



OFFICIAL REPORT
AITHISG OIFIGEIL

Constitution, Europe, External Affairs and Culture Committee

Thursday 28 September 2023

Session 6



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Pàrlamaid na h-Alba

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**CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
26th Meeting 2023, Session 6**

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Donald Cameron (Highlands and Islands) (Con)

COMMITTEE MEMBERS

- *Neil Bibby (West Scotland) (Lab)
- *Keith Brown (Clackmannanshire and Dunblane) (SNP)
- *Kate Forbes (Skye, Lochaber and Badenoch) (SNP)
- *Mark Ruskell (Mid Scotland and Fife) (Green)
- *Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

- Julia Amour (Festivals Edinburgh)
- Lori Anderson (Culture Counts)
- Chris Breward (National Museums Scotland)
- Isabel Davis (Creative Scotland)
- Francesca Hegyi OBE (Edinburgh International Festival)
- Brenna Hobson (National Theatre of Scotland)
- Iain Munro (Creative Scotland)
- David Watt (Culture & Business Scotland)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 28 September 2023

[The Convener opened the meeting at 08:45]

Pre-budget Scrutiny 2024-25

The Convener (Clare Adamson): Good morning, and a very warm welcome to the 26th meeting in 2023 of the Constitution, Europe, External Affairs and Culture Committee.

Our first agenda item is pre-budget scrutiny of the 2024-25 Scottish Government budget. We have two panels of witnesses for this evidence session. First, we are joined by Iain Munro, the chief executive of Creative Scotland, and Isabel Davis, the executive director of screen for Creative Scotland. A warm welcome to you both.

I will begin. We had a supplementary submission from Creative Scotland yesterday, which outlined the proposed £6.6 million reduction in the grant aid for 2023-24. Our understanding was that that reduction had been reversed, but that cut has now been reinstated. Mr Munro, can you outline what impact that will have on Creative Scotland?

Iain Munro (Creative Scotland): Good morning. Thank you for inviting Isabel Davis and me to give evidence.

We thought that it was important to keep the committee informed of that news in our submission yesterday. The cut is indeed a reduction of £6.6 million in-year for Creative Scotland's budget. It is the same £6.6 million that was originally planned as a reduction to Creative Scotland's budget in the budget setting process for 2023-24 but which was then reversed in February this year. It was always subject to confirmation through the autumn budget revisions, but we now have confirmation that the sum of £6.6 million is not included in the budget revisions and that the reduction is being reinstated.

That is a very significant development. I should explain further the overall way that our budgets work, and I am happy to do so. As a proportion of our total combined income from the Scottish Government, the £6.6 million represents roughly 10 per cent. However, the way in which our budgets work means that that reduction hits a very specific part of our budget, which is support for regularly funded organisations, of which we now have 119. Therefore, proportionately, that would be a cut of around 20 per cent for a full 12-month

period but, given that the reduction is coming halfway through the year, in effect, it would translate to a 40 per cent reduction that we would apply to our support for regularly funded organisations for the next two payments that we make in this financial year.

We make four payments a year, quarterly, and, because we have not had confirmation of the position on the £6.6 million until now, that would have to impact the last six months of the year. As I said, that would affect the two final payments and would represent a reduction of 40 per cent. Clearly, that is enormous, given the fragility that already exists in the sector, and it would act as a tipping point—something that we have addressed in written submissions and spoken to the committee about before. There are risks of closure of organisations and the loss of employment, opportunities for artists and audiences, and provision and much more beyond.

The board of Creative Scotland met yesterday, and the Cabinet Secretary for Constitution, External Affairs and Culture was able to attend the very first part of that meeting to discuss the matter. After the cabinet secretary left, the board of Creative Scotland had very detailed conversations about the options that are available to it. In recognition of the devastation that would result from handing on a 40 per cent cut in two weeks' time, which would be the next RFO payment, the board has acted swiftly and pragmatically on the back of that news and agreed, as a one-off, to utilise £6.6 million of our national lottery reserves to offset the reduction.

However, I stress that this is a one-off—reserves, by their very nature, can be used only once—but it will enable us to maintain the payment for the RFOs as planned, without the cut being applied.

Moreover, because of the one-off nature of the payment, if budget cuts and reductions were to continue, we would have to pass them on to the sector. Our own financial resilience—and that of the sector as a whole—is depleted, and I think that we are at a very significant moment with regard to this evidence on the heightening of the risks that exist in the sector.

The Convener: I will go straight to questions from committee members. If anyone would like to come in, please indicate as much.

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): Good morning. I want to ask a series of quick questions just to clarify some of the points that you have made.

First, you said that you allocate funding four times a year, with the next allocation in two weeks' time. Were the organisations expecting that

funding in full on the basis of the additional £6.6 million, or had they still to receive confirmation?

Iain Munro: What we are talking about is one annual grant award that is, in effect, paid in four tranches on a quarterly basis. We have an annual contract with the regularly funded organisations in which we set out the figure for the year. Based on the February reversal of the planned reduction, we have indicated our full year's commitment to the regularly funded organisations, so they would be and have been expecting their third quarterly payment to be made on the basis of the full allocation in two weeks' time.

Kate Forbes: So it is a question of cash rather than the budget itself. In other words, it is the cash being allocated in two weeks' time, not the budget being agreed.

Iain Munro: That is right.

Kate Forbes: I understand.

What impact will this have on reserves? I take your point that this is a one-off and that by their nature reserves should not be used for on-going resource payments, but what percentage or proportion of reserves does the £6.6 million form?

Iain Munro: Just to be clear, I should point out that, as the committee will be aware, we do not have the opportunity to build reserves on our Scottish Government income, but we do through our national lottery income. The extent of the reserves that we accumulate for different strategic purposes varies, and these particular reserves have been accumulated specifically to ease the transition to the new funding model of multiyear arrangements that we have been planning for some time now and which is now up and running as a process. We know—we have been very clear about this in our messaging—that, unless there is a significant change in overall budget levels, we will not be able to sustain the levels of support that we have been able to in the past for as many organisations, or certainly not to the level that we have supported them.

