainable and resilient. Of course, they have all their costs and pressures, just like any organisation. The issue of reserves is significant in the sense that they are diminishing or not there.

HES, as an NDPB, is not allowed to carry or build reserves, so we have that same restriction as National Galleries of Scotland. We also have a foundation into which some philanthropic funds are put and managed.

When I was here at the end of last September, I think that I floated the idea that the business models of my organisation and of other NDPBs need to be revisited. The challenges of Covid would not have been offset by any reserves that we had built up. However, given that we are unable to build those or to do other things, in a world where things have changed a lot, it might be worth considering some flexibilities around the NDPB model. We are discussing that with the minister and our sponsor team.

I want to say one other thing. It is hard to find a solution to the challenges that we have all discussed this morning that does not come down to money—that is the bottom line, given Covid and the economic and cost of living challenges that everybody is facing. However, if you take a slightly longer-term view—I said this last time, too; I take every opportunity to say this—you have to think about what end of the telescope we are looking at culture and heritage through.

One way of looking at culture and heritage is to see it as a very narrow part of what we all do, consume and enjoy and that that will always be quite squeezed for cash. However, Moira Jeffrey's intervention a wee while ago was really powerful. I made the same point last time: the contribution that heritage, culture, the historic environment and all those related elements, including museums and galleries, make is not just about the narrow definition of culture and heritage but about economic development. The historic environment sector contributed £4.4 billion to the economy in 2019 and supported 68,000 full-time equivalent jobs. That is not small, and Iain Munro will have the numbers for the wider creative sector.

On wellbeing, an awful lot of what we do in our sector collectively is at the heart of communities not just in Edinburgh but across the whole of Scotland including in Kirkwall, Lerwick and Stornoway. You must look at what we do collectively and at what those we represent do through the lens of economic development—the jobs that we create and the skills that we invest in—through the lens of the community building that takes place and through the lens of the contribution to net zero that it all makes. That is

critical to looking at the sector not just from a narrow perspective but from the perspective of the wider contribution that we make. We reckon that, as an organisation, we contribute to all bar one of the national performance indicators, and the same could be said of other organisations round the table.

Jenni Minto (Argyll and Bute) (SNP): I thank everyone for coming along this morning. I will reflect on what my colleague Mark Ruskell said. This is incredibly sobering. I think that I used the same word at our last meeting.

Donald Smith must have read my notes. The first quote that I wrote down was from Sir John Leighton. When he gave us evidence last year, he said of the role of the National Galleries of Scotland and other cultural organisations in Scotland:

“Every one of them is a mini ambassador for Scottish culture.”—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 29 September 2022; c 23.]

How do you see the current settlements impacting on the international standing of Scotland?

Closer to home, with regard to the work that HES does across Scotland, how can it be ensured that the reopening of buildings involves communities? My colleague Alasdair Allan talked about the timetable for that.

I would be interested to hear what Donald Smith has to say, as he initially raised the international side of the issue.

10:00

Donald Smith: Sure. I know that the committee has considered that issue in other sessions. In a post-Brexit world, culture in its broadest sense—I include heritage in culture, as it is an integral part of culture—has become critical to Scotland’s standing. We can consider the intellectual, academic or cultural aspects, but culture also has an impact on tourism.

It must be remembered that the culture sector in its broadest sense is a platform for innovation. My festivals area—we have literary festivals and the science festival included in the work of Festivals Edinburgh—is an arena of ideas and innovation.

At the end of the day, one question that the committee has to keep asking itself and the Government is, “What kind of image of Scotland are we projecting internationally?” I would argue that that question has become more important than ever.

I know that the international aspect is in the thinking of the big organisations, but there is a resources issue related to that. We cannot do the creative Europe programme—to my mind, that

was a bizarre decision—or Erasmus. There is a funding issue, as we have lost funding in respect of which we previously performed disproportionately well in Scottish terms. There is the whole trading and customs issue, the visas issue and so on—you are all familiar with those.

The conclusion on Scotland’s international standing has been that this is not the moment for Scotland to let slip on culture, because culture is central to people’s perceptions of Scotland institutionally, diplomatically, personally and in family terms. We simply do not want to lose the strong position that we have had in that regard, and there are extra challenges.

Jenni Minto: Moira Jeffrey, I know that the work that you do involves international artists and what Donald Smith and Alex Paterson have touched on. There is not only heritage; there is also culture that is moving forward. From an international perspective, how will you be impacted?

Moira Jeffrey: The greatest pleasure that I have had in the role that I have now and in my previous career of over 20 years as a journalist writing about the visual arts in Scotland has been from the incredible impact that Scottish visual artists and visual artists who have lived or trained in Scotland have had overseas. Artists from Scotland are known from New York to Beijing, and they tell the story of a modern, innovative Scotland, as well as important stories that are often difficult.

One of the greatest joys of last year, for example, was attending the Venice biennale, which has a huge international focus and is the most important international forum for visual art, and seeing the Scottish-Barbadian artist Alberta Whittle, who will be showing at the National Galleries of Scotland in April, showing in the context of her international peers and talking about many of the things that the Scottish Government is asking us to address every day—for example, the legacies of slavery and colonialism in Scotland. There are really powerful and difficult conversations among international peers, and that is the kind of Scotland that we want to be and that we need to be.

The organisations that I have been talking about—even those on a tiny scale, such as an organisation of four people in Huntly—are working internationally all the time. For example, at Deveron Projects, artists from east Africa are seen living and working in partnership in Huntly. Galleries such as the Fruitmarket gallery, which I have already mentioned, are constantly co-commissioning with international artists and building international partnerships. That work is absolutely vital.

We know that the impact of Brexit has been astonishingly severe in relation to the movement of goods, the ability to export, markets for small makers and the costs of attending international art fairs and exhibitions, but there is no significant initiative to replace any of the lost work. One thing that we have called for for some time through cross-sectoral bodies such as Culture Counts is an office of international exchange that could support such working across the cultural sector.

