

CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

26<sup>th</sup> Meeting, 2023, Session 6

28 September 2023

**Pre-Budget Scrutiny 2024-25: Funding for Culture**

1. The Committee agreed to take a cumulative approach to budget scrutiny over Session 6, focusing on the culture spending portfolio. This inquiry follows on from the Committee's previous pre-budget scrutiny for [2022-23](#) and [2023-24](#).
2. The [call for views](#) was issued on 25 June 2023 and closed on 18 August 2023. It received 67 submissions which are available to view [online](#) and have been [summarised](#) by the Scottish Parliament Information Centre (SPICe).
3. At this meeting, the Committee will take evidence from—
  - Iain Munro, Chief Executive, Creative Scotland
  - Isabel Davis, Executive Director – Screen, Creative Scotland

And then, in a roundtable format, from—

- Lori Anderson, Director, Culture Counts
  - Julia Amour, Director, Festivals Edinburgh
  - David Watt, Chief Executive, Culture and Business Scotland
  - Chris Breward, Director, National Museums Scotland
  - Brenna Hobson, Executive Director, National Theatre of Scotland
  - Francesca Hegyi OBE, Chief Executive, Edinburgh International Festival
4. The roundtable will consider the themes raised in the call for views—
    - **Current operating environment** – How the 'perfect storm' facing the culture sector has evolved over the last 12 months, and what impact the Budget for 2023-24 has had on this;
    - **Innovative funding solutions** – Progress made in the last 12 months on accelerating innovative solutions to budgetary pressures, and what other innovative approaches the Scottish Government could take forward to support the sector; and
    - **Strategic approach** – The role of the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for

the sector, and how the new action plan should help to inform future budgetary decisions.

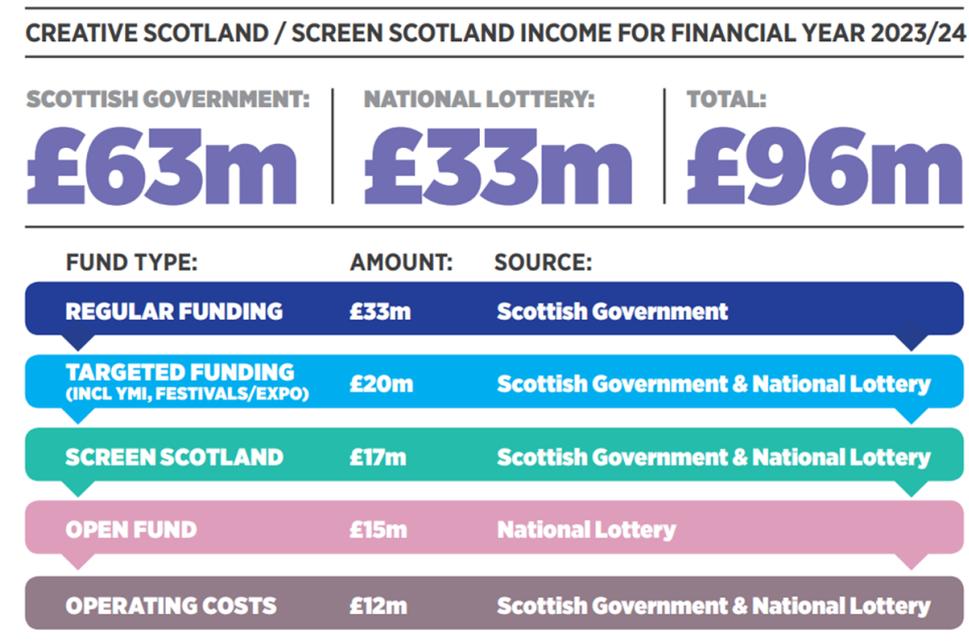
5. Written submissions to the call for views from this week's witnesses are attached at **Annexe A**. The SPICe briefings for last week and this week's meeting are available to view [online](#), as is a SPICe blog post on [Trends in Funding for Culture](#).

**CEEAC Committee Clerks**  
**September 2023**

## Written submission from Creative Scotland

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

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



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

### Context

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

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

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

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



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

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

- [40<sup>th</sup> Orkney Folk Festival](#) – for the first time in four decades sold 8,000 tickets representing an uplift of more than 10% on previous records;
- [Findhorn Bay Festival](#) – returned after a four-year break following COVID-19, delivering an estimated £987,948 in local economic benefit;

- [HebCelt 2023](#) – had 18,000 attendees generating millions for the Lewis economy;
- [Glasgow Film Festival 2023](#) – cinema admissions increased by 25% from the 2022 festival;
- [Festivals – 14 major festivals](#) received a share of the £1.8 million SG Expo Fund, supporting them to maximize national and international opportunities for artists;
- [Edinburgh Fringe – 18 shows from Scotland](#) performed across 9 venues at this year's Edinburgh Fringe Festival, supported by the Festivals Expo Fund (Made in Scotland Showcase);
- [YMI](#) – in the 20th year of the Youth Music Initiative, nearly £1.7 million has been awarded through open routes to 63 community music projects across Scotland.

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

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

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

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

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

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

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

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

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

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

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

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

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

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

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

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

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

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

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

In addition, Creative Scotland has reduced the scope of our Targeted Funding routes due to budget pressures, all of which means that while demand from both cultural and

creative organisations and individuals is increasing year-on-year, the budgets we have at our disposal are decreasing in real terms.

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

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

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

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

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

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

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

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

Culture is comparatively low and consistently below the European average.

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

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

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

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

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

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

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

Continued growth in the screen sector is anticipated by the BFI, Screen Scotland and the UK Government. How Scotland captures that growth is in part dependent on

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

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

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

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

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

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

Given the significant number of organisations that we expect to need this transition support, it is vital that this budget is protected specifically for this purpose. Otherwise,

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

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

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

We have engaged with the Scottish Government processes on the Action Plan refresh to input our advice, knowledge and expertise, where requested and appropriate.

At the risk of repeating what has been set out earlier in this submission, while we welcome the creation of a strategic framework, that sets out clear aims, ambitions and outcomes for the Scottish Government's support for culture, this must be firmly rooted in levels of resource that match that ambition.

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

## Written submission from Culture Counts

The full submission from Culture Counts, including appendices, is available [online](#).

Culture Counts is a network of over 70 arts, heritage and creative industries organisations. Our members are largely representative bodies, as well as some events and performing companies. We welcome the committee's continued engagement on the issue of the future of funding for culture, which has never been more vital.

Our response builds upon our evidence and recommendations for the 23-24 inquiry ([Our evidence to the culture funding inquiry — Culture Counts](#)), as well as consulting with our Core Members and sector stakeholders for up to date evidence on the central issues (see appendix I), as well as consideration of relevant academic and industry research (see appendix II). We have received evidence from individual artists and organisations from museums and galleries, theatre, art, health care and access for disabled people, Local Authority and Local Authority Culture Trusts, libraries, playwrights, literature, music, voluntary arts, environmental, archives, skills and craft.

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

Evidence and testimony from across the cultural sector are clear - at best, the position relative to 2023-24 has remained the same, but more often the position for organisations, cultural workers and artists has significantly worsened.

When considering the present culture sector landscape, it's clear that factors outlined in the CEEAC Committee report last year remain live and urgent. The overall economic picture is extremely challenging. High inflation and rising interest rates are acutely impacting the culture sector. The impacts of Brexit are ongoing, and the sector is still in recovery from the pandemic with audience numbers in most areas still to reach pre-pandemic levels and now exacerbated by the cost-of-living crisis. The effect of almost a decade of standstill investment in many parts of the Culture Portfolio is a deepening real terms cut. Recent [analysis by the Scottish Parliament's Information Centre](#) demonstrates those trends.

Our evidence (Appendix 1) and others' submission from across the culture sector will provide the sobering examples of the current position; the venue closures; the reduced cultural services; the losses and toll on the workforce and freelancers; and the precarity across the whole sector as income generation is exhausted and financial

reserves are depleted. The sector remains in crisis with some predicting they may not be here in 24-25 and the post pandemic will to 'build back better' mostly forgotten.