In that respect, the transition funds that would have been resourced from the national lottery reserves have now been impacted. Those funds are for supporting the organisations that have been unsuccessful in their multiyear applications to avoid a cliff edge at the end of their current funding commitments and to give them a wee bit of financial support so that they can bring in expertise that will allow them to think about their options for the future. They are definitely not for that purpose now, and the amount available to support that transition activity has been significantly reduced. However, given that this £6.6 million is a one-off and that we are using our reserves to offset it, we are protecting the balance

of the reserves position to enable transition support, as far as we reasonably can.

Kate Forbes: Are you able to share with us the quantum of the reserves position?

Iain Munro: Yes. Per the submission to the committee, £17 million has been the allocated reserve for transition. It does fluctuate over the period up to around £20 million, but £6.6 million is now unavailable for the transition reserve that we had allocated.

Kate Forbes: I have one last question. I had a quick look at the correspondence from the finance secretary—I was not here at the time—allocating the additional £6.6 million. I believe that that was in March—you may correct me—which was close to the beginning of the financial year. Did that allow you to reinstate funding to organisations that would otherwise have received nothing, or was it a case of increasing the quantum that was available to all the organisations that you fund?

Iain Munro: It was the latter. That was in February rather than March. Because we have had recurring years of regular funding support at a certain level, the objective is to maintain at least a standstill position on that. I appreciate that it is a real-terms reduction, when inflation and so on are accounted for, but it enabled us to maintain, year on year—from last year into this year—the same resource allocation for those 119 regularly funded organisations.

If that £6.6 million had not been available to us, we would have had the same choice—either to use reserves at that time or to pass that reduction on to the funding allocation for those regularly funded organisations.

Kate Forbes: So, from the perspectives of those organisations, will there be no impact from that decision in the short term?

Iain Munro: It stabilises the situation, but it is worth noting that the effects of that news will be to deepen the concern within the sector. It will add to the concerns about confidence and forward planning, which are so critical to enabling the cultural sector to function.

Given the significance of that in-year adjustment, if we had not been able to allocate our national lottery reserves, the cut would have been passed on, as I said, at 40 per cent. We estimate that that would inevitably have been a tipping point for probably up to half of the current regularly funded organisations. Our ability to use that £6.6 million has stabilised the position until the end of this financial year, but it is not clear what the position will be for 2024-25 onwards. If reductions were to continue, we would have no option but to pass those on.

It is a very short-term intervention by Creative Scotland to stabilise and give confidence as best we can for the rest of this year, but things are not at all certain beyond that.

Donald Cameron (Highlands and Islands) (Con): Just so that I am clear, are you saying that you are using £6.6 million of approximately £17 million of reserves? You are using about a third of your reserves.

Iain Munro: Yes, the reserves were at about £20 million in total. Since the update that we gave you, they are at £17 million.

Donald Cameron: Essentially, boiled down, the reinstatement of the cut means that you have had a reprieve of just over seven months. Is that right?

Iain Munro: A reprieve?

Donald Cameron: It was a reprieve in terms of funding. It lasted seven months, and now you know that the cut is being reinstated.

Iain Munro: The resource that was available to us for the first six months of the year has enabled us to make the first two quarterly payments to the regularly funded organisations. I do not interpret that as a reprieve. It enabled us to have the confidence to make those payments. However, we now need confidence for the last six months of the year.

Donald Cameron: Last week, we heard evidence from Liam Sinclair of the Federation of Scottish Theatre. In relation to the initial 10 per cent cut and the reversal of that cut in February, he said:

“It would be difficult to overstate the erosion of faith and trust among our members that resulted from that journey.”—[*Official Report, Constitution, Europe, External Affairs and Culture Committee*, 21 September 2023; c 6.]

What will be the reaction of people such as him, and the people that he represents in the sector, to the news that that cut is being, in your words, “reinstated”?

Iain Munro: You will take evidence from sector colleagues later this morning, so you will be able to hear directly. Some of the early reaction is far from positive. There is despair, despondency, disillusionment and fear. People are exhausted in trying to keep the show on the road, literally.

As I have already mentioned, forward planning confidence is vital. Even with months’ notice, short-term uncertainties only add to the pressures and risks that people are having to manage directly in the sector, and it is not sustainable. In our evidence, we have given you illustrations that are based on the regularly funded organisations that are so financially fragile that they are at risk. In those situations, as the perfect storm continues—I have to say that it is growing

stronger—the risks are increasing all the time for parts of the sector to potentially become unsustainable. We will see the decline of the sector in the months and years ahead unless the resourcing equation changes.

09:00

Donald Cameron: In practical terms, what does “decline” mean? Does it mean closures?

Iain Munro: It means closures, job losses, loss of provision with less available for communities across the country, fewer opportunities for artists as well as people who are employed directly in the organisations and less ability to reach into other policy areas where we know that culture has an important role to play, such as health and education. With the role that culture plays, “decline” also means fewer spillover impacts across the cultural, social and economic sectors and tourism and hospitality, and on Scotland’s international reputation, which is so strong in relation to our cultural identity. With regard to local provision, there is more at stake on the ground than a loss for audiences and organisations and around employment; it goes beyond that to the consequences that result from a strong cultural offer. A decline in the sector is potentially damaging on all fronts.

Neil Bibby (West Scotland) (Lab): Good morning to the witnesses. We have had a U-turn in February, then we had a U-turn on the U-turn, so it is no wonder that there has been an erosion of trust within the sector. You mentioned that the cabinet secretary was at the meeting yesterday, Mr Munro. Did the cabinet secretary explain the situation?

Iain Munro: Yes. I want to say clearly to the committee that we do not underestimate the pressures on public finances. Hard choices have to be made and there are pressures on all fronts. In that context, it is very much understood that hard choices are being made and that inflationary pressures and pay settlements all add to the pressures on public finances. That contextual backdrop is the Scottish Government’s explanation for its inability now to provide the £6.6 million.

Neil Bibby: A commitment was given in February, and you have talked about the pressures that the cabinet secretary discussed with you yesterday. You mentioned pay. Is it your understanding that this budget is potentially being used for pay settlements elsewhere in the public sector?

Iain Munro: There is no direct line of sight. We need to be clear that £6.6 million is a meaningful and significant sum of funding. The culture sector makes every pound work doubly hard with regard

to the value that it delivers. However, the sector is overstretched, and £6.6 million in an overall Scottish Government budget of £60 billion is proportionately very small; I should make it clear that Creative Scotland's budget has now dipped below 0.1 per cent of the total expenditure in the Scottish Government budget.