Those international conversations are the absolute lifeblood of culture. They are vital, and to lose them at this moment in Scotland's history would be a critical failure.

Jenni Minto: At the start of my question, I quoted what John Leighton said. You highlighted the fact that you can loan out pieces of work from Dumfries to Shetland, but you were concerned that that might be impacted.

Sir John Leighton: Yes. Donald Smith and Moira Jeffrey have articulated the dangers and risks extremely well. If there is one thing that Scotland wants to be known for across the world, it is our culture, heritage and arts. They are in our DNA. We have a really rich and vibrant culture across all sectors—the grass-roots, local, regional, national and international sectors. That is what we do, and we are really good at it. Why are we jeopardising that?

As Moira Jeffrey articulated so well, there is huge interest abroad in Scottish art and culture. We work internationally to take all kinds of visual arts abroad, whether they are the old masters, Scottish historical or contemporary visual arts. Culture is an ambassador, but it is also a platform for all kinds of further and deeper interests in Scotland. Culture paves the way for other types of interests, whether they are economic or commercial. That is extremely important.

To get back to the nub of the issue, the frustration that members hear and have heard articulated by many people in different evidence sessions is from the huge impact across the sector that turning the dial a bit negatively is having. You have heard that point very forcefully, but the reverse is also true; if you turn that dial a little bit the other way and invest, that, too, would have a huge impact.

One thing that has concerned me in listening to such evidence sessions and the various round-table discussions that have been organised to discuss the crisis is that we are being sucked into a resonance that culture is somehow a problem to be solved. However, it is not. Culture is the answer; it is the solution and an asset to be exploited.

Two words that have been used in the evidence session are “investment” and “confidence”. Bold or

radical decisions are not required to turn that dial just a little bit. There is nothing bold or radical about that. Investing a little bit more in order to have a huge impact and unlock benefits across many different areas of life is a sensible decision. To go back to Jenni Minto's question, that includes international working, our international standing, and what it does for us if we are seen to be proud, confident, bold and investing in our cultural life. That is what it is about.

Jenni Minto: Alex, will you address my question about the reopening of buildings?

Alex Paterson: Yes, but first I have a quick point to make on the international side.

We know from research that was done before Covid that more than half of the international visitors who come to Scotland have on their list of reasons to come visiting a cultural heritage venue or experience. That is an important aspect of the international dimension. When we look at how we market Scotland across the world, we see that cultural heritage is a fundamental part of that.

This year, there has been a big increase in the number of international visitors returning to our estate. That is particularly true of visitors from North America and elsewhere, although not of visitors from the far east. On the international side, our cultural heritage works both ways—it attracts people here, and it is an important part of how Scotland positions itself and markets itself around the world.

On the question about the reopening of sites and the involvement of communities, I have two points to make. First, over the past 18 months or so, we have reshaped Historic Environment Scotland. Out on the ground, you will find that we now have regional heads for the north, the south, central and Edinburgh. We spent a lot of time coming up with those geographies, but they make sense. We now have a figurehead who leads for us in each of those regions. Underneath each of those regions, we have put in place visitor and community managers. The community aspect is really important. Their role is to engage with the communities in which our sites are located. We have made an investment in that engagement.

Beyond that, particularly in relation to the issue of high-level masonry, I have been getting out and about to talk to partners and stakeholders. I have been to Linlithgow and Dunblane—following our most recent conversation, I have been up there, and I think that the situation has moved on. I have been to Dumfriesshire and Dumbarton, and I will be in East Lothian next week.

Those visits are all about engaging with the local politicians and the local stakeholders, and asking, “How can we work together?” If a site is reopening, as was the case in Dumbarton, that is

great, because it means that we can talk about how we work together with the local authority, the football club and so on to make the whole offer better. In Linlithgow, where the process is at an earlier stage, the conversation was about how, if we have access restrictions at the palace, we can work with the museum and others to make sure that there is a joined-up offer there.

We are doing a range of things to engage with local communities, including putting more investment into our teams to engage with those local communities. However, our activity is not always focused only on places where we have sites or on the sites. For example, we have a number of junior guide programmes that we support. I think that it was yesterday that we announced a new learning programme, creative Caerlaverock, which involves working with organisations in the Dumfries area to provide a range of education, learning and engagement activities.

That was a slightly long answer; I wanted to make the point that engagement with communities is a priority and will be a higher priority, given the resource that we have put into it. Especially in relation to sites where we have restrictions in place, we are engaging with the local community, explaining the situation and looking at the opportunities that exist.

Jenni Minto: Thank you. I am looking forward to going to three sites in Argyll and Bute that are on the high-level masonry maintenance list.

Alex Paterson: Good.

The Convener: Mr Sherrington, did you want to come in?

Chris Sherrington: Yes. I would like to answer the question about the importance of ambassadors, if that is okay.

Following on from Sir John Leighton's point, I want to reiterate the exponential effect that the investment can have. We talk about ambassadors being advertisements for people to come to Scotland and invest in it. Artists are the best ambassadors for that, mainly because they have the opportunity to reach places that VisitScotland advertising campaigns cannot reach. They will be on international television programmes and will be ambassadors across the world. The fact that they are very vocal can sometimes be positive and negative. Showing support for them and investing in them is important because that can have a massive effect.

Some of the artists from the music world who are out there, regardless of whether they are vocal—I am thinking of artists such as Lewis Capaldi—have massive international reach. Getting out the message that art is important in

Scotland is extremely important. We know that a lot of international tourism is based around music and art, and that that brings people to this country. More than that, those artists are proponents for how wonderful Scotland is, for Scottish culture and for Scottish life, and they help to bring further investment into the country. That is done at a very low cost to the Scottish Government.

As I have mentioned, the advertising budget for tourism is quite large and is a very important part of the approach, but small investments in artists and the organisations that create and support them are amazingly important and can have a much bigger exponential effect, which is very hard to quantify. That is the most difficult thing. We cannot really say what the benefit of that is.