The recommendations in the Committee's report last year were disappointingly not reflected in the Scottish Government's initial draft budget for 23-24, which most concerningly contained a proposed 10% cut to Creative Scotland (CS), with further cuts or standstill funding for other areas of the culture portfolio. The cut to Creative Scotland went against all evidence provided and was a moment of regression rather than progress. Reversing this cut was hugely welcomed, however it only came about after a significant and hard-fought campaigning from the culture sector and public. In the year since, the real terms value of investment in many parts of the culture sector continues to fall.

Scotland's cultural sector is world-class. However, spending on culture has not been a budget priority for the Scottish Government or Local Government in recent years. Last year, the Constitution, External Affairs and Culture (CEAC) portfolio was 0.58% of total Government spending ([Scottish Budget: 2023-24 \(www.gov.scot\)](http://www.gov.scot)). This was one of the lowest areas of Government investment (surpassed only by spending on the Deputy First Minister, Crown Office and Procurator Fiscal).

Spending remains miles from the recommendation in the [2019 CEEAC report, Putting Artists in the Picture](#), that culture should establish a baseline target for culture funding above 1% of the Scottish Government's overall budget, on a cross-portfolio basis. This remains the goal and would see a budget of £597mil (based on the 23/24 budget) providing an additional £250mil.

Within the CEAC portfolio, sustained investment in critical parts of Scotland's core cultural infrastructure have not been prioritised. Since 2015-2016, the majority of Creative Scotland's 120 Regular Funded Organisations have received standstill funding, meaning approximately 31% ([Bank of England Inflation Calculator](#)) of the value of the Government's investment in these organisations has disappeared.

Looking at Creative Scotland's income more widely, ignoring the very welcomed emergency covid funding, the total grant funding for Creative Scotland in 2021-22 was about 10% lower in real terms than in 2014-15. This is despite the Scottish Government providing additional money for Screen Scotland since 2018-19. Therefore, the real terms cuts to the areas of Creative Scotland since 2014-15, that are not screen related, are substantially more than 10% ([Scottish Parliament Information Centre Briefing](#)).

Artists, makers, and creatives are the heart of the sector and need to be paid fairly for all that they do and produce. The main source of Scotland's funding for individual artists stems from National Lottery income distributed by Creative Scotland. CS

received £34.4m from the National Lottery in 2015-16, falling to £31.5m in 2022-23. ([Scottish Parliament Information Centre Briefing](#)). This is a real terms reduction of 30% in the value of support available to individual artists and one-off projects by cultural organisations. ([Bank of England Inflation Calculator](#)) Given the Scottish Government's commitment to individual artists and freelance practitioners, there is an inadequacy of the funding levels available to individual artists.

Short-term and annualised funding settlements are not conducive to forward planning, organisational and staff security and achieving long-term change. It puts the sector under significant pressure and creates an unproductive environment of uncertainty and competition when we should be encouraging strategic and sustainable planning and collaboration. The late confirmation of budget levels compounds the challenges of forward planning and programming. Implementing Multi-year funding would enable long-term planning and is key to future proofing. Doing so will fulfil the Scottish Government manifesto commitment of delivering three-year funding settlements, which has yet to be delivered. Fast and responsive investment being made available for initiatives such as the Culture Collective was welcome and has been hugely successful, however the legacy of such investment initiatives needs to be considered at the outset as the long-term benefits are under threat with funding due to end and no continuation available.

Outwith the Creative Scotland ecosystem, the picture is no better. Funding for Scotland's National Performing Companies has remained flat in cash terms since 2016-17. This represents a real terms cut of over 20% in the past ten years ([Scottish Parliament Information Centre Briefing](#)). Six of Scotland's leading independent producing theatres have recently published a stark [report](#) outlining immediate risks to their sustainability. At a community level, 1mil Scots participate in local creative groups but these need the infrastructure of support organisations, without which would see a loss of opportunities to participate and increased social isolation. ([Creative Lives](#))

Where the picture is most bleak is in Local Authorities, where since 2015-16, the real terms value of investment in Libraries, Museums, Galleries, and other cultural heritage has fallen by nearly 40% ([Scottish Parliament Information Centre Briefing](#)). The majority of cultural facilities are free at the point of delivery (which must be protected), and therefore have limited opportunity to secure additional income to mitigate additional costs. Over half of Community Leisure UK members have reported that their services will be unsustainable within two years without further intervention or significantly restructuring service delivery. It is important to recognise any funding into public culture as an investment, supporting the health and wellbeing of communities, and not a cost.

Despite efforts to develop investment through philanthropy and business sponsorship cuts of 33% were made to the Culture & Business Fund Scotland in 2022 and

maintained for 2023/24. In a time where funding is decreasing, sponsorship provides an alternative and vital revenue stream and the C&BS Fund can act as a key incentive tool to achieve sponsorship. Reductions to the scheme do not help to develop the philanthropic business sector that we need.

The sector has welcomed the Scottish Government support and collaboration with the UK Government to secure cultural tax breaks including Exhibition Tax Relief, Theatre Tax Relief, Orchestra Relief, energy bills relief scheme, etc. This has provided a lifeline for many organisations without which their financial situation would be much bleaker. We would urge the Scottish Government to work to maintain these commitments and collaborate further with the UK Government on future investment opportunities, however, these alone, are not enough to rebalance the gap in investment that the sector has experienced or provide the sustainability the sector needs.

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

The Creative Industries contribute more than £5 billion to the Scottish economy every year. They comprise of over 15,000 businesses employing more 70,000 people and make a vital contribution to the national wealth and international reputation. Despite this there has been a lack of progress in the development of existing and new forms of cultural investment and businesses and jobs are now at stake. Culture Counts has seen little progress against the recommendations outlined in the CEEAC Committee's report, or in the Government's own commitments. While past recommendations made by the Committee and Culture Counts ([12 recommendations for culture funding — Culture Counts](#)) remain relevant, they no longer go far enough. To secure the future of Scotland's cultural sector, urgent and transformative action is needed.

The culture sector is inherently innovative and creative across all that it does including in diversifying its income, which is why it has survived in recent years. It has, however exhausted cost cutting initiatives and innovative schemes for diversifying income at an organisational level. Fundraising is increasingly challenging with funders experiencing increased demand, many are moving to support different priorities and success rates are plummeting. The sector reports that it is at capacity without significantly compromising its core services and mission. Further change and adaptation is of course possible, but additional budgets and interventions are urgently needed at a government level.

## Increased Investment

Scotland's spend on culture as a percentage of GDP is still one of the lowest in Europe lying 28th out of the 34 nations ([Statistics | Eurostat \(europa.eu\)](#) 2021 and [Country and regional analysis: 2022 - GOV.UK \(www.gov.uk\)](#)). If Scotland aspires to set an international example as a progressive nation and lead the way in its cultural investment, then the current budget levels need to significantly improve to realise this and meet the ambitions proposed within the cultural strategies.

Creative Scotland has recently [announced the demand for its new multi-year funding programme](#) is £113m annually from 500 organisations. The RFO network (predecessor to the multi-year funding programme) had a budget of £32.7mil in 2023-24 ([Creative Scotland Annual Plan 23-24](#)) This provides a clear indication of the scale of ambition, the impacts of rising costs and need that exists across Scotland's culture and creative sector. However, this picture is from only one strand of Creative Scotland's funding portfolio and does not reflect the need from their other programmes or from the rest of the sector outwith Creative Scotland's remit.

- **Budget increase:** Culture Counts is recommending an increase to the Constitution, External Affairs and Culture Portfolio budget for 24-25 at **30%** of the 23-24 budget
  - The value of a 30% uplift would be **£104mil**
  - Based on the 2023-24 Budget, the portfolio would represent **0.76%** of total Scottish Government spending.
  - The proposed uplift would represent an increase of **0.16%** of total Scottish Government spending

This investment would go a long way to securing the future of Scotland's world leading cultural sector, and position us to deliver shared strategic priorities, but increased investment alone is not enough. In addition to the above we are recommending the following actions be taken, to ensure that this approach is protected in the longer-term:

- **Establishing a baseline:** the 24-25 Culture funding level is recognised as a baseline level of investment.
- **NPF indicator:** Government investment in Culture is included as an indicator in the National Performance Framework. In future years:
  - investment falling below the 24-25 baseline is recognised as performance worsening.
  - the 24-25 level + inflation is performance maintaining.
  - additional investment is performance improving.
- **Multi-year funding settlements:** Using the newly established baseline outlined above, that the Scottish Government fulfils its manifesto commitment of delivering three-year funding settlements to the culture sector.