The creative economy as a whole is worth talking about, too. We, among others, have a role to play not just in helping to support the cultural economy but in helping the creative economy to thrive. The creative economy is significant for Scotland and at United Kingdom level; it is a growth sector. There are more than 13,000 creative businesses in Scotland, employing around 80,000 people and generating nearly £4.5 billion gross value added for the Scottish economy. The return on investment that comes from funding Creative Scotland as part of that overall equation is enormous. Small sums of money unlock a lot of potential, but the budgets that are available to us have not been able to keep up even with inflation, so our unrestricted budgets have been at a relative standstill for more than 10 years.

There is an in-built deficit in the equation, so when small cuts emerge they have a disproportionately negative impact not just on culture, but on social benefits and the economy. Those cuts are in the context of a much bigger equation that we need to understand.

Neil Bibby: The promise was made in February. You got confirmation in writing on 27 September—yesterday—of the cut being reinstated. Have you had any indication of when Government made that decision, or of how long it has been considering reinstating the cut? It is clear that the cabinet secretary did not wake up yesterday morning and say, "I'm going to cut £6.6 million from Creative Scotland's budget."

Iain Munro: We got the confirmation letter on 20 September—a week ago. As I said at the top of the evidence session, the technical reality is that the Deputy First Minister and Cabinet Secretary for Finance at the time confirmed the £6.6 million, but that was subject to the autumn budget revision. The Scottish Government has had, through the course of 2023-24, since April, to explore how the £6.6 million would be provided. The autumn budget revision did not secure the £6.6 million—hence the letter to us confirming that it is not available after all.

Alexander Stewart (Mid Scotland and Fife) (Con): £6.6 million is a considerable amount of money, and you have explained the funding process, Mr Munro. Thank you for that. The shock waves that you and the sector must have experienced when that decision was reversed and

you found out that you were losing that money must have been considerable.

I commend you for at least managing to fill the gap; not filling it would have been a death knell to some of the sector, and you have identified that. Does it feel as though the sector is under attack, that it is expendable and that the Government does not see it as a priority? That appears to be the message that is being transmitted to your sector.

You talked about your sector's success, which is to be commended, but how do you measure success when something such as this is thrown at you? It affects economic growth and the development of the sector. How can the sector progress when it is put in this life-or-death situation? You either survive or you do not, and if you had not put that money into the sector, some of the organisations would no longer exist by the end of this financial year.

Iain Munro: That is correct, which is why the board moved as swiftly as it could to stabilise the situation. However, as I said earlier, it is a short-term measure. I talked about the planning confidence that is required. Such interventions are a bit like trying to change the engines on an aeroplane while you are flying it. I will stick with the airline analogy. We do not know what the funding landing strip that we are aiming for looks like. Is it on the scale of Glasgow international airport, a regional airport such as Aberdeen or Inverness, or Barra beach? We have to understand what the future will look like in order to be able to navigate with more confidence, whatever the final settlement picture looks like, so multiyear commitments are important for us and for others.

I will make a few points in addition to that. I have talked about despair, despondency and so on, but there is also confusion out there in relation to the very clear and bold statements about the value of and support for the cultural sector compared with the reality of the resource that is available to support its sustenance, development and growth, and the contribution that it can confidently make to culture, society and the economy.

Clearly, we are all concerned about what is at risk, and the potential for decline and the damage that that could mean in terms of loss of opportunity and reputational damage around the world. There is inherent ambition in the sector, and bodies that are getting support are doing their very best not to just keep going but to deliver their very best work. They need to be thanked and commended for that, but that, too, is now at risk. People are starting to feel very compromised in their ability to continue delivering while uncertainty about the funding commitment exists.

Alexander Stewart: You probably heard at last week's meeting the talk about how Scotland "gets it" when it comes to culture. My stark review of what has been said is that Scotland does not get it, if this is how Creative Scotland is treated by the Government of the day.

The sector has bent over backwards to accommodate, be supportive and take on board many things, and it has been, and continues to be, innovative. It punches above its weight—we discussed that last week, as well—but it cannot maintain, sustain and retain if it does not know where things are going. It is quite obvious that, at the moment, the route plan is not available to your organisation or to the sector. How can you plan and progress if you do not have that?

Iain Munro: We can do so only with extreme difficulty. I can genuinely say that I believe that the Scottish Government "gets it"—to use your phrase—based on previous evidence. There are challenges, which I have acknowledged, on all fronts, but the value that is returned is very clear. I have talked about some of that, and evidence tells us more, but that is not translating into the resource equation.

The overall cultural budget is about 0.6 per cent of total Scottish expenditure, so Creative Scotland's budget is just below 0.1 per cent of overall Scottish Government expenditure, if I have worked that out correctly. If we look at comparators, that is very interesting. The European average, taken from the 34 countries that I have analysed, is 1.5 per cent; we are way off that.

Culture Counts has put forward its own view on the resourcing levels that would be helpful. Although I certainly support the view of Culture Counts, I come at the matter from a different perspective. Based on that international comparison and what we know would be an exponential return on investment, if the sector is to be backed, an aim to get the culture budget up to 1 per cent of total Scottish Government expenditure should be an objective. If we could all see such a commitment, we would know and understand what the funding landing strip looks like.

Keith Brown (Clackmannanshire and Dunblane) (SNP): I have a few quick questions related to the last point that you made, when you made the comparison between Scotland and the European average. Do you know the relevant figures for the rest of the UK? What percentage of the UK's total expenditure is on culture, and can you include Wales in that?

Iain Munro: The figure is similar-ish. I should make it clear that direct like-for-like international comparisons are very difficult to make, but when I

looked at the detail—there are colleagues who are experts on that—and tried to get the average, I found that the figure is similar-ish across the UK.

Most recently, however, there was a 2 per cent uplift for our equivalent in England, and an uplift of nearly 3 per cent for our equivalent in Wales. Because you mentioned Wales specifically, it is worth sharing another bit of context, which I have mentioned in previous evidence to the committee.