10:15

One of the biggest concerns that we hear about is that, although there is a lot of talk about how wonderful and amazing culture is in Scotland, it feels as though the Scottish Government is almost penalising it. Compared with many European countries and across the UK, there is a lower spend here. It is important that, in order to get those ambassadors and to get them having positive conversations about Scotland, we need to invest.

Donald Cameron (Highlands and Islands (Con): I have two areas of questions. The first is principally for Alex Paterson and Sir John, who have both spoken about being in a more positive budgetary position than was expected. What will that more positive picture enable you to do? Will it enable you to open more HES sites, perhaps reverse the closure of the modern two gallery and turn the dial a little and invest and expand? Or is it more a case of just battening down the hatches? Sir John, you spoke about being able to balance your budget. I am keen to understand where the additional funding goes.

Sir John Leighton: Thank you for that very good question. It is very much the latter in that I would describe it as a potential year-long breathing space. As I said at the beginning of the meeting, instead of somehow having to deal with a huge deficit, I can now see a way to balance the budget. However, as we have also talked about at this committee, organisations such as the national collection or HES have to think across many years. We develop skills, knowledge and expertise that have to be nurtured for years, and our programmes and projects have to be nurtured across many years. Short-term funding cycles are therefore difficult to manage.

The short answer to your question is that the more positive picture allows us time to see how patterns of visitor behaviour are settling. There

was certainly an increase last year—will that continue? We were at about, on average, 70 to 75 per cent of pre-Covid levels. Will that continue and, with it, the associated income? It will also allow us to look at other operating models, levels of activity and levels of programme, and perhaps to see other things that we might need to stop doing in the future or that we need to do in different ways, such as partnership and so on.

I would therefore say that it is a breathing space, but, without perspective on what will happen in 2024-25 and 2025-26, it is hard to predict what it will allow us to do. The message that we are getting is that we should prepare for harder times, and that is what we will do.

Donald Cameron: I take it that you have not changed your view on multiyear funding as you expressed it to the committee in September.

Sir John Leighton: It is highly desirable, but, as far as I can see, it is not in sight at the moment. I appreciate the difficulties and uncertainties that the Government has to deal with, and I know that the cabinet secretary has expressed the strong desire to provide it, but the budget will soon be finalised for a financial year that begins on 1 April. It is hard to imagine shorter-term cycles of funding.

If I may, I will just pick up on your point about modern two. The closure of modern two was always meant to be temporary, and, if approved, the draft budget will allow us to reopen it. I hope to make an announcement about that very soon.

Donald Cameron: I am pleased to hear that.

Alex Paterson: I echo Sir John's comments about multiyear budgeting. The reality is that we commit budgets over multiple years because a lot of the projects that we do and the organisations that we support through grants mean multiyear commitments. Even if we do not know what our budget will be, we still make those commitments. Therefore, the more visibility that we have, through multiyear funding, the better. The resource and capital spending review last year was helpful in giving some indicative figures, but that makes sense.

I have a couple of other comments to make. Yes, I did say that we are pleased with the settlement that we got through the grant-in-aid funding, but the flipside is that we carry a risk on the commercial side, although, if we can realise the commercial income alongside the grant in aid, I think that a few things are possible. The caveat to all of that is that our board has not yet met to agree how to allocate our budget, but that funding allows us to continue with the vast array of things that we do. Most people associate us with castles and standing stones, but we are a regulator and we pursue a range of other activity, including learning and outreach activity.

On what we might be able to do over and above that, we must bear in mind that we all carry increased costs. The pay award, which I am delighted we were able to put in place, added an extra couple of million pounds above what we had anticipated on the basis of the pay policy at this time last year. Our energy costs will probably go up by 88 per cent—that is the figure that my director of finance gave me yesterday—and we need to increase income to cover the cost. We will also be looking to make additional investments in our estate—in the fabric of the estate, in the visitor experience and in the visitor infrastructure on our estate—because that is fundamental. Linked to that is the investment in decarbonising the estate—the climate agenda—which is really important to us.

The final element in which I think we will probably invest more funds is our grants programme. During Covid, we reduced the grants programme reluctantly, because grants are a component of our overall funding. When that funding took a major hit, we actually maintained grants at a very high level, but we had to reduce some. Our aspiration is to get our grants programme back to pre-Covid levels.

Assuming that we can make all the top-level income work—particularly on the commercial side—we will continue with the current range of activity, but we will probably prioritise more investment in the estate and try to enhance the grants programme. We also have to cover the fixed costs, which are increased, before we turn a key in a lock anywhere.

Donald Cameron: Thank you for those answers.

I will return to the points that were made at the start of the meeting, principally by Iain Munro and Moira Jeffrey, in addressing the cut of, I think, 10 per cent—around £7 million—that is being implemented in Creative Scotland's funding. Iain, please correct me if I am wrong, but I think that you said that, at a standstill level, that puts around a quarter of your regularly funded organisations at risk. I think that you suggested that, if that cut were to endure, around half of your RFOs would possibly be in grave danger. What conversations are you having with your RFOs, and, with regard to the organisations that many of you are representing here today, what anxieties are they telling you about that you feel you should pass on to us?

Iain Munro: Your understanding is correct. Because of the cost pressures, it is not actually standstill funding; it is a material cut. Our estimate is that it is a 20 to 30 per cent real-terms cut, which is why at least a quarter—potentially up to a third—of the current 120 RFOs are at risk in the months immediately ahead should nothing

change. We have achieved standstill by backfilling the Government's cut with national lottery reserves, as a one-off. Without those national lottery reserves, and on the basis that the cut endures, you are right in saying that there is a risk to half of the current RFOs as a minimum.

In addition, many hundreds more organisations beyond that are seeking multiyear funding. They, too, want to make a case, and they should be given the opportunity to do that, but we will not have the budget to respond. Therefore, there is no commitment to anybody beyond 2023-24 as far as the RFOs are concerned. The need for multiyear budgets to enable long-term planning is a fundamental point.