- **Future investment decisions** should be taken in a way which prioritises the long-term health of the culture sector.

Government investment is only one part of Scotland's cultural ecosystem. It is also essential that the **Scottish Government works with COSLA and Local Government**, building on the newly established Verity Agreement to mitigate and reverse the hollowing out of Local Authority cultural services, which have sustained a 39% real-terms cut since 2015-16. ([Scottish Parliament Information Centre Briefing](#), [Bank of England Inflation Calculator](#)).

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

At the time of this consultation, a refreshed Cultural Strategy Action Plan has not yet been published which makes identifying ways it can inform future budgetary decisions difficult. The sector would welcome an Action Plan which puts audiences and artists at its centre and provides a forward-looking long term strategic approach to cultural activity, leadership, delivery and funding and integrates thinking from the strategic cultural work under development including the International Culture Strategy. We would additionally urgently call for a Strategy for the Creative Industries and for clarity on where leadership on the creative economy currently lies. As things stand, strategic ambitions do not match with need and the resource available and there is a real risk that the sector will be too lean to change and respond to the refreshed Action Plan without significant investment.

A strategic approach to Cross Policy Working is urgently needed with identified leadership that understands the intrinsic value of culture of and in itself and that cultural participation has wider benefits that support our wellbeing and builds wealth in our communities. Cross-portfolio working is implemented most successfully from the ground up. Across the culture sector there are multiple examples of collaborative models with the public and third sectors to deliver activity which supports early intervention and prevention which consequently reduce demand of higher tariff public community, social care and health services. Investment, a strategic approach and commitment across Government departments is now required to work towards transferring public investment through procurement and collaborative solutions to deliver change at a transformative level. Some work has already begun to map out where arts, heritage and creative industries can deliver on outcomes across Justice; Social Security; Health; Education and Economy. Further work is required to identify ways to secure cross-portfolio investment and understanding of the benefits of culture, particularly with the increased demand for social prescribing and creative therapies to support mental health and well-being. Initiatives such as the introduction of a % for

culture scheme from all Scottish Government infrastructure projects could further this approach. This scheme was an SNP manifesto commitment and should be realised as a matter of urgency.

Transparent and inclusive strategies, processes and cross-party commitments are vital to the sector's development but without a shift in investment the sector will continue to decline. An increased budget must be passed on to those who have been on standstill funding or have not received support over the last decade to make up for the real terms loss and to provide security and sustainability to achieve the ambitions and to meet the requirements in the areas of carbon reduction and moving to net zero, fair work and equality, diversity, and inclusion.

The lack of available money to invest in the sector argument made by Government prevents meaningful engagement and discussion. The barriers to providing appropriate investment and a multi-year settlement are unclear given that the culture budget has represented such a low percentage of the overall budget, the risks to committing for at least three years are relatively low compared to the benefits this would deliver.

Furthermore, significant changes to the Fiscal Framework were agreed last month, which doubled Scotland's borrowing capability (to £600mil), removed the withdrawal limit from the Scotland Reserve and ensures that borrowing and reserve limits will now grow with inflation. These changes allow the Scottish Government significantly greater flexibility in accommodating the budgetary need and addressing barriers to delivering the multi-year funding settlement manifesto commitment.

The recently released Government Expenditure and Review (GERS) figures were described by the Wellbeing Economy Secretary Neil Gray, as demonstrating that "Scotland's finances are improving at a faster rate than the UK as a whole, with revenue driven by Scotland's progressive approach to income tax and our vibrant energy sector." ([BBC News](#)) The figures estimated Scottish public sector revenue at £85.7bn and total spending for the benefit of Scotland at £106.6bn.

In the context of these figures, the amount needed to provide much-needed stability and secure the future of the culture sector is tiny. In 2023-24, the overall value of the Scottish Government's budget was £59.8bn ([Scottish Government Budget 23-24](#)). The 30% uplift in investment that the sector so desperately needs, would represent Scottish Government directing 0.16% more of their overall spending to Culture.

By taking decisive action on culture change and investment, Scottish Government would halt the decline and go some way towards securing Scotland's place as a cultural world leader and unlock enormous benefits for Scotland's society and economy.

## Written submission from Festivals Edinburgh

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

**Visible damage:** During the period of the Committee’s previous pre-budget scrutiny, Scotland saw several high-profile examples of the ‘perfect storm’ of financial pressures damaging Scottish cultural organisations – reducing cultural opportunities and leaving creative workers in a fragile position. In Edinburgh alone, announcements over the autumn and winter included the shock fall into administration of the Centre for the Moving Image, parent charity of the Edinburgh International Film Festival; restructuring of the Edinburgh International Book Festival which experienced a 40% drop in ticket and book sales in 2022; and the announcement from Dancebase of the need to reduce classes and staff numbers due to soaring costs. More recently, six leading independent producing theatres across Scotland have published a stark report outlining immediate risks to their sustainability.

**Hidden effects:** The reality is that instability and fragility are endemic. This is despite all the measures already taken across cultural organisations to reshape to cope with reduced audience numbers and higher costs post-pandemic: including examples across different Edinburgh Festivals of scaling down of staff numbers, infrastructure and project budgets; increasing co-productions with other partners; reducing travel costs; generating six figure savings on e-ticketing; increasing donor fundraising by 240% since the financial crisis; and sharing specialist back office suppliers across box office, finance and marketing.

**Mismatch between ambition and resources:** The 13-year time series of collective Edinburgh Festivals research is unusual in enabling us to provide long-term analysis that illuminates a much wider problem across Scotland’s cultural infrastructure. An updated economic impact analysis for the 2022 season was published in June this year, shortly after an independent evaluation of the first three years of the collective Platforms for Creative Excellence programme. Together these show that the festivals are delivering around 150% of the cultural, economic and social benefits offered in 2010, on public support that has only 50% of the purchasing power. This is fundamentally unsustainable, because the focus of public funding has increasingly been on delivering these ends without supporting the means to create them through nurturing cultural innovation.

For example, enhanced public value delivered by Edinburgh’s Festivals for the past five years is under threat because there is currently no plan from Scottish Government

or City of Edinburgh Council to help secure the legacy of the Platforms for Creative Excellence programme beyond 2023. This is despite the external evaluation demonstrating that by 2022 the programme had succeeded in enabling Edinburgh's Festivals to offer 133 additional programme partnerships a year; professional development for over 550 participants; and community and schools engagement increased by 33% and 70% respectively. These are exactly the benefits that public funders want to see maximised through the festivals' platforms and yet they are at risk due to relentless cost pressures on the fundamental business of festivals production. The skills, values and working practices of the festivals have evolved for the long term, but it is challenging to secure future resources to continue this work at scale without a foundational public funding commitment.

There is a mismatch between the levels of public investment, and Scotland's ambition to place culture at the centre of Scottish life and extend its benefits to more people. We recognise that addressing this central problem is far from easy given the intense pressure on public funding - but if there is no closure of the gap of around a third between the EU average level of investment in culture, and the percentage of government spending allocated in the UK and Scotland, there must be a realistic rebasing of expectations.

**Erosion of investment:** We welcomed the Deputy First Minister's announcement in February that Scottish Government were not going to require Creative Scotland to use £6.6m from accumulated lottery reserves to make up for lower grant funding, but were very disappointed that only a public campaign rolled back this further erosion in the value of public support for culture in Scotland, which for our cluster has reduced by over 40% since 2010. We assume that this £6.6m is being held to help towards transition when Creative Scotland begins to make decisions on its new portfolio of multi-year funding awards in 2024 – but when the Edinburgh Festivals cluster alone accounts for an inflationary gap of £5m in public support that has opened up since 2010, it reveals how inadequate national reserves are to address necessary restructuring.

Even restoring the inflationary gap would only bring the position back to 2010 levels, when at UK and international levels there has been continual investment for the past 13 years in realising the strategic benefits of festivals for creative industries, communities, and national reputations. So we have also done an exercise to understand what is the additional collective investment needed from all sources to put Edinburgh's Festivals back on track to achieve the 2030 Festival City vision agreed with local and national authorities - and this gives a further figure in the region of £8 million a year.