09:15

In Wales, there is now a policy framework in legislation through the Well-being of Future Generations (Wales) Act 2015, which requires policy areas beyond culture to have an eye to culture—and to the environment—in planning service provision and delivery. That acts as an in-built trigger for culture to automatically be a reference point in policy areas beyond it, such as health and education. That act, in its very title, is about taking a generational approach. It means that the value that exists in those other policy areas is known, which in turn means that the value and the impact, and the resource equation, can be unlocked in that framework. I draw that to the committee's attention.

Keith Brown: I asked about the comparison with England and Wales, and you said that the figure is equivalent. Were you saying that the average for England and Wales, or for the UK and Wales, is equivalent to the European average or to what is spent in Scotland?

Iain Munro: I meant the Scotland figure.

Keith Brown: Okay. With regard to your reserves, I think that you said—you can correct me if I am wrong—that the entirety of the reserves comes from national lottery funding, and that no part of the reserves has been contributed by Scottish Government funding. Is that right?

Iain Munro: That is correct.

Keith Brown: You mentioned the UK context, which you said is important for the sector. We have had 13 years of austerity, in which budgets have declined. There is some pretty challenging stuff in your submission, and in what you have said about the Scottish Government. Do you think that the sector is—in the words of Alexander Stewart—being attacked by the Scottish Government or seen as "expendable"? Do you think that you are being treated differently from other parts of the budget?

Iain Munro: As I said, I think that everybody knows and understands the context. People make a confident contribution as best they can, based on their resourcing levels, and they understand the tough choices that have to be made.

Do they feel under attack? I would let people in the sector express that for themselves, but I think that they feel under challenge to make sense of the clear statements of public support with a resource equation that has, in net effect, been in decline for 10-plus years.

We know the value and the return on investment that exists; in relative terms, we are talking about small but meaningful sums of money that bring an exponential return on investment. I think that the sector feels under challenge as a result of the decisions.

Potential and ambition still exist in the sector, but even those will now start to dissipate because of a lack of confidence about how people can move forward confidently into the future, as well as exhaustion.

There are long lead-in times for a lot of work in the cultural sector, and I think that people are growing impatient to see the gap between the potential and ambition that exist and the reality of what is delivered being closed, given what could be achieved with just a little bit more in terms of resource.

The structures that are in place for managing the business of government—that includes local government, which is an important player in the resource equation whose support is also in decline—drive silo-based approaches to decision making, thereby missing an opportunity to think and behave differently in relation to culture. Culture can sit in a silo as it currently does, but it clearly speaks to the wider policy agenda—I keep mentioning health and education, for example.

There is still a lot more work to be done to ensure that there is a strong culture budget in place, and that we are working to unlock the opportunities across Government portfolios for the added benefits and value that flow from that.

Keith Brown: This will be my final question. Last week we heard that there has been a 40 per cent reduction in local government funding at UK level, which will have a consequential similar effect in Scotland because of the UK Government's cuts here.

At no point in my memory of the past 13 years has an amendment to the Scottish Government's budget asking for more funding for the sector been proposed by any other party. We will hear from the cabinet secretary next week, but how would you describe your relationship with the Scottish Government just now?

Iain Munro: I would say that the relationship is positive, but it is being tested by the reality of what we are dealing with. We have been able to develop a very honest and direct relationship in which we can speak truths to each other, but that

is clearly being tested. We are an arm's-length body of Government, but we are very much aligned to the delivery of Scottish Government policy. We take that job and responsibility very seriously, but our relationship is being tested.

I am sure that the nature of our relationship will enable us to navigate the situation. It is vital that, as far as it reasonably can, Creative Scotland has a positive and productive relationship with the Scottish Government, in order to ensure that we can navigate what I know are public-sector-wide challenges from which the culture sector is not immune.

That is not special pleading, as it were. It is absolutely about recognising the positive contribution and value that culture and creativity make to all dimensions of the country, and about ensuring that we have the conditions in place to unlock that opportunity to maximum effect.

Keith Brown: May I ask a final quick question? I am trying to view the situation from the point of view of a member of the public. For 13 years we have had cuts to the global budget because of austerity. As you said, we cannot take the issue in isolation; we must look at the context. Such cuts have the cumulative effect of wearing people down over time. Do you think that the public would be surprised to find out that it takes until, say, year 13—I am not sure that that is the case; you can tell me if it is not—for you to think about starting to use reserves to address such issues? I realise that reserves can be held for various purposes, including for a rainy day. Do you not think that, after 13 years of austerity, the rainy day might have arrived? How might the public perceive that?

Iain Munro: Our reserves position varies year on year; sometimes we have no reserves. The way in which national lottery income works is that we can overcommit to enable us to have negative reserves. It is not a policy position that we adopt, but it is a technical point.

I will say that under the National Lottery Act 1998 national lottery income is intended to be additional to Government funding, and not a substitute for it, and it is framed as such. We need to be very clear that the reserves position is built for a specific purpose; it is not intended to substitute for what should otherwise be Scottish Government funding.

The Convener: I will ask a final question. *[Interruption.]* Excuse me. Mr Ruskell has questions first.

Mark Ruskell (Mid Scotland and Fife) (Green): Iain, when you came to the committee at this time last year, you were looking at that £6.6 million cut. The impression that I got from you at the time was that it would not make a massive difference to RFOs in this year. The concern was

really about the next year—2024-25—and whether those cuts would continue. Is that still the case, despite the chaotic situation that you are now in, with reinstatement and having to dip into the reserves again? Is the issue still what the impact might be on the 2024-25 budget?

Iain Munro: I will answer that in two parts. We are stabilising the situation to enable us to move through the next six months. There is uncertainty over 2024-25, which I will come to in a second. Even under standstill funding—as per our submission, that is what the reinstatement from reserves of the £6.6 million will enable us to achieve—we still see there being fragility in the sector. We estimate that at least a third of the current regularly funded organisations are so financially fragile as to be at risk over the next six-month period. In our submission, we refer to that and to the fact that it could have a consequential effect on around 900 jobs, employment opportunities for 12,000 artists and a loss of audiences totalling 1.4 million.

Even on a standstill basis, the problem has not gone away, and it will be amplified if reductions continue into next year. If the £6.6 million were not available and applied, the numbers would go up enormously. The estimate, based on current financial information and the fragility that we understand exists, is that around half of the current regularly funded organisations would be at risk, leading to 2,000 job losses, 26,000 lost opportunities for artists' employment and nearly 3.5 million of lost audiences.