People have worked really hard in recent years, particularly through the pandemic, to sustain their operations, activities and programmes, which touch the lives of so many people in communities across the country. Those people are, in many ways, exhausted, and what I am hearing is despondency and disaffection as a result of the comparison between the very clear public statements of support by the Scottish Government of the extent to which culture and creativity are valued and how that is translating into budgets. They are worried about the future, but, as Donald Smith mentioned, they are inventive.

I want to pick up on a point that John Leighton made a wee while ago. I have said before that our budget is 0.1 per cent of the Scottish Government's budget—it is tiny compared to the value that it ultimately delivers—and disinvesting in it leads to a lack of confidence. That lack of confidence brings the risks that I have talked about in terms of reductions in the sector, but it also holes below the waterline the engine of creativity that comes from art and artists, which would see the cultural sector thrive in the future.

Shifting the dial in the opposite direction, which John Leighton talked about, would not involve enormous amounts of money in terms of the overall Scottish Government budget. I absolutely accept that there are finite resources, but the value that is already delivered is now at risk, and that situation could be reversed with an adjustment in the opposite direction. That would unlock confidence and, in an exponential way, it would unlock many benefits culturally and socially, as well as economically.

It feels as though we are about to go beyond the tipping point. If much of the reduction that I am talking about takes place, what is lost could be irretrievable. There is an awful lot at stake in terms of the realities. Yes, we are talking about significant sums of money, but they are small relative to the whole. With just some adjustments, we could unlock an enormous return. That would bring back the confidence, inventiveness and

innovation, and it would ensure that we have a thriving cultural sector.

My final comment comes back to the international point. The international aspect is fundamentally important, which is why it remains one of our four priority areas. It is part of creating the conditions for a thriving culture in Scotland—although, by the way, we do not get any direct resourcing from the Scottish Government for work in that regard. Since the news of our cut broke, before Christmas, many people in my international network have contacted me in astonishment at its implications, which they understood immediately, partly because we have such a strong international reputation and are seen to be confident. That, too, is at risk as a result of the current financial equation.

Moira Jeffrey: Following on from Iain Munro's points about the potential loss in the numbers, I will say that those anxieties are simply existential. On the question of international benchmarks and the scale of cultural funding and Government spend, there is the potential to wreak havoc but reap very little reward through the cuts. Strategically, that would not make sense to me.

Beyond that, the anxieties that my members are showing are about the organisations beyond the group of RFOs—the organisations that are waiting in the wings and have been building up their skills and resources so that they are ready to step up to the next level. That is the pipeline for future employment, and it is a huge concern for young people, in particular.

10:30

At the core of all this are the artists. Our sector is nothing without our artists—they are what we are here for. We surveyed our members on the impact of the cost crisis in the autumn, before the announcement of the budget cut. A quarter of artists and freelancers who responded said that they had already been forced to seek additional work, and 40 per cent of them told us that, if help was not forthcoming, they would seek work outside the culture sector. Therefore, the anxieties are huge; but, to reiterate what Sir John Leighton said, the situation is easily fixable. It would not cost huge amounts of money to provide appropriate investment and support. We can do this.

Donald Cameron: Would Chris Sherrington or Donald Smith like to come in?

Chris Sherrington: I would like to give a case study, to support what we are saying. As a charity, Music Venue Trust has identified that one of the key issues that we have with venues is that of infrastructure and the fact that 93 per cent of all venues—the physical bricks and mortar—are

owned by commercial landlords. As a result, we set up a programme called “Own our venues”, which provides an opportunity for anyone to invest, through community benefit shares, and raise money to buy such properties so that we can offer fair rents, stop money going to commercial landlords and enable it to be reinvested in the sector.

In England, we have had conversations about that with the Department for Digital, Culture, Media and Sport. Arts Council England has just invested £0.5 million in the scheme, the core aim of which is to raise £3.5 million. Similarly, we have had conversations with Creative Wales, which is also looking to invest in the scheme. I wanted to have a conversation with Creative Scotland about investing in the scheme, but we are acutely aware from previous conversations and from today’s conversation that it is very difficult to go to a funding body with a new development plan and say, “This is a solution,” when it faces cuts of the kind that we are talking about, because it will say, “That’s lovely—we’d love to do that, but we’re having to focus on making sure that what we’re doing at the moment is viable.” Therefore, we are wary of even having such discussions.

When we announced the £0.5 million of investment from Arts Council England, all the investors that had previously invested in the scheme and new investors said, “Yes, we’ll invest in that.” Funding is important not only in what it does by itself, but in encouraging other investment. That is a key aspect, which brings in further investment for the countries and the infrastructure. From a case study point of view, we have great concern about whether we could go to Creative Scotland or to the Scottish Government and say, “We’d like you to invest in this project,” because the message at the moment is, “We’re making cuts.”

It is important that that situation is reversed. As John Leighton and Iain Munro have said, only a small change in the other direction is required to enable such organisations to say, “We want to take risks. We want to improve. We want to make things better for artists across the country.”

To reiterate what Moira Jeffrey said, we are talking about a sector in which it is not easy to replace people. That is the case at all levels, including at the high levels in organisations, where people with a significant background in the sector have been invested in and have worked in the structure for 30-odd years. We have just gone through a pandemic, during which people had to move to other areas. Coming out of that and being told that funding or investment in culture in general will be cut because there is a view that it is not important will be the straw that breaks the camel’s back and makes people want to move to other

areas. Unlike in other industries, it is not easy to replace those people. We need to inspire more people to work in this area. Being told that it is not important from a funding point of view makes people think, “Oh well, I’ll go and get a job elsewhere.”

Donald Cameron: I have found the various case studies that have been mentioned today to be really helpful. Does Donald Smith have anything to add?

Donald Smith: I run an RFO, so I am a case study. We have an international festival, we have a venue and we have projects and networks running in every local authority in Scotland. We have to think about how we will get through the next year. Our two biggest areas of expenditure are staff and direct support to artists and local creative groups.