**Continuing uncertainty:** Turning to issues of Scottish Government's in-year budgeting, the lateness of confirming 2023-24 individual budget lines compounded the problems of giving certainty to cultural workers and bringing creative content to

audiences. For one budget line, confirmation came in April that in previous years had come in January. With the outputs scheduled to appear only three or four months later, in some cases this resulted in creatives having to look for other work because they could not rely on an offer from the festivals turning into a concrete contract. With another budget line, there has been discussion of possible additional funds after the mid year point. We understand that these efforts are made in good faith in stretched circumstances, but budgeting that operates on a less than annual cycle is very destabilising to the publicly supported culture sector, and to the wider supply chain of mainly micro-businesses and freelancers, and could undermine the ability of charity trustees to sign off organisational finances as a going concern

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

Last year we called for acceleration of Scottish Government's exploration of the policy to create a Percentage for the Arts scheme, where 1% of funding for major public buildings would go towards community art commissions – but we have seen no public update on progress in the past 12 months.

The introduction of Visitor Levy legislation in the Scottish Parliament creates a new option for some local authorities to generate new revenues for reinvestment. City of Edinburgh Council is in detailed planning about how it could set up a scheme. Many civil society partners are concerned that local authorities raising this levy will focus on statutory priorities when non-statutory priorities like culture have seen the heaviest cuts since 2010, although culture is a leading driver of visitation. During the Parliamentary process, we will ask for a strengthening of the requirement in the Bill that revenues should not be spent on core services, but reinvested in measures to support the local authority and its residents to enjoy the benefits of strong and sustainable visitor economies including vibrant local cultural scenes.

Counter to this positive development in supporting a new potential revenue stream, there have been several policy areas including short-term lets regulation and alcohol marketing restrictions which would introduce further budgetary pressures and where cross-portfolio implications should have been better considered ahead of legislation being introduced or considered. On Short-term lets regulation, the six month delay to the licensing registration deadline avoided major damage to the 2023 visitor season, but there have been no other changes to recognise the importance of having a solid evidence base before making a major intervention in the market. While supporting measures that will improve the housing crisis, we are anxious that many second property owners may simply leave their properties empty, and we believe that unduly

onerous provisions for six week exemptions will damage the opportunities to share the benefits of major events with local people who want to share their own homes and be part of the experience. We continue to believe that short-term homestays should be removed from the legislation at national level, given that householders may house long-term lodgers without additional licensing requirements.

Scottish Government has recently consulted on the National events strategy, and responses including from Festivals Edinburgh and Culture Counts have highlighted that the strategy must consider the balance of investment between original homegrown events and itinerant one-off events, to prioritise where the best leverage is to be found across a range of economic, reputational, cultural and social impacts. Impact analysis already available to the Scottish Government shows that original homegrown events have a higher rate of return, but this does not seem to be reflected in prioritisation decisions. The newly published economic impact figures for Edinburgh's Festivals in 2022 show that the return on investment for every public pound was nearly 10 times stronger than for the 2014 Commonwealth Games. This is only an illustration of the wider leverage that the culture sector across Scotland can deliver. We celebrate the UCI World Cycling Championships in Scotland this year, while also wishing to highlight all that the Edinburgh Festivals could achieve with a doubling of investment from Scottish Government which would bring us to a similar level of support - and all that could no doubt be similarly achieved by our fellow major homegrown festivals such as Celtic Connections, Glasgow International, Sonica and Glasgow Film Festival who are also recognised by Scottish Government as powerful international career platforms for the whole country

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

Festivals Edinburgh is a member of the national Culture Counts policy network and we have contributed to their response on issues affecting the whole cultural ecosystem. Overall, without addressing the 13-year erosion of public investment in the culture sector, there is a risk that the sector will be too fragile to respond effectively to the priorities of the action plan when published.

The refreshed Culture Strategy Action Plan should explicitly address the issue of the mismatch between ambitions and resources – the predecessor to this Committee recommended in 2019 that Scottish Government aim to invest at least 1% of government funding in culture on a cross-portfolio basis, and this should be a clear commitment for Scottish Government to shape its actions towards.

Scotland's strength lies in the diversity of its cultures, and Action Plan should capitalise on that collective strength by supporting a portfolio approach where delivery against different public policy objectives is focused on different parts of the sector. This selectivity in public policy ambitions can enable different parts of the cultural ecosystem to focus on what they do best, in an environment of constrained public funding.

Consideration should be given to cultural organisations and practitioners who work with a range of public sector organisations to support them to deliver joint priority outcomes across the funders. The pressure of meeting and reporting to multiple impact assessments and requirements across public funders is a drain on very stretched resources. Minimising this burden requires a meaningful collaborative approach across the public sector to agree priorities and ensure this approach is reflected when developing criteria for funds and subsequent impact assessments.

One of the key barriers to collaborative learning across the events sector is the pressures for organisations to deliver individual outputs and the lack of headroom to collaborate, which requires additional capacity. As such, a portfolio approach across the whole country could support the development of collaborative learning through creating capacity for system level thinking across a wide range of issues, such as who is best placed to support pipelines of creative opportunity at individual, organisational, local, national and international levels.

The Action Plan should also be an opportunity to integrate thinking from separate strategy exercises, such as the International Cultural Strategy and the Creative Industries Leadership Group. The International Cultural Strategy, which was recently consulted upon, should work to establish an understanding of what is the value of Scotland's cultural reputation and engagement globally, to help secure the case for investment. On the creative industries, there has recently been a Creative Industries Vision and investment published by UK Government, but there is a lack of clarity about where leadership on creative economy policies lies across Scottish agencies. Highlands & Islands Enterprise and South of Scotland Enterprise, rather than Scottish Enterprise, appear to have the most holistic approaches to be able to support sectors who contribute to community regeneration and wellbeing but have more fragmented workforces, such as the creative economy.

## Written submission from Culture and Business Scotland

Culture & Business Scotland is a Company Limited by Guarantee with charitable status. Until 2011 we were part of the UK-wide charity Arts & Business (formerly the Association for Business Sponsorship of the Arts (ABSA) founded in 1975) before we demerged to become an independent Scottish company and charity.

Since being established in Scotland in 1986, we have worked with more than 1,500 businesses and invested more than £11 million into the culture sector through incentive funding schemes; we provide training and networking opportunities that support social, economic and creative partnerships across the culture and business sectors. In the past year, a total of 415 sector professionals participated in 22 training sessions and events. These professionals represented 343 organisations, spanning across 23 local authority areas.

Our work helps organisations and businesses to unlock their creative and social potential, which in turn supports their economic and commercial aspirations by:

- Growing their People through training, mentoring and knowledge exchange that builds and develops skills and capacity
- Growing their Networks through events that develop new market opportunities and facilitate partnership working
- Growing their Profile through platforms that develop new market opportunities and distinguish you from your peers and competition

Our vision is for a Scotland where culture thrives, is celebrated, and enriches social, civic and economic life.

Our mission is to be the connector between the culture and business sectors; to enable, inspire and support exciting and mutually beneficial cross-sector relationships, to build knowledge, skills, and expertise where they're needed most, and to champion the impact and value of cultural experiences on all of our lives..

Our purpose is to embed business into culture and creativity into business.

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

The support that the culture sector received through emergency and resilience funding across 2022-23 ensured that most organisations were able to mitigate against the loss or reduction of income due to external social and economic circumstances, including the legacy impact of Brexit, the COVID-19 pandemic and the cost-of-living crisis.

Whilst this welcome and needed additional one-off investment helped to maintain core infrastructure, it did not make sufficient provision to support recovery and renewal of the culture sector. This includes coping with the increasing costs and lack of capacity and necessary skills to deliver cultural activities, while at the same time implementing strategies to diversify income streams in response to significant reductions to public sector funding for culture at national and local levels (real terms cuts due to inflation, non-inflationary budgets or less from national funding bodies; real terms and severe cash cuts at local level).

A key issue for the culture sector is the talent drain caused by the aforementioned societal challenges. Many organisations are now struggling to recruit both short-term freelance and core staff, with, for example, a major skills shortage of technical staff impacting on the delivery of live events and the performing arts.

A key contributing factor to this is Brexit, with restrictions limiting access to the EU marketplace. The introduction of bilateral work visas and work permits are costly and time consuming to arrange.

In addition, organisations are struggling to replace expertise in development roles such as fundraising and business development which is significantly impacting their ability to secure vital additional or new resources to compensate for a reduction in public funding.