The in-year situation is not solved. We have stabilised it, but the fragility continues, because in material terms, a standstill position still represents a cut. Actually, that standstill budget is the number that was set five years ago. The inflationary effects over the period were accumulating anyway, but they have been exacerbated in the current economic and fiscal environment.

Mark Ruskell: Okay. I have a couple of questions for Isabel Davis, too. How have in-year budget revisions impacted the work of Screen Scotland? Separate from that—although, in some ways, it might be linked—is the memorandum of understanding that I believe you have with a range of partner organisations, including Scottish Enterprise. How does that process work? Is it effective? Does it provide opportunities for, say, more direct funding of Screen Scotland?

Isabel Davis (Creative Scotland): Good morning, and thank you for the questions.

On the first question, the position with this year's Screen Scotland budget from the Scottish Government is that £2 million of our in-year budget is still unresolved. We do not yet know whether

that cut is coming, and obviously it comes off the back of last year's £2 million cut.

Perhaps I can take your mind back to August, when we were able to announce really stunning figures for growth from 2019 to 2021. During that period, we were able to grow Scotland's studio infrastructure and, as a result, draw in large-scale productions, be they high-end television, film or whatever, while at the same time growing our own skills and infrastructure base. Happily, we have proven what can be done when you have a proactive agency with funding that it can allocate in the right way. That funding was drawn directly from the Scottish Government into Screen Scotland as part of Creative Scotland, and Creative Scotland's role in building the infrastructure is absolutely critical.

As far as this year's budget is concerned, the unresolution is unhelpful for all the reasons that would be true for the rest of the cultural sector. In the main, confidence and planning are two fundamentals of the film and TV production business; indeed, planning itself has a long trajectory, and it is incumbent on any agency or, indeed, any country that is trying to attract production for its services to show that it is steadfast as a partner, especially in a world where all sorts of other contingencies will come into the production process. That is fundamental.

As for how we move forward, we are awaiting further news. However, there is no getting around the fact that our growth trajectory will be affected if we are unable to put that money where it was intended to go: production, skills, talent development and all those good things.

On your second question about the MOU, when I started at Screen Scotland at its birth five years ago, the arrangements with the enterprise agencies were formalised into MOUs. Although we still retain a strong relationship, we do not work on an MOU basis with Scottish Enterprise any more. I think that it is fair to say that Screen Scotland has established itself as the agency in its own right, and we have worked out over time that we are better off working with partners such as Skills Development Scotland, the Scottish Funding Council and Scottish Enterprise on a more bilateral basis. On some aspects, that has been pretty productive. We continue to co-fund business development support, and we work together on studio projects. With regard to where other budgets might be found, that is a good question. It is not the case at the moment.

09:30

Mark Ruskell: Is it the case that those agencies maintain and hold those budgets to which you

then have to apply, or do the budgets come straight to Screen Scotland?

Isabel Davis: There is no money that transfers from Scottish Enterprise or the other agencies.

I would single out Highlands and Islands Enterprise as being a strong partner for us—we co-fund projects that are of mutual benefit—and South of Scotland Enterprise is coming forward quite strongly with good local partnerships, but there is no transfer of cash.

Kate Forbes: I have another question, which builds on Mark Ruskell's question to Isabel Davis.

For as long as we have a stagnating economy, high inflation and a budget that is based on consequentials driven by austerity, things are going to be tight, and yet the screen sector has been such a significant contributor to economic growth in Scotland. I am looking at some of the figures: total spend is up by 55 per cent since 2019, and staffing is up by 39 per cent. In terms of economic drivers, screen is at the forefront.

In that vein, could you outline a few of the opportunities that you see in the coming year? The link there to budget is that if you grow, the budget will, indirectly, grow as well.

Isabel Davis: Absolutely—that leverage effect is true through production. There is an opportunity coming back to us—I would not have felt confident about saying this even two days ago, but the resolution of the Writers Guild of America strike situation has immediately brought back a number of projects into our orbit. The Screen Actors Guild—American Federation of Television and Radio Artists dispute is still on-going, but we are more confident than we have been for a while that, come January, production will be flowing again. If we are not ready with the tools to attract that production to Scotland, however, there is no possibility of it coming. It will come if we are able to attract it in with a range of production incentives and a readiness in our crew base.

With regard to the way in which we grow Scotland's opportunities further, we have seen a huge leap in jobs and production growth as a result of the skills programmes that are appended to productions. There is no better way for someone who is working in production to learn a skill set than by working on an actual production, so the earlier we can get in with those productions to work with them, the better. The film and TV production sector is extremely ready to work on skills programmes, if it has the time and the bandwidth to do so. Again, Screen Scotland plays a proactive role in that regard. I hope that that answers your question around the opportunities that exist there.

In addition, I highlight the fact—Iain Munro alluded to this earlier in the cultural sector—that we have such a strong leverage effect. We work on a budget, across grant-in-aid and lottery, of less than £20 million and, as you can see, we were worth more than £600 million—almost £650 million—in 2021 alone. We are on a growth curve upwards, as we have seen more studios come into play.

Obviously, the reverse is true as well: if we are not able to draw that investment in, those numbers will not even stay where they are.

Iain Munro: The screen sector is an undoubted success, and it is on a success trajectory. There is a question mark over an aspect of the budget, which could risk inhibiting that success trajectory, but nonetheless it is undoubtedly there.

I want to add my reflections on screen as an example of what is possible when we get the right factors in place. One of those factors is having the right people with the skills, talent and expertise to unlock the opportunity—that is illustrated by Isabel Davis and her colleagues in screen, and we have such people across the staff body of Creative Scotland. It is a combination of having the right people and having a very clear policy priority that has political backing, which then translates, in combination with the unlocking of modest financial investment. For the Scottish Government, that is less than £10—or rather, £10 million; forgive me—in addition to the £10 million from the national lottery funds that we channel.

If we could get that set of factors in place and working together, as we have seen in screen, we would be able to replicate that across the cultural spectrum, and the return on investment would be equally as powerful, not just economically but also culturally and socially. Modest investment can unlock the greatest potential and return on that investment.