We are also looking at how we can maximise other sources of project funding. We have benefited from the culture collective programme, which has been another success story in culture that involves investing directly in locally led community projects. That Scottish Government money has come not from the culture budget but from elsewhere, as I understand it. We will continue to try to keep that local support model going.

We will have to lose staff: that is the only way to get through this. As Moira Jeffrey said, the worry, looking ahead, is about how we recruit and attract young people—the next generation of staff and artists—if there is a kind of “hand of doom” atmosphere brooding over the whole damn thing, because we are in a wee bit of danger of slipping into that kind of atmosphere, at the moment. The catchphrase of this session seems to be “shift the dial”. We need a positive trajectory. We are adaptable and resourceful, but to create the future that we want for our society and for Scotland—not for some removed arts thing—we need to have a positive trajectory. At the moment, I cannot see it.

Alasdair Allan: It is fair to say that you have a sympathetic audience in the committee when it comes to the need for a positive trajectory on funding, which you have talked about. The only rider to that would be—and this is not meant to take away from anything that you have said—that the Scottish Government could probably do with a positive trajectory, too, and some notice on or say over its income. However, I think that everything that you have said rings true.

Given the constraints, we are left with cross-portfolio working. The committee has asked about that many times, in relation not just to the culture sector but to other parts of Government. My question is one for everybody to chip in on. We talk about cross-portfolio working all the time, but

how do we make it real? In the committee, we have often talked about things such as social prescribing and cultural prescribing. Iain Munro rightly pointed out that that is supplementary to his budget. The problem is that the health boards tell us that it is supplementary to their budgets, too. I do not know what the answer is, so I am genuinely keen to hear how we can make that a reality. We have talked about it many times and it is clear from the pilot studies that have been done around the country that the health service and society more generally could save money and people could be healthier and happier if we did more of that work. In the current difficult circumstances, how do we achieve that?

Iain Munro: It is an important on-going concern to ensure that we can unlock all such opportunities. We should recognise that they already exist in certain quarters, so it is about how to embed them more fully across the public sector landscape. We are not coming from a standing start; evidence exists about the effectiveness of that work.

I engage in cross-portfolio conversations, and I am sure that they are happening elsewhere, as the cabinet secretary has said. However, ultimately, although we can embark on negotiations, everybody is in the same constrained environment, and people become protective of their own agenda. Therefore, it will take radical thinking to go beyond that and to understand how we can unlock the opportunities. Ultimately, they can be unlocked only through political direction at the highest level; agreements on pursuing those opportunities have to be achieved at Cabinet level.

As I said, we are all committed to enabling cross-portfolio conversations to happen, but at the moment they are happening in a very slow-burn way and will not release resources in the short term. However, they have an important role in the make-up of the culture sector and the value that it provides. Stronger political leadership to unblock some of the challenges in the negotiations will, ultimately, be needed.

One illustration of that is Screen Scotland, which has become an enormous success story, even in these challenging times. There is a fortunate set of conditions around streaming platforms and so on, but ultimately Screen Scotland came about through a combination of political will and the determination to make it happen, the right people in Creative Scotland and Screen Scotland bringing all their expertise to bear, and modest amounts of pounds. Less than £10 million was applied alongside the National Lottery funding for screen to unlock that opportunity. As per the published data last year, in Scotland it is already a £0.5 billion industry, with a view to doubling that figure by 2030.

The combination of the three Ps—political will and determination, the right people and modest pounds—has unlocked an enormous opportunity in that example, and I can see that writ large across all other parts of the culture sector in the right conditions. Ultimately, political leadership will play a key part in unblocking this.

Alasdair Allan: As I said, the question was for anyone to chip in on; that is what these round-table meetings are really for. Does anyone else have a view?

Alex Paterson: I will maybe add another P to Iain Munro's three Ps, in a second. We have talked about mainstreaming a lot over many years, but I am not sure that it gets much beyond the talking. That is part of the challenge.

As part of our reporting to Government, we all submit information in our business cases around key themes—climate change, child poverty and so on. However, we do not see how all that bringing together of what we do around key themes feeds through into the budgeting process. It seems to me to be the same sort of budgeting process that we have had for an awfully long time.

I have three suggestions. One is particular to the historic environment sector. We will have a new strategy for the sector in April this year, ideally. We have tried, while we have consulted on the strategy, to make sure that we speak to lots of people outwith what might normally be defined as the historic environment sector, because if we are going to grow the sector, it needs the economic development agencies, the skills agencies, the Scottish Funding Council and others to come together. Therefore, there might be an opportunity around the new strategy. Under the current strategy, some of the working groups have been quite good at bringing together many different interests from well beyond the sector to work on key things such as skills, climate change and so on.

My second suggestion is about what to do as new structures are put in place. I am not as close to the matter as I used to be, but I think that, at the moment, there are proposals on new regional economic structures being put in place. The sectors that we represent should be around the table discussing those new structures so that we are not a bolt-on or an afterthought, for all the reasons that we have all talked about—our contribution to lots of agendas that are outwith our narrow one, if you like. We need to make sure that we are at all those tables.

A new tourism industry group was set up recently. One of my directors is on it, but it took some effort for us to get us, as the operator of the biggest tourist attractions in Scotland, represented on the national tourism leadership group. Ensuring

that we are around the right tables, particularly in relation to regional economic structures, would be good.

My additional P to add to Ian's three Ps is pilots. We need to continue advocating for mainstreaming and cross-portfolio working, but we need to do some pilots. We could pick some geographic areas to have pilots in, for example, to see how we can do it.

Recently, we had a property where social prescribing, community engagement and all those things were potentially coming together in a project. There are other properties out there where that could be done. We need to run two or three pilots to see how things work and what projects look like, and we need to learn from those pilots. If we can demonstrate how things can actually happen on the ground, that might remove what is often perceived to be the high hurdle of how to mainstream culture and heritage into all sorts of other things. There are a good few communities around Scotland where we could do that.