These challenges are compounded by the fact that organisations and venues have a lack of unrestricted reserves (partially eroded during the peak impact of the Covid-19 lockdown) and continue to struggle to build these up due to slow growth in ticket sales due to the ongoing cost-of-living crises and increasing overheads due to high energy prices. South of Scotland Enterprise has confirmed that some organisations within their constituency have seen energy bills rise by up to 400%.

In summary, real terms reduction in public funding within the context of external societal and economic pressures means that organisations continue to firefight to meet

short-term challenges of staying solvent but have no human or financial resources to invest in developing new business models to ensure future sustainability. If this budget pattern continues there will be an inevitable shrinkage of the culture sector.

This includes the real term cut to the Culture and Business Fund Scotland (C&BS Fund) that is detailed below.

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

The Scottish Government's Advisory Group on Economic Recovery (The Higgins Report) recognises that the culture sector is integral to our collective social and economic recovery and renewal and recommends that the sector should be a high priority, recognising it as 'inherently innovative and entrepreneurial'.

The business sector, like the culture sector has been hit especially hard by the legacy of the COVID-19 pandemic, Brexit, the cost-of living crisis and faces immense trading and staffing challenges. So there has never been a greater need to establish creative partnerships between the culture and business sectors that bring innovative reciprocal, cultural, social and economic benefits.

Although the report highlighted an opportunity for innovative solutions, this is not possible when both business and culture sectors have been in cost cutting mode.

Unfortunately, there is little evidence that initiatives have been put in place to realise these aspirations within the Higgins Report, with 'culture' in the majority not present or round the table when setting broader policy.

In addition, the Higgins Report recommended that Ministers should seek "ways to increase public and private investment across the sector to allow it to recover and compete".

There has been no development around how this should happen, with the Scottish Government budgetary decision in 2022-23 to cut the Culture & Business Fund Scotland (C&BS Fund) by 33%, and in 2023-24 not yet fully commit to providing standstill (real terms cut) funding at that reduced level going entirely against the advice of the Economic Recovery Group.

Since 2017, the C&BS Fund has levered a total investment of £2,508,935 in 148 projects across all 32 local authority areas in Scotland. This sum consists of

£1,373,698 of business sponsorship, matched by £1,135,237 of CBFS funding provided by the Scottish Government.

In other words, the fund has been the catalyst for attracting an average of £1.21 of business investment for every £1 of public funding, proving that the C&BS Fund model provides an efficient economic solution for leveraging additional investment from non-public funds to support a wide range of arts and heritage focused events and activities for the benefit of communities across Scotland.

The current issue is that C&BS Fund investment comes from the Culture and Historic Environment Division budget, but that the value and impacts are social and economic as well as cultural, with businesses taking part citing things such as targeted marketing, raising business profile, reaching potential new target clients and customers as some of the key drivers for investing in culture.

So, the C&BS Fund not only delivers outcomes that align with the Culture Strategy and the National Performance Framework Outcomes, but it also supports the aspirations in The National Strategy for Economic Transformation (NSET), that sets out the need for partners to come together as 'Team Scotland' to deliver the actions needed to transform the Scottish economy.

In addition to this the creative and culture sectors have untapped expertise to use in the New Deal for Business and particularly in driving entrepreneurial start-ups, ramping up innovation in all sectors and contributing to the growth of a new tax base. Scottish Government investment in initiative such as the C&BS Fund and the C&BS Marketplace (see below) could be the key to unlock this potential.

However, the reduction in budget from the Scottish Government for the C&BS Fund has meant that for the last two years, the funds available have been exhausted well before the end of the financial year and therefore it has been necessary to close the fund to applications. This has meant there has been no funding to leverage matching business investment for cultural projects that were or are due to be delivered between September and March each year.

To assess the impact of this situation, Culture & Business Scotland recently carried out an impact survey on the closure of the C&BS Fund. The survey was targeted at potential C&BS Fund applicants. Responses were received from a diverse group of twenty-seven arts or heritage organisations, both in geographical and size, ranging from the Stonehaven Folk Festival to Edinburgh International Book Festival. The survey's data and anecdotal evidence further highlight the importance of the fund.

The impact survey confirmed that within the current financial year there are at least twenty-five arts or heritage organisations who had planned to utilise the C&BS Fund

to help attract vital sponsorship and boost their project budget. 76% of these potential applicants were planning to apply for up to the maximum amount of £14k. To further evidence the impact of the need to close the C&BS Fund, 36% of these applicants have confirmed that the investment from the fund would comprise approximately 50% of their entire project budget. For projects such as these, where the C&BS Fund comprises a major part of applicants' project budgets, several organisations have confirmed that the closure of the fund would see these arts and heritage projects unable to be delivered at all or, at best, delivered at significantly smaller scale. This is evidenced in the following quotes:

"The project will be scaled back, or possibly cancelled, without the potential C&BS funding" - Art in Healthcare

"Without this funding we will not be able to deliver our project at all as other funding is dependent on the match" - Tron Theatre

"This funding helps us secure sponsorship for major exhibitions. Without it we need to reduce elements of the exhibition and the programme" - V&A Dundee

Since the closure of the C&BS Fund we received several queries regarding its status and if the fund would re-open during this financial year. To clarify the importance of the C&BS Fund, we asked survey respondents to explain the importance of the C&BS Fund in their future project planning.

The following are sample responses that were received:

"With the increased cost of living resulting in any grants/funding/investment and resources ultimately delivering less for the same amount of money, initiatives like the C&BS are absolutely vital to allow access to culture and for culture to survive and thrive. Government support is crucial in encouraging private companies to invest in cultural organisations. A joint, holistic, partnership approach is the future if we are to continue to support widening access to culture and the arts in Scotland." - Radio Buena Vida

"It is incredibly important that the Scottish Government preserve and increase this vital fund's budget. It is a life raft for arts organisations that want to collaborate with businesses across Scotland" - Scottish Chamber Orchestra

"Future societal success will depend on far more collaborative working - especially between culture and business with both bringing their strengths to projects for the greater good. The Culture and Business Fund will become more essential to this, not less and to have the fund decreased at all will be a huge detriment to the cultural landscape of the country" - Glasgow International Comedy Festival

“The government's support of the Culture & Business Scotland Fund is hugely welcome at any time but especially in the current challenging economic landscape. Cultural organisations are increasingly reliant on income sources beyond statutory funding. The Culture & Business Scotland Fund has a track record of creating mutually beneficial partnerships which enable both corporate and cultural organisations to achieve their ambitions and so, particularly at this time, increased investment in the Fund would be hugely helpful” - National Theatre of Scotland

These quotes are a snapshot of responses from the sector at large. Culture and Business Scotland would welcome the opportunity to present the findings from this impact survey in full.

The development opportunity

NSET highlights the challenges faced by Scotland as it looks to mitigate the impact of a Brexit deal agreed by the UK Government that removes Scotland from the European Single Market; COVID-19; the economic and inflationary consequences of Russia's invasion of Ukraine; and the economic turmoil we are currently experiencing because of UK Government policy.

With additional investment, the C&BS Fund could provide a solution to these cross-cutting issues and challenges. It has already demonstrated how harnessing the power of culture has contributed to placemaking, cultural tourism, empowering communities and enriching the cultural life of the people of Scotland. It has also supported projects that meet the business sector agenda of supporting and nurturing staff and meeting Net Zero ambitions.

Additional investment would leverage further business investment in culture, alleviating some pressure on the public purse, and deliver multiple cultural experiences that support broader social and economic aspirations.

There is also the opportunity to build upon this work to further address regional circumstances and support economic resilience by helping Scottish businesses to take full advantage of potential new supply chains and market opportunities at both home and abroad. These opportunities include:

1. The Soft power of culture as a driver for international trade development

Currently, the C&BS Fund can only support culture and business collaborations that deliver cultural experiences for the people of Scotland and does not have the mandate to incentivise business investment in cultural exports (international touring, residencies, participation at festivals). Developing a new international component to

the fund would enable businesses to utilise cultural engagement as a calling card for targeted market development.

## 2. The Power of culture to drive Scotland's tourism and local economy.

Currently, C&BS Fund does not formally or informally link with internal economic strategies or agencies to provide a mechanism to encourage local, regional, or national cross sector collaboration that could seed fund cultural activities to grow and enhance Scotland's tourism offer and the local cultural economy.