The Convener: I echo Ms Forbes's comments about the success of the screen industry, which is something that we are all proud of. I am conscious, too, that a lot of the feedback that we have had from cultural organisations, such as those involved in the Edinburgh festivals, the fringe and so on, is that they have been successful—post-Covid recovery is kicking in, numbers are returning and the sector is flourishing. It is good to see performance across all areas in that respect.

I return to the immediate challenges. You have been able to mitigate the funding situation for regularly funded organisations this year. Have you had any indication from the Government of whether the cut will recur next year? Has there been any discussion around those areas? If that cut continues, will it fall mainly on the regularly

funded organisations or will you have to re-evaluate your whole programme and ambition for multiyear funding, for instance?

Iain Munro: There are two parts to that. On what our understanding is for next year, the Scottish Government has indicated that it would not wish the cut to be repeated next year but, of course, due process has to be undertaken in relation to budget planning and budget setting through the Parliament. It is undetermined; there would be a desire for the cut not to continue but it is not guaranteed.

Forgive me—what was the second part of your question?

The Convener: Will you be able to meet your ambitions for multiyear funding and the changes in the business model that you sought?

Iain Munro: If it is the same £6.6 million in the way that it is applied to our budgets, it would be directly a consequence of a reduction to the RFOs.

Donald Cameron: On the subject of multiyear funding, I read the part of your submission about how you are setting up the multiyear funding system with great interest. We hear about that so often at this committee. Would you still prefer to receive a multiyear funding settlement from the Scottish Government so that you can operate your own system of multiyear funding? Is that your ambition?

Iain Munro: Yes is the short and direct answer. I go back to planning confidence. The way in which budget cycles have been working is that we get three months' notice before the year end to understand the draft budget. We know why that is—there is a chain of events, from the Westminster Parliament's settlement to Scotland and so on—but it makes planning very last minute and precarious. We need to quickly translate that into confidence for the sector in the subsequent year, so whatever the level of budget settlement, the more of a long-term view we have, the better.

I add that Audit Scotland is our external auditor—it is the same for all public bodies—and it expects us to do long-term financial planning; every year, we have a conversation about our ability to meaningfully do that in a context of annual budget-setting cycles as they are currently undertaken.

Mark Ruskell: What does Audit Scotland say about your reserves? Has it offered you any guidance or analysis about the level of reserves that you have?

Iain Munro: In general terms, it is understood that the position is one that we can adopt and hold. Audit Scotland knows that we are prudent in how we use our income and think about reserves

and the purposes for which we have them. That is all appropriate and in line with Audit Scotland's requirements and the finance manual.

I add that it would be a concern if there was a move towards an expectation, when reserves are depleted, that the national lottery income stream, which is a third of our overall budget, should step in on an annual basis to offset a reduction in Scottish Government income.

Mark Ruskell: I understand.

Neil Bibby: Will using reserves this year make it more difficult to move to multiyear funding without having that cushion that you otherwise would have had?

Iain Munro: Yes, it will limit our ability to smooth the transition to multiyear funding, because of the demand equation, as I mentioned. More than 500 organisations intend to apply to one programme for more than £113 million a year. If those sorts of numbers are possible, it would be less of a challenge, but on the basis of current resourcing levels, we would be nowhere near able to support that level, and fewer organisations would be supported.

We want to support organisations at an appropriate level to enable them to deliver the best outcomes, but unless something significantly changes for the better, we will fund fewer organisations, which means that we need to give them time and space to think about their future. That is what the transition support from reserves is intended to enable, but the less reserves we have, the less possible it is to give people the time and space to understand whether they should reconfigure the business into a different business model. For some, it will mean managed closure.

Neil Bibby: It is a difficult situation. People are looking for certainty over multiple years, but they do not even have certainty over the next seven months.

The Convener: Do you have any final thoughts, Mr Munro?

Iain Munro: I will make a further point about the demand around multiyear funding, and I will talk about demand on our national lottery open funds. On multiyear funding, we are all challenged by the scale of the potential ask, and our deadline for the first stage of the multiyear application process is at the end of October, at which point we will be absolutely clear about what the scale of that looks like. We expect that it will undoubtedly be a challenge, based on the intentions to apply. However, we should also look at the other side of that coin. The inherent ambition in all those applications will be untapped if the resource levels are not higher. There will be a big missed

opportunity in terms of what could be achieved through support with multiyear funding.

That is only one avenue of support, but it is the most significant one for most organisations in the cultural sector. We are also seeing an upturn in the volume of demand on our national lottery open funds. Those are entirely national lottery-supported programmes for individual artists, creative people and cultural organisations. The demand equation has gone up. It was already challenging, but demand has gone up by more than 50 per cent in terms of the number of applications, and the financial ask has more than doubled because of the inflationary environment and the contraction of financial support elsewhere.

The budget position is not any better—in fact, it could get worse. I am afraid that the volume of unsuccessful applications that we have to deal with is increasing. On all our budget fronts—national lottery, Scottish Government and all our funding programmes—the demand equation has gone up by such an order that we are thinking very carefully about how we can continue to make a meaningful offer while managing the expectations of our ability to support that demand.

Isabel Davis: I have a final comment. I am very happy to talk about the success of the production sector. Other parts of the screen sector have challenges, but I want to make a more positive comment about the way in which the Edinburgh festivals have been emblematic of the need to think differently, work together and be collegiate. I publicly thank Francesca Hegyi, who I know is on the next panel, for her umbrellaing of the film festival in its time of need in August, and for the wonderful attitude that Festivals Edinburgh has had towards that festival. The Edinburgh Festival Fringe Society has really lent into the opportunity to build an audience for fringe work from the film and TV sector. There are some great examples of people thinking differently and collegiately across the board.

The Convener: That was helpful—thank you. We have exhausted questions, so I suspend the meeting briefly while we change over to our next panel.

09:45

Meeting suspended.

09:50

On resuming—

The Convener: A warm welcome back to our second evidence session.

We are joined by Lori Anderson, director, Culture Counts; Julia Amour, director, Festivals

Edinburgh; David Watt, chief executive, Culture & Business Scotland; Chris Breward, director, National Museums Scotland; Brenna Hobson, executive director, National Theatre of Scotland; and Francesca Hegyi, chief executive, Edinburgh International Festival. A warm welcome to you all.