10:45

Chris Sherrington: What Sir John Leighton said earlier is key: we need to look at culture funding as an opportunity, not a problem, because it is a solution to many problems across the country in relation to many different strategies and portfolios. We need to have more conversations with other sectors, including education and healthcare. Groups such as those that are represented here today need to be represented at those other sectors' committee meetings. That is key.

A key area that we can focus on is education, because that can lead to real benefit. One of the things that I was most heartened by at the cross-party group meeting was the amount of music education that goes on and is available for youngsters. However, a key challenge is that music is viewed more as a pastime or hobby; not a lot is done on career development. As well as artistic performances, we should look at other areas: crews, promoters and setting up and running organisations, for example. Not a lot of education on that or on career development is provided. Most people who are involved in the arts—at the grass-roots level, in particular—have an artistic background and not a business background, so they often just fall into the business side of the arts. More conversations are needed between culture and education in relation to the benefits.

Because many people have portfolio careers, we tend to find that, in the real world, they work in multiple areas. I know a number of people who, as well as working in the arts, work in education or

healthcare. Enabling networking at a local level is really important. We find that, at local government level, there is often a challenge in getting creatives involved in areas such as education. To be fair, even getting them involved in talking to local government about culture is very difficult. There should be more regional networks, which could have an impact on education in a city, for example.

My background is as a venue owner in York. I soon found that, when venue owners and arts organisations were able to have conversations with local government, they were able to say, "We have a problem in education—we want to involve children, but we need spaces." Getting people involved with local government means that councillors and people who work in local government can say, "We have problems in this area, so other sectors might be able to get involved and help to provide solutions."

It is key that we look at regional and local government because, as Don Smith mentioned, that is where a lot of investment in the arts and in other areas takes place. It is really important to have cultural hubs and more facilitation of regional networking for culture.

The Convener: Last night, we hosted the Scottish Youth Film Foundation. That organisation, which started by working in schools in Armadale, is a great example that has developed and is now feeding people through to working in the arts. That is quite profound, and it was timely to have hosted that organisation last night.

Donald Smith: What has been common to the past couple of contributions has been mention of the importance of working up from a community base. There is more cross-budget collaboration and co-operation at that level than we might realise. Central policy making is important in that regard, because there is emphasis on sustainability and community place making, and culture has a big contribution to make at that level. That work is beginning to happen, so need to think about how we can strategically support it at the overall budget level.

We sometimes speak about heritage and culture as two different things, but at the local level, heritage and culture absolutely belong together. Traditional Arts and Culture Scotland and Historic Environment Scotland have been looking at the area of intangible cultural heritage, which is an internationally recognised category. There is a possibility that the UK might consider joining the United Nations Educational, Scientific and Cultural Organization's Convention for the Safeguarding of the Intangible Cultural Heritage. That is about looking at the assets of an area in terms of music, story, creative energy and all the rest of it. We are very rich in that, in Scotland.

That brings us back to the fact that there are huge positives. I believe that this kind of cross-budget and cross-organisational working is happening and will grow. Therefore, we are back to the positive trajectory—we are not snuffing out something that is happening and that could happen on a larger and very fruitful scale.

If we do all that, the other critical thing will be citizen support. There is huge public support for community-based creative working and for creative opportunities for young people. We are not talking about something obscure and narrow that is supported by only a certain set of organisations and corporate bodies. People want this; people want this for their families and their kids for the future.

Maurice Golden (North East Scotland) (Con):

I will pick up the topic of net zero, and I will start with you, Alex Paterson, because you mentioned it in some of your previous answers. Clearly, net zero will remain a focus, but given the budget settlement and the capital budget in particular, what progress are you likely to be able to make in that area, particularly with regard to estates and buildings?

Alex Paterson: I hope that we can make quite a lot of progress. I wrote to the committee after the last time that we were here on a range of practical interventions that we were making, which ranged from improvements to the estate, to waste strategies and responsible tourism initiatives that we want to roll out. We want to continue to do that, and delivering our climate action plan is a top priority for the organisation.

One of the things that I said last time—I will say it again because it is very relevant to this—was that achieving the net zero ambitions for Scotland requires things to be done across the historic environment estate. The reuse and retrofit of buildings to make them energy efficient is vital. As I said last time, one of the key contributors to that is skills. With regard to our net zero aspirations, we will not achieve what we want to achieve as a nation without the skilled people whom we need to deliver these things.

My very basic example is that we can improve the energy efficiency of historic properties, but if the fabric of them is not right we will compromise their energy efficiency. Therefore, investing in stone masonry and traditional skills is critical. Those things are a real challenge for the sector. This year, I think that we have taken on our largest ever apprenticeship intake, but there are challenges around the wider sector with regard to stone masonry and other traditional skills. We are doing a bit of work on that with a view to creating a sustainable future.

There are various dimensions to my answer. As an organisation, we are hugely committed to the net zero agenda as it manifests itself in various ways. On the estate, where we can make investments that deliver that, we will. The most recent one was solar panels at Edinburgh castle, but our team is working on other interventions across the country. However, beyond that—and to go back to the mainstreaming point—the issue is about how we get the message out there that the reuse and retrofitting of historic properties, using the right skilled tradesmen and improving energy efficiency, will make a huge contribution to the national aspirations for net zero.

John Leighton: Like HES, we are completely and hugely committed to the path to net zero. As the guardian of five grade-A historic buildings, we still have some work to do to make those as energy efficient as possible.

I touched on this at the previous meeting. The first of three things that would be part of our planning would be what we do with our own infrastructure and estates, and how we make them as efficient as possible. The second would be what we have to do to protect the collection from the effects of climate change, which we are already seeing dramatically, and how we operate as an organisation to minimise our impact on the environment through things such as travel and international loans and so on.

A project that is related to that and which is important to us is the creation of a new collections facility in north Edinburgh, which would do away with the need for a number of inefficient stores while creating a new hub to Passivhaus standards that would allow us to look after the collection properly and to distribute it locally, nationally and internationally in efficient ways.