To harness these opportunities, there is a need to reconsider how the C&BS Fund is resourced, recognising that it delivers on Scottish Government cross portfolio agendas, and therefore requires additional cross portfolio investment to realise the above social and economic potential.

In addition to the C&BS Fund, Culture and Business Scotland recently launched the Culture and Business Marketplace Scotland (C&BS Marketplace) – an exciting new online resource inspired by research into business sector needs on the one hand, and the skills and resources that the culture sector can provide on the other.

Showcased at a recent parliamentary reception, it will enable arts and heritage organisations to develop new and sustainable products, services and income streams, and enables businesses to source and commission these creative solutions to address challenges and unlock opportunities in the workplace and wider community.

It will address a range of needs from staff retention, wellbeing and productivity to innovation, community engagement, and environmental, social and governance (ESG) targets.

In other words, the C&BS Marketplace is where 'supply' from arts and heritage organisations will meet 'demand' from business organisations.

The need for this new platform was identified by the way culture sector organisations responded in innovative ways during Covid-19 pandemic lockdown, including how:

- the RSNO provided percussion making workshops for pupils during school lockdown;
- Scottish Ballet engaged with NHS staff to promote wellbeing through movement classes;
- Eden Court reached out to the Highland Council to offer their space to enable a socially distanced service centre for a food bank.

This led to a survey of 195 culture sector organisations, that was followed by a survey of 114 business and public sector organisations in March 2022.

The latter captured external challenges, for example rapid market changes, but more pertinently, the internal challenges emerging. With people working from home, there is an increased need to manage wellbeing, productivity, teams working, and drive creativity in the workplace.

The culture sector survey told us that 96% seek business engagement, however only 17% finds this easy to do. We also found that 61% are interested in getting support on developing business networks.

For business, 9 out of 10 businesses see the culture and creative sector as important to their business, but only 20% find it easy to engage. For them too, around 60% are interested in a creative marketplace.

The C&BS Marketplace pilot hosts 24 culture organisations offering 36 products or services to meet business needs, and like the C&BS Fund, has the potential to deliver outcomes that align with the Culture Strategy and the National Performance Framework Outcomes, it also supports the aspirations in The National Strategy for Economic Transformation (NSET), that sets out the need for partners to come together as 'Team Scotland' to deliver the actions needed to transform the Scottish economy.

To harness these opportunities, there is a need to consider how the C&BS Marketplace is promoted, and resourced, recognising that it delivers on Scottish Government cross portfolio agendas, and therefore requires additional cross portfolio investment to realise the above social and economic potential.

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

The refreshed Culture Strategy Action plan should incorporate the following:

1. Cultural Tourism

Ensure that the economic contribution made by the culture sector to the tourism economy is more widely understood and valued across government portfolios. This should lead to opportunities for greater investment from non-culture division budgets.

Wider legislation should also be introduced to proactively encourage and enable local authorities to introduce Transient Visitor Levy schemes, that must be ringfenced to support local arts, heritage, creative industries, and visitor attractions.

Ensure that Culture has a voice and seat at the table on all national and local policy setting alongside tourism, food and drink, events and hospitality etc.

## 2. Infrastructure

Introduce a % for culture scheme from all Scottish Government infrastructure projects.

Ensure that Culture has a voice and seat at the table on all national and local policy setting, such as City and Regional Deal initiatives.

Ensure that Creative Scotland and Historic Environment Scotland are invited as Statutory Consultees onto all Scottish Government Infrastructure Projects.

Ensure that Creative Scotland and Historic Environment Scotland are invited as Statutory Consultees onto all Scottish Government Infrastructure Projects.

## 3. Skills development (EDI and ESG)

Provide the culture sector with access to resource provide training to address talent drain and create culture sector employment opportunities. These additional funds could be managed by sector support agencies such as Federation of Scottish Theatre (FST), Scottish Contemporary Arts Network (SCAN) and Culture and Business Scotland.

Support and enable cross sector working to address ambitions for young people (cultural apprenticeships), fair work, carbon reduction and to ensure that aspirations in equality, diversity, and inclusion are fully embedded within the sector.

Invest in a leadership scheme to ensure that people from diverse backgrounds are heard at an early stage in the design process across Scottish Government policy-making and strategic thinking (including representing and celebrating Scotland's diverse cultures)

## 4. Economic sustainability

Within the review and remit of the Community Empowerment Act, explore leasing venues to culture organisations on 'peppercorn' rent agreements to address vacant sites in town centres and contribute to the day and night-time economies and safety

Support local authorities to drastically reduce or remove rates for arts, heritage, and creative industries organisations, allowing organisations to viably repurpose empty buildings in high streets across the country.

Invest in development initiatives that enable culture organisations to become more entrepreneurial, including securing business investment to reduce reliance on grant funding (through the C&BS Fund) and increasing and diversifying self-generated income streams by selling products or services to business and public sector organisations (through the C&BS Marketplace).

Develop an international strand to the C&BS Fund to match business investment of international touring, to maximise sector ambitions for international working, and utilise the soft power of culture as a calling card for targeted import and export development.

## Written submission from National Museums Scotland

National Museums Scotland is one of the leading museums groups in Europe. We care for a multi-disciplinary collection of over 12 million objects, bringing together the arts and sciences, and the cultures of Scotland and the world, alongside the diversity of the natural world. We have approximately 460 staff across five sites. We are a Scottish Charity and a Non-Departmental Public Body sponsored and supported through Grant-in-Aid by the Scottish Government, and governed by an independent Board of Trustees.

National Museums Scotland's priorities reflect our statutory duties to care for the items we holds, and to make them accessible through providing education, encouraging research, and promoting public awareness. Our four museums (the National Museum of Scotland on Chambers Street in Edinburgh, the National War Museum in Edinburgh Castle, the National Museum of Flight in East Lothian and the National Museum of Rural Life near East Kilbride) are enjoyed by millions of local and international visitors each year.

As a national centre of excellence, we are committed to widening access to and participation with our collections, reaching out across Scotland, the UK and internationally. This includes an extensive programme of: touring exhibitions; loans; community-based partnership projects, often within disadvantaged areas; training and skills development, including developing young people; the provision of advice and support to the museum sector; administering the National Fund for Acquisitions; and operating the Treasure Trove scheme. The cultural, social, educational and economic value of our work is wide-reaching, creating impact on people's lives through sharing the fascinating stories of the millions of remarkable objects we care for in Scotland's National Collection.

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a "perfect storm" of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

This year's budget sits in the context of long-term budget pressures which mean that in real terms, our Grant-in-Aid has decreased by 16% over the last 10 years.

National Museums Scotland received an increase in our Grant in Aid in 2023-24 to offset the impact of increased utility costs and inflation on our cost base. In previous years, we have received funding to enable us to implement Scottish Government Pay Policy and understood this to be the case this year. This enabled us to plan confidently

with a balanced budget and allayed our concerns about having to reduce the size and scope of our offering and potential job losses.

Five months into the financial year, that confidence is eroded as we still await clarity on funding to enable us to implement Pay Policy and do not expect to receive any further detail until October. If we do not receive full funding, we will have a budget gap and the only solution for us to balance our books this far into the year would be to cease some of our operations

Unlike other UK museums we do not have the freedom to negotiate our own pay and are obliged as a condition of our funding to implement Scottish Government Pay Policy. Other organisations which fall under Scottish Government Pay Policy have the resources to go beyond the basic increases and there is an expectation that we should match them. Unfortunately, after years of real terms cuts in our funding, we cannot afford to do this without reducing the services we provide. This impacts on our ability to recruit as there is a lack of pay parity across similar roles within the wider Scottish Government and NDPB sector. For example, workers within the Scottish Parliament are paid considerably more than comparable roles within culture..

On top of this new challenge, we still face the ongoing financial pressures of meeting the costs of:

- Tackling significant backlog maintenance issues to keep our estate functioning and safe
- Investing in replacing estates infrastructure to meet net zero targets
- Improving collections storage conditions
- Making improvements to outdated galleries.

For many years we have advocated for a funding cycle with a longer than 1 year horizon and the operational benefits and efficiencies that would come with being able to plan on, for example, a rolling 3-year cycle. The continuing short-termism is the opposite of what we need to run our organisation effectively.