Last year, our budget scrutiny coined the term “perfect storm” to describe what was facing the cultural sector. I first ask each of the witnesses to reflect on where they are now. I think that most of you saw the previous evidence session with Creative Scotland.

I will go round the room from left to right.

Julia Amour (Festivals Edinburgh): Hello. Thank you so much for inviting us and for everybody’s kind words about Edinburgh’s festivals in 2023. We were very buoyed up by the fact that there was a strong recovery in terms of audience experience and critical reception. However, I watched last week’s evidence session and heard the committee refer to “doughnut funding”, and I have to immediately say that the danger with that kind of outward success is that people do not realise that, under the waterline, the ship is holed. All the issues that the committee heard about last week, and from the national arts development agency this morning, are causing that precipice to loom ever closer for the festivals, despite their doing a magnificent job.

It is about all the people who make the festivals—the other people who are around this table and those who are not, such as independent artists who gain income through the festivals as part of the juggling of their livelihoods and then work in their own communities across the whole of Scotland the rest of the year. Obviously, we are cultural organisations and we may spend a lot of time speaking about the organisational challenges, but it is always with the motivation to sustain a viable cultural system in Scotland, which is 70 per cent freelance.

The committee has heard that the cards are going to fall and that the system is going to fall. Is the Scottish Government simply going to let the cards fall where they will, or is it going to build for the future? Even if you see us coming at the bottom of the European league tables in future years, there is a responsibility to manage that and to support restructuring with multiyear targeted investment.

The Scottish Government is making choices, despite the difficult situation. Recently, we have seen the budgets of some of the major events that have been supported overrunning and that having to be supported. We have also seen a commitment in the programme for government to future major events. This is not a sport versus culture or an Edinburgh versus Glasgow thing; this

is about evidence-based policy. The economic impact assessment that Festivals Edinburgh published in July showed that the perennial value of home-grown events is bringing back 10 times the value that the Commonwealth games was able to in economic assessment terms—and that is far from all the value of culture. It is about when the very supportive words are going to be backed up by the deeds that that evidence suggests are needed.

Lori Anderson (Culture Counts): First, thank you very much for inviting us to give evidence this morning.

With regard to the perfect storm that was reported on last year, I think that the sector would suggest that, at best, things have remained the same, but the reality for most is that things have got much, much worse. Last week, you took a lot of evidence about the individual factors contributing to that. As you know, the economic picture is extremely challenging, with the sector suffering from the effects of high inflation and rising interest rates, fuel costs and cost of living.

The impacts of Brexit are still having a significant impact on the sector. Despite some good news about festivals and about certain areas recovering, we are still in recovery, with audience numbers in many areas not yet back to pre-pandemic levels. However, it is the cost of living crisis and the standstill investment that are having the biggest impact on the sector.

The budget for the culture portfolio represents a real-terms cut for the sector, and we cannot get away from the impact of that. We are seeing a reduction in cultural services, staff losses and challenges in retaining staff and attracting new staff into the sector; the situation is taking a significant toll on morale and the sector's mental health; there are real threats of closures and loss of services; and the sector is quite exhausted in its ability to make cuts and diversify its income generation. As we have heard, financial reserves across the sector are being depleted, and the sector itself remains in crisis. Looking ahead to 2024-25, I cannot even begin to imagine what that will look like, particularly given yesterday's news about the cut to Creative Scotland.

It is also worth noting that at local authority level things are particularly challenging, too. Over the past year, 50 per cent of culture and leisure trusts that are members of Community Leisure UK have received flat management fees for the operation of cultural services, and we know that there is a trajectory towards zero funding; indeed, five of our members have reported that they are on the brink of that.

Therefore, the picture as far as the perfect storm is concerned is not great. In fact, things are worse—much worse.

Would you like me to comment on what we heard earlier from Creative Scotland, or will we come back to that?

The Convener: We will probably come back to that. We will have the introductory comments first, and then we will come back to you later.

David Watt (Culture & Business Scotland): Building on what colleagues have said, I have to agree that the key issue for the sector is definitely talent drain, which has been caused by the aforementioned societal challenges. Many organisations are struggling to recruit short-term and freelance staff as well as core staff; there is, for example, a major skills shortage with regard to technical staff, which I am sure that Julia Amour can tell you more about from the point of view of the festivals. Obviously, a key contributor to that is Brexit, with the restrictions on access to the European Union marketplace and the introduction of bilateral work visas, which are costly and time consuming, particularly for small-scale organisations.

Organisations are also struggling to replace expertise in development roles such as fundraising and business development, and that is obviously having a significant impact on their ability to secure additional income, look at new business models et cetera. That is all compounded by the fact that reserves are being eroded, partly because of the impact of the lockdown but also because of the continuing cost of living crisis and high energy bills, which are crippling many organisations. In fact, South of Scotland Enterprise has confirmed that some of the cultural organisations in its constituency have seen their energy bills increase by 400 per cent, and that is simply not sustainable if they are also looking at budget cuts.

In summary, a real-terms reduction in public funding in that context of external societal and economic challenges means that organisations can continue only to firefight to meet short-term challenges, with absolutely no opportunity to look at growth and development for future sustainability and planning. If that budget pattern continues, there will inevitably be significant shrinkage in the culture sector.

Brenna Hobson (National Theatre of Scotland): I am sorry that I am not able to paint a brighter picture, but what I would say is that audiences are starting to come back. They are not all the way back, but demand really is there.

As we all know, costs are very high and rising; you heard about a perfect storm last year, and we have seen some of the effects of that this year,

with Dance Base having to cut services and staffing and with the loss of the Filmhouse.

10:00

As a sector, we are incredibly interconnected. Technicians and performers who work in theatre also work in film. If we erode the sector, whether national performing organisations or Creative Scotland-funded companies, that impacts our ability to deliver in those growth areas that can be incredibly financially beneficial to Scotland. We are at the point of real danger in that. There are significant issues around skills and we risk losing people—generally speaking, to London.

The Convener: Can I just clarify? Are technicians—the people who support production—being lost to the screen sector?

Brenna Hobson: Not at all. One of the great joys of our industry is that people work between screen, theatre and music. That is healthy. To have a healthy sector, we need all areas, including screen and the performing arts, to be well funded, so that those freelance workers can work between the sectors and have a viable career.