The third strand, which is also incredibly important, is about how we, in our programming, introduce and raise awareness of climate change. The last time that I was before the committee, I said that, in some ways, artists are

“the canaries down the coalmine of society.”—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 29 September 2022; c 40.]

Many artists, particularly contemporary artists, feel extremely strongly about or are very engaged with climate change issues. Providing a platform for them helps generally with the construction of arguments for the urgency for action and with raising awareness across society. Those are, in short, some of the key factors in our planning ahead.

Chris Sherrington: Although there is massive commitment in the grass-roots music sector to net zero, and many operators are doing what they can in the way of recycling and the use of materials,

the biggest challenge that we have is ownership of the infrastructure. As I said earlier, 93 per cent of the venues are not owned by the people who operate them. They are owned by commercial landlords, so the venue operators are not able to make changes. Whether they want to put in better insulation or improve their suppliers or even add solar panels and address other energy challenges, they do not have the opportunity to do that. That is specific to the grass-roots sector. Not everything works for all layers of culture. We have slightly different operations from those in other areas, which is why we are looking for support for purchasing those spaces.

We are looking at investment, not just at the purchase of all the venues for safeguarding, and we are looking for that to be community led and done in a responsible way. Further support for that, whether it be through actual funds or through helping with the mechanisms for moving such venues from commercial ownership into more community-based schemes, would be good.

I will tell you about one of the challenges around that. We have previously done work on asset of community value, which has had some success but, in general, it is not an easy system to implement. In the future, it would be good to look at compulsory purchase and other ways in which we can recognise these cultural sites. One of the biggest challenges that we face is that venues last for five to 10 years and then are lost. It is difficult to find spaces like them for such performances, so we are concerned that, once we lose these venues, we will not be able to replicate them. We have not seen a new grass-roots music venue being built for many a year, so it is important to look at that and allow those venues, which are driven to make changes so that they are carbon neutral, to look at how they do that.

Donald Smith: On a practical point, a lot of arts venues in Scotland are not energy efficient. They need investment to get up to the carbon reduction agenda. If we take money out of the arts lottery funds to prop up revenue funds for organisational grants, we are actually depleting one of the potential key sources of investment for improving the arts infrastructure environmentally.

11:00

Moira Jeffrey: Last June, I took a group of artists to the Scottish Council for Voluntary Organisations annual gathering. We took three artists to meet around 50 charitable organisations that work in the carbon reduction and net zero area. Those three artists demonstrated to potential partners how they are leading the conversation. We had artists who were working on articulating the amazing resource that we have in Scotland's rainforest in Argyll, and we had a curator from

Oban talk about that imperative in the beautiful landscape of Oban. It is often difficult to understand and articulate the climate crisis in such an area, because it is damp, beautiful and green, so how do we articulate those issues? The curator there was building a coalition of local organisations to have that conversation.

We also had internationally renowned artist Robyn Woolston talk about her work and the oil economy. She is based in the Highlands but had been working in Texas, and she has shown a major exhibition at the University of Texas. Artists are leading those conversations, and investment in artists is investment those conversations. "Canary in the coalmine" is the exact phrase that I was going to use, but Sir John got there first. That is a critical issue.

Many of our member organisations work in found buildings, historic spaces and heritage buildings. We have talked about people working in town centres and taking over buildings that have fallen out of use. Those organisations are desperate for support for carbon adaptation. Part of the conditions of funding from Creative Scotland is that organisations carry out carbon monitoring and are committed to carbon reduction. Every year we fill in a form to say how much we are reducing our waste. We are doing that work, but the support that we require for buildings is not reaching us. There are no clear mechanisms for that support.

Artists and organisations generally lead low-carbon lifestyles. I often say that one way to support artists is through active and sustainable travel. I work in a building where the landlord—Workshop and Artists Studio Provision Scotland—has invested in cycling facilities, so we can do that work, and we are doing it. Culture is at the vanguard of this conversation, but it desperately needs support for carbon adaptation.

Iain Munro: I will reinforce a few points, if I may. Creative Scotland and the sector are committed to the net zero agenda, in the way that you have just heard about. Last year we published our climate emergency and sustainability plan, which draws on 10 years' worth of our work. We have picked all the low-hanging fruit, and the plan is intended to move us on, because there is strong feeling in the sector on the agenda.

There is a combination of things in the plan, some of which are about how we can look at carbon budgets, funding criteria and practical support. The adaptation point is a critical one, but adaptation is very underresourced at the moment. Changing that will be key to achieving the cultural sector's path to net zero.

In summary, the issue has three layers to it. The first is the work that our organisation does on carbon management and climate sustainability

and what we can then translate into the second layer, which is the work of the organisations and people whom we support and how they do it. The third layer, which is important to recognise, is the work of artists and cultural organisations. That work goes on to inspire, influence, inform and change behaviours around the whole agenda. There is a ripple effect that takes care of the hard nuts and bolts of the issue, but there is a softer dimension that relates to how that work informs and influences public opinion and behaviours. It is important not to lose sight of that dimension, but, yet again, we need investment to be able to achieve that.

Sarah Boyack: This has been an excellent discussion. I took out of our previous round-table discussion the phrase “the perfect storm” and the challenge of keeping the doors open and the lights on. Today, I have heard that culture and heritage are in our DNA but that we need to avoid the culture of doom.

Given the cuts that you have talked about from the start of our discussion today, is there a need to have rescue plans to keep organisations viable? I give the closure of Filmhouse as an example. Nobody saw that coming. It came as a total shock. The organisation went into administration and there was no space for a potential rescue plan. There are still discussions, but the moment an organisation is in administration, there is a very different trajectory.

Given that it is much easier to save a project than to deal with the wider negative impacts of loss, and given that everybody has talked about the benefits of culture, is there something that we need to do, such as creating crisis plans, in order to get wider cross-Government support? In the case of Filmhouse, we will potentially lose two cinemas, with a massive impact on the Edinburgh international film festival, and there are impacts on jobs, the economy, culture and education.