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

#### Additional Public and Private Investment

There has been no real movement on any of the suggested public private initiatives. The Transient Visitor Levy is proceeding through the Scottish Parliament however

there is no clear understanding of how this would be distributed and whether or how it will provide any benefit back to the businesses that support and attract tourism.

We are unaware of any progress on the Percentage for the Arts and the Culture Business Fund does not apply to museums & galleries.

We work hard to secure private investment and have been successful in the delivery of large capital projects, through which we have been able to significantly improve our offer to visitors. We have also been successful in securing private funding for 'added value' projects through which we activate our collections and create points of engagement. And we brought in over £2m of additional funding in relation to value added services in connection with advanced research and the wider understanding of our collections. However, adequate Scottish Government funding is a pre-requisite of leveraging both public (from non-government sources) and private support into culture and heritage. Generating this level of incoming investment and support is only achievable with our current size and structure. These project-based activities are only possible when built on the firm foundation of our core services, and the crisis is in our core funding, which private investors are not motivated to support. There is also intense competition for private investment as all heritage and culture organisations find themselves in a similar situation.

### Mainstreaming Culture

We continue to have ambitions for cross-portfolio working, but there is no sign of this being translated into funding streams for cultural organisations.

Our only real success in cross portfolio working remains with 'Maths Week Scotland' for which we receive additional funding from Education. We have been able to show that with appropriate resourcing we can drive impact and year on year growth and engagement meaning we now reach 100,000 pupils directly and more through online platforms.

We contribute to economic prosperity, both within the areas in which we have museums and via our national tours and loans to museums across Scotland. We use our core expertise to provide training and skills development opportunities for museum staff in local museums. We also have an active loans programme, sharing 2,696 objects from the National Collection with 50 organisations in 20 Scottish local authority areas in 2021/22. These are activities which will be at risk should we continue to lose inflation-linked funding in our Grant in Aid.

### Multi-year funding

We believe that Scottish Government has taken a step backwards on multiyear funding as we struggle to even get one year funding confirmed. It will be halfway

through the current financial year before we have the confirmation on our Grant in Aid which will allow us to have meaningful conversations with the Trade Unions on pay. This in turn means that during a cost of living crisis we are not able to give our staff any certainty about their pay.

The impacts on the organisation and our stakeholders are immense: from our ability to commit to ongoing external partnerships, to the impact on our own team members and recruitment. A funding crisis this late in the financial year makes contingency planning impossible.

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

Placing culture at the heart of policymaking across Government formalises the significant volume of partnership activity already undertaken by the sector to improve outcomes in a variety of areas, in particular education and health and well-being. The embedding of culture and seeking linkages across other policy areas is critically important and there is a need within government to strengthen the understanding and appreciation of culture and its impact across policy areas. The refreshing of the Action Plan is an opportunity for Scottish Government to engage across its directorates to recognise current barriers to cross-departmental working and to answer the question of how cross-portfolio working is funded in practice.

Demand to host loans from the National Collections, receive touring exhibitions or collaborate on targeted audience development programmes far outstrips our ability to support such activity. By focusing investment on the development of local infrastructure to host these activities e.g. environment, security, and marketing, we could as a nation be making much better use of our national and local collections. There are existing models in other parts of the UK where government works with funders to create targeted funds to create improvements in areas of specific need.

Across the UK museum sector investment in the retention and development of collections, curatorial and conservation expertise is declining. It is of critical importance to ensure a strong foundation of knowledge and skills in caring for and appraising collections to allow museums to facilitate wider access.

A commitment to greater long-term financial sustainability for culture is vital, backed up by a funding cycle with a longer than 1 year horizon. This must extend to explicitly include commitment to the sustainability of our cultural institutions. In common with all museums in Scotland, National Museums Scotland carries substantial responsibility for the care of both collections and buildings of national importance. Funders must

consider the operational costs associated with this and the benefits of longer-term funding agreements for their upkeep. The Action Plan must recognise that there is no 'one size fits all' funding model and that a diverse and connected cultural ecology is an asset to national wellbeing and to Scotland's standing in the world.

## Written submission from National Theatre of Scotland

Established in 2006, the National Theatre of Scotland has pioneered the 'Theatre Without Walls' model, demonstrating a commitment to have a presence in every part of Scotland, to perform at all scales and reach all its people.

### OUR VISION

A theatre without walls, for everyone, that sparks connection between people, between communities, and between Scotland and the world.

### OUR MISSION

To make extraordinary, relevant theatre by, with and for contemporary Scotland.

### OUR VALUES

Inventive – we want to innovate around how theatre is made, by whom, and who gets to experience it.

Collaborative – we recognise our roles as both collaborators and leaders in the culture sector, the richness of collaborative working, and our responsibilities to individuals and companies working across Scotland and around the world.

Ambitious - we want to make a positive difference with everything we do, setting high standards for the work we create. We will make bold choices and seek constantly to evolve and adapt our working practices to meet the needs of artists, audiences and communities.

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

The Committee encapsulated the situation that the culture sector faced last year accurately and succinctly – a perfect storm of long-term budget pressures, reduced income generation streams and increased operating costs. Since that time however, the situation has become even more challenging.

While some organisations, National Theatre of Scotland included, have seen a pleasing increase in audience numbers to near pre-pandemic levels, other pressures have significantly increased. Trust and Foundation income, so important to much of the culture sector, has tightened with many major foundations making a marked a shift away from culture towards poverty alleviation. Furthermore, competition for Trust and

Foundation income has increased post covid due to the impact of long-term austerity measures, high inflation, and increased living costs. Anecdotally, grant applications pre covid had a 1 in 4 success rate, whereas post covid it is now as low as 1 in 8.

Ongoing, increasing costs present a considerably more challenging picture. High and persistent inflation has led to wage pressures that organisations have simply been unable to meet. Anecdotally, we are aware of some smaller organisations that have been able to offer 6% increases, but larger organisations with their attendant larger salary and wage bills have struggled to reach 3-4% with some reporting that they have not been able to increase rates at all. This has led to higher staff turnover, creating additional recruitment and churn costs, and threatening organisational stability. Furthermore, it puts many organisations in conflict with their mission and values and Fair Work commitments. Organisations are faced with a stark decision -raise wages to a rate competitive and in line with inflation, baking in costs that are not sustainable and could lead to job losses in future years, or offer staff and freelancers rates that erode their standards of living.

Two other key areas which have seen costs grow exponentially are energy and materials and whilst these were already rising rapidly twelve months ago, there were hopes that this would be a relatively short-term issue. However, it is now clear that that is not the case and organisations are now faced with crippling building and utility costs which have risen by over 50% since March 2022. Similarly, the physical materials required to create sets and props for new productions - the lifeblood of our artform – and the costs of storing these, have seen an increase of 30%.

The culture sector is nothing if not resilient and creative, and organisations are constantly finding ways to share resources, buy collectively for better rates and generally cut costs in all ways possible. That said, the fact that standstill funding has been in place for so long means that these measures have long since ceased to be enough to mitigate these challenges and the work that we are able to offer to the Scottish people is now being reduced in terms of scale and reach.

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

The culture sector is well versed in pooling resources. Physical elements like sets, props and costumes are constantly being shared between organisations large and small and this has been aided by a central data base that is currently in the process of being trialled before being rolled out across the theatre sector. In terms of back end operations, the National Performing Companies are currently working together on

shared procurement and learning around software, professional services and insurance.

Capital support for green initiatives is hugely beneficial and the Scottish Government's discretionary capital grants to the National Performing Companies enabled National Theatre of Scotland to install photovoltaic cells on the roof of its headquarters Rockvilla in June 2021. This has resulted in considerable savings for the organisation, but the last time we were able to access such funding was in 2020/21. Capital funding which could enable organisations to save money on an annual basis whilst also contributing to the Scottish Government's net zero policy represent a virtuous circle which must be championed.

Whilst there has recently been discussion about more commercial modelling following the Disappearing Act? report released by six of the major producing venues in Scotland, the reality is that many Scottish organisations across the Scottish performing arts sector already undertake commercial operations with selected work. However, this requires the ability to attract commercial investment at the initial stages and initiatives like the Scottish Investment Bank (or the widening of the existing bank's brief) to make it available to the culture sector for projects with potential commercial return could be game changing.