Is there something that we need to do now to avoid walking into further crises? Should we be asking Government to provide support and stop the cuts? From what you have said, particularly in your opening contributions, it seems that many organisations across Scotland are moving into a very difficult position. I am looking at Iain Munro, because we started with him and he has the big cuts coming up.

Iain Munro: Indeed. I will return to a couple of points that I made initially. I think that the situation was born out of systemic underinvestment in the sector for many years. We are now about to go beyond the tipping point. When things are gone, they are gone, as has been said, and it is very hard to recover from that. It is much better to take a strategic approach that seeks to manage the situation, with everybody being involved, whatever

the budget situation is. As we have noted, for just a little bit more, we could reverse the prospects and fortunes that we have been talking about, and the negative outcomes. Actually, the positive contribution that the sector makes is enormous, and that is understood. We need to unlock that opportunity.

Our ability to navigate the situation has now been severely curtailed by our having to use national lottery reserves to offset the cut. Those reserves were going to be part of our helping to manage the strategic context and reach a different outcome from the one that we are currently facing. If we use them to offset the cut, they will no longer be available to be used for those purposes. How will we be able to afford those things? People are at risk in the immediate short term, but we have no financial flexibility. There are no financial safety nets in place to enable us to address the potential outcomes.

That is why I said at the outset that I am very concerned about the short, medium and long-term futures. I do not think that this is at all about a recovery agenda. This is about survival. As I said, the energy and focus of an already exhausted sector are turning to survival. Energy that is used for that is energy that is not channelled into creative work or output that will deliver all the positive benefits and value that we know about.

At the moment, I am struggling to see beyond trying to bring people together to have practical conversations. How can we oil the wheels of the change that is going to be necessary for us to understand how we can take ourselves towards a more confident future? How can we take control of that rather than letting things happen by default?

Donald Smith: It is 11 months until there will be a new Scottish budget. I support Sarah Boyack’s point. I think that Creative Scotland needs to lead on coming up with some kind of rescue plan for the arts sector that takes into account the difficulties and severe risks that are being faced.

We perhaps have a window of 10 or 11 months to get a handle on the specifics and to present a case for the next budget, because we are in the interim period. We have to use that time to look forward. It is tough, but we are hopeful that we can take a core base through the coming very difficult period and ensure that we hold on to all the positives that we have discussed.

I hope that the committee will not go away from the meeting with the presumption that nothing can be done. We have to roll up our sleeves and find out the exact dimensions of the issue. We can then see what the potential is for getting through the period and shifting the dial. I am not sure, but I think that that is maybe what was behind Sarah Boyack’s question.

Moira Jeffrey: It is about money, but it is also clearly about strategic leadership. Our organisations and artists are hitting all the aspirations of the cultural strategy and they are working doubly hard in challenging circumstances. At the moment, it feels as if they are operating in a strategic vacuum. There is a lack of clarity about who would be saved and why, because they are meeting all the outcomes in the performance framework and they are performing extraordinarily well in really difficult circumstances. Therefore, there needs to be a plan and a clear sense of strategic vision for the future.

Chris Sherrington: One of the key points that Sarah Boyack made was when she said that nobody saw that coming for Filmhouse. One of the challenges that we have identified is that, because many of our organisations are commercial rather than charities and do not have reserves in place, they need a support structure to enable them to tell people that they are in trouble. As a charity that has just become registered in Scotland, one of the major issues that we have had is that we have been unable to support many of our members, because we are unable to get funding for co-ordinators to represent venues and talk about the issues. One of the reasons why I am here, rather than a Scottish co-ordinator from our charity, is because we are currently not able to put one in place.

It is key that we support organisations to bring up issues with the Government and say what is going on at the grass-roots level. That applies to any arts organisation, and it does not take a lot of investment. Unfortunately, our sector in Scotland is not represented in the way that happens in the other nations in the UK—we have co-ordinators in England and Wales—and that is mainly down to funding. That is not just about Government; I am talking about investment from other areas, too, and from the sector. That is an important point.

I mentioned previously that the venues and other organisations need to be able to say, “Can we not pay at the moment?” We are aware that they are in a tough situation, so we need to consider how we can reduce their costs. I mentioned business rates, which are a major challenge for our sector. The issue applies only to us in the culture sector, because of the way that many of our organisations are run. I mentioned a figure of £1 million. To make that back in ticket prices, it would cost £5 million, because we have other costs. If we were to make it back from hospitality and retail sales, it would cost £3.5 million. However, it would actually just be easier not to pay the £1 million.

That could be done at national level, or support could be given to local authorities. We mentioned earlier that local authorities are key to culture in

their areas and know exactly what is going on, so perhaps they could be given more discretionary powers on that. If an authority understands that organisations cannot afford the cost now but will be able to do so next year, it should be able to say that they do not have to pay for the moment. It is key to give local authorities more discretionary powers, because they can identify the issues.

We are aware that some venues are in decent situations and can afford to pay such things. However, local authorities need to be given more discretionary powers in that regard, so that they can offer relief against some of the costs. It is not just about public funding and giving out money; it is about making it easier for organisations to not have to pay as much for other things. There needs to be more interaction so that we know about issues in advance.

A key issue at the moment is that many organisations are so busy fighting fires that they do not have time to ask for help. I mentioned the fund that we set up that offers £5,000 to venues, which involves a 12-question application form. I would have thought that every venue in the country would have been biting our hands off to get some money, yet we are finding that venues are struggling to find the time to apply because they are too busy fighting fires.

Therefore, we also want to give people time. We can do that through creative networks, where people are supported to realise that, instead of dealing only with what is going on day to day, they need to focus on the future. People need to be given the time and the opportunity to do that, and we hope that that will happen.

The Convener: I think that we have exhausted our questions. I thank everyone for what, as Sarah Boyack said, has been a really important and interesting session to have had prior to the budget.

Next week, we will take evidence from the cabinet secretary on the budget. We will also hear from the Swedish ambassador on the priorities of the presidency of the Council of the European Union.

Meeting closed at 11:16.

This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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