Philanthropy, particularly from individual donors, is gaining support and greater recognition in Scotland. An initiative like the above which matched funds pledged by individuals for commercial initiatives backed by Scottish Government support which would be recoverable in the event of a commercial success would further drive this trend and make it possible for more of the sector to generate a greater percentage of their own funds.

It would also be hugely advantageous to see the implementation of the Transient Visitor Levy with a fair and meaningful percentage of this income being ringfenced for arts and cultural organisations and institutions in recognition of their huge value to the economy.

A creation of an 'Creatively Constructing the Arts Scheme' whereby a set percentage from the cost of large scale Scottish Government infrastructure projects was collected and placed in an endowment fund to be redistributed to enable arts and culture activity in the locale of these projects.

A recognition of the poor financial health of many local authorities which has led them to withdraw crucial, long-standing arts funding. This is another often hidden, yet significant impact on the sector and yet another example of the narrowing of previously available income streams - in particular for core costs which are challenging to fundraise for.

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

The aims of the Culture Strategy are laudable, but the harsh reality is that unless the erosion of years of standstill funding is addressed, Scotland will continue to underperform in the culture sector compared to its European counterparts and significant sections of the broader UK wide sector. Scotland's relatively small population means that the commercial options available to organisations based in large cities in the wider UK are simply not available here.

## Written submission from Edinburgh International Festival

**In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?**

The perfect storm described above has worsened in the last 12 months. Within the culture and events industry, inflation is running at c20% as the costs of goods and services that are required to deliver events are rising faster than the underlying rate of inflation. This has been exacerbated by a further year of standstill public support.

The impact of the decisions leading up to the 2023-24 Budget, as well as the Budget itself, has added to the uncertainty and fragility of Scotland arts and culture sector in the short, medium and long term.

It was disappointing that a £6.6m reduction in Creative Scotland’s budget was proposed in the Draft Budget in December 2022, and that, along with a public campaign, it took until Stage 3 of the Budget in late February 2023 to reverse it. On February 21, 2023 Creative Scotland said this reinstatement “follows a great deal of work from Creative Scotland in setting out the impact and implications of the proposed budget reduction”, this underlines how much time and effort had to be expended by an organisation, designed to support the arts and culture sector, in turning inwards to make the case to financial decision makers in Government.

We understand the landscape of public sector funding and that finding ways to support organisations across multiple sectors is incredibly challenging, however we are at a stage where arts and culture organisations are either balancing on the edge of viability or have sadly been unable to continue in the face of over a decade of stagnated public investment. The collective focus of Creative Scotland and all decision makers within Government must be placed on working with the arts and culture sector to rescue and safeguard the future of this industry and the thousands of workers and freelancers it supports.

The past year has only underlined the need for a fundamental reset in how government, at all levels, supports the arts and culture sector to ensure we have a strong foundation and a collective vision for supporting recovery and growth.

The past year has only underlined the need for a fundamental reset in how government, at all levels, supports the arts and culture sector to ensure we have a strong foundation and a collective vision for supporting recovery and growth.

The operating environment laid out by the Committee's report is one which Edinburgh International Festival recognises. Our core public support comes from Creative Scotland, and the City of Edinburgh Council, and we also receive some project-specific support directly from Scottish Government – the EXPO fund for example – and international government/agency funding to support international artists to perform. The last time we were able to be competitive and ambitious, rather than managing decline, was 2008 – at this point we received just over £4.7m in public funding (equivalent to just over £7.1m at 2023 prices), this has since reduced to £4.423m in 2023, a real-terms cut of 41%.

In April we received confirmation of our funding for 2023-24 from Creative Scotland, this was the same month our programme for this year was published. For context, we spend between 1 – 4 years curating a Festival programme, developing works with Scottish and international companies and artists and securing touring performances. This year our programme was finalised in January, our brochure went to print in March and was launched in April. This illustrates the significant risk that our organisation had to take this year, in the absence of confirmed funding, to finalise our programme and realise the festival.

Expectations on cultural organisations receiving public sector support also remain unrealistically high, often with requirements for 'additionality' and contribution to policy agendas outwith their core purpose, even in the face of real-terms cuts.

The current funding environment also means we are driven towards programming content which is more likely to be commercially successful, as opposed to that which may involve more creative risk, or which showcases emerging or lesser-known talent/work. The latter requires subsidy to underwrite costs as ticket revenue will be less than that for 'proven' artists or companies. If public investment or sponsorship cannot be secured to underwrite costs, then it is unlikely to be possible to stage such artists or works in the long term and as a result the diversity of programming is reduced.

Consequently, our ability to be internationally competitive and our ability to co-commission or co-produce with international partners is now hugely reduced. This ongoing constriction of public investment diminishes EIF's and therefore Scotland's standing on the world stage. This is particularly disappointing when recent independent research demonstrates that collectively, Edinburgh's festivals return £33 for every £1 of public funding invested.

In sharp contrast, Manchester has seen significant public sector investment from UK Government, Council and Arts Council England, and has a clear ambition to propel the city towards achieving global cultural leader status. It has been backed by major capital funding towards Factory International, its new cultural venue. Meanwhile organisations in Edinburgh and across Scotland are struggling to enact even core

activity, are reducing their workforce, and exist within an ageing venue stock. It is a picture of chronic underinvestment in Scotland's arts and cultural provision.

As a recipient of international government/agency funding, we are aware of many countries which proudly and successfully support their country-based artists and companies financially. This year South Korea has a strong partnership with the Festival. We also regularly collaborate with Quebec and Canada, Germany, France, Netherlands, Norway and Ireland all of which have robust mechanisms to support international cultural activity

**Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources, what other innovative approaches could the Scottish Government take forward to support the culture sector?**

Multi-year funding and a whole system approach to culture are two areas which are vital to develop at pace to become a foundation upon which all other activity could be based.

We agree with the Committee's view in their pre-budget scrutiny 2023-24 report that the shift towards increased multi-year funding that will allow much greater progress in delivering the mainstreaming of culture across all policy areas.

Multi-year funding is not particularly innovative, having been a characteristic of sustainable funding for the arts in other countries for decades. While Creative Scotland's ambition to deliver a Multi Year Fund for 2025-2028 is welcome, in July Creative Scotland said they currently do not have budget commitment from the Scottish Government beyond March 2024.

Long term planning is crucial for successful and sustainable international partnerships and collaborations. Without the ability to plan, the opportunities for meaningful impact are lost. Public sector funding cycles that remain short-term do not allow for this. Whilst we appreciate the challenges of the Scottish Government's budget setting, a new way forward must be identified, otherwise Scotland will continue to lose out on major international benefits, its cultural and creative industries will continue to decline, arts workers will lose their jobs and the countless positive impacts of the arts on education, communities, health and wellbeing and the economy will be lost.

Given the very small percentage of funding this relates to in the context of the overall Scottish Government budget, the government should have confidence in allowing for longer-term, multi-year funding offerings.

Further work on policy coherence within government would also support improvements to the financial environment. For example, historically it has been difficult to engage with business and enterprise agencies due to their focus on and expertise in other industries – the links between culture and creative industries and the economy/ exporting are not as fully understood or prioritised as in other traditional sectors. Creative industries are a core part of the Scottish Government's National Strategy for Economic Transformation, but the public sector investment and financial confidence does not currently match the stated level of ambition or commitment. The Vision for Trade links trade and culture but, again, policy action is not evident.

Scottish Government's support for R&D Tax Reliefs such as Orchestra Tax Relief and Theatre Tax Relief has been very welcome. This systematic approach which stimulates investment in the cultural sector is illustrative of the type of innovation that supports long term planning, collaboration and growth.

**The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?**

As detailed above, there needs to be a clear understanding of the level of investment required, at a minimum, to bring funding back in line with 2008 levels.

The contribution that the arts and culture sector makes to myriad policy areas should be acknowledged through financial investment from those areas.

We welcome funding initiatives introduced to support the festivals (Platforms for Creative Excellence and Expo) but discrete project funding requires activity additional to core activity and diverts resources away from an already fragile foundation. The refreshed Cultural Strategy Action Plan must be mindful of this fragility and set out actions to ensure financial stability before asking the sector to deliver additional benefits.

There needs to be collaboration between all public funders to agree on the key priorities organisations are being asked to deliver on in order to streamline planning, delivery and reporting for public sector grants.

We would welcome the opportunity to have regular, structured open dialogue with ministers and officials to discuss ambitions, identify opportunities and address challenges together.