Chris Breward (National Museums Scotland): Thank you for inviting me. I will start on a positive note as well, because, above the surface, the museum and gallery sector is doing wonderful things. Last night, I was at the opening of the National Galleries of Scotland's new galleries. We work with Kilmartin museum, which reopened recently and a third of whose exhibits are from the national collection. Last year, the Burrell Collection reopened. Extraordinary museums and galleries are part of the beating heart of this country.

However, to go back to the perfect storm scenario and Julia Amour's scenario of the hole in the hull—sorry for continuing an aquatic metaphor—I often feel like a swan, gliding through the waters, kicking desperately while the weeds grab at my legs. Beneath that surface picture, in which, as Brenna Hobson said, visitors are returning, there are systemic problems that present a huge challenge to the sector now, mid-year. All the projects that I talked about are the result of capital investment that goes back 10 years. I do not see that glory of opening new spaces for another 10 years at least. It is a struggle for survival.

Museums and galleries are at the core of what we do. It is embedded in the National Heritage (Scotland) Act 1985 that National Museums Scotland preserves, interprets and provides public access to extraordinary collections—for Scotland's visitors and for the world. That is a legal obligation. I am very worried about that legacy for future generations, because it is becoming frayed around the edges.

Just to give you a sense of how we are experiencing the systemic problems that I mentioned, our grant in aid has decreased in real terms by 16 per cent over the past 10 years. That echoes previous comments. We got an uplift last year, for which we were very grateful, to reflect utilities costs and inflation. Our visitors are returning. We feel like a thriving organisation. However, mid-year, we face a deficit of £1.2 million if we are to match the costs that are not within our gift—in particular, future pay awards. That will mean making some invidious decisions about what we do. I think that that view is shared by the museum and galleries sector at large.

With success come responsibility and future costs. Our visitors have increased by 16 per cent since 2011. The huge capital project of reinvigorating the Chambers Street museum has brought them back in crowds—much better than what the national museums in London have experienced.

The international visitors have returned because we offer a fantastic programme. However, our floorboards are getting worn down already and the displays are looking tired in those corners of the museum that we have not been able to renew. I think, unfortunately, that it will get worse. I echo the comments of my colleagues around the table that the effect on morale and keeping a skilled workforce and all those impacts on the broader tourism economy will reverberate. However, I hold on to the positives; we have a lot to be proud of.

Francesca Hegyi OBE (Edinburgh International Festival): Good morning and thank you for asking us to come along. I will start on a positive, too. We have heard something about the positive way in which the festivals came back this year. We certainly saw audiences and visitors coming back for the international festival, which, artistically and critically, was one of our most successful festivals for a very long time. The quality of the work is there, and the skill of the people who present and do the work is there. However, as other witnesses have said, there are things to worry about.

We have talked a lot about a perfect storm and I have to say that I do not agree with that analogy. A storm is a one-off event: it gathers, unleashes and then dissipates. We are seeing, in our case, 15 years of standstill funding, which has led to a 41 per cent reduction in the value of public funding. That is not a storm—that is a climate. We have seen climate change for the culture sector in Scotland. It feels as if we are living in a pretty hostile climate at the moment, which is not one in which we can even survive, let alone thrive.

What we are experiencing is a culmination and co-existence of a series of circumstances that we know about—which relate to inflation, interest

rates and the cost of living crisis that we are going through—and the consequences of a series of choices that the Government has made over the past 15 years not to invest in culture. Some of the difficulty that we are experiencing is born out of something that Iain Munro was talking about earlier: we have a strategy that talks about enabling our sector to grow, thrive and recover, and then actions that are not consistent with that strategy. Those things cannot both be true—you cannot have a strategy that says, “We’re going to enable you to grow,” and then say, “We’re going to cut you in year.” That cut is real—it has happened—which means that the strategy cannot be real or robust.

That leads to a gap in credibility and confidence. There is a lack of confidence to enable us to plan or enable our international partners to want to partner with us and plan for future years—that is gone. The impact of that is not just financial or around planning but on reputation, credibility and Scotland’s place in the world. We are losing credibility; we have lost our international reputation for culture. As an organisation, we cannot plan with our international parties five years hence because we do not know what our financial situation will be in 12 months.

It is not lost that the remit of the committee is external affairs and Europe as well as culture. I am not sure that that thought experiment has been done; at least, there is a degree of inconsistency between the actions that are taken on culture policy and the rhetoric on culture and its impact on Scotland’s reputation around the world.

The Convener: Thank you for your opening remarks. This will be a round-table, free-flowing event. I know that members are already coming in, but I will go to questions from Mr Cameron first.

Donald Cameron: I am glad that Francesca Hegyi made that point about the committee’s remit including external affairs. Culture is one area around which the Scottish Government promotes Scotland internationally. I am keen to explore that international element a bit more. You all represent organisations whose presence and profile are not only Scottish but impressively international. Would any panel member like to come in on the impact of funding on their international reach, beyond what Fran has said?

Brenna Hobson: Along with the other national performing companies, the National Theatre of Scotland proudly has a remit to represent Scotland internationally, as well as within this country, and to reach all of Scotland. You will be able to tell from my accent that I am a new Scot. When I first was approached about potentially coming over here, I had already seen six National Theatre of Scotland productions outside Scotland.

We are still proudly touring. Our show, Claire Cunningham’s “Thank You Very Much”, will be in Europe in the coming weeks and we have been in the States this year. However, touring is getting harder and harder. All my national performing colleagues are having to say no to some tours because we cannot support them. We used to be able to invest in touring internationally, but we are now having to make that break even. We are in an international marketplace where Governments that support their countries’ work are much more active internationally, as Fran Hegyi highlighted in her submission. We can see that we are being outstripped by, for example, Canada and Korea, and the list goes on. We are still proudly touring as much as we can, but the level is reducing.

Francesca Hegyi: I will go back a little further. Obviously, the purpose of the Edinburgh international festival is to be international. We were set up after the second world war as a tool for cultural diplomacy through arts and culture, with the aim of bringing different cultures together. That role and that remit are still extraordinarily relevant. Performing at the festival is seen as a mark of achievement in an artist’s career no matter where in the world they come from. This year, we presented 2,500 artists, a third of whom were Scottish, from 50 nations. That illustrates a joyous coming together of the international and the Scottish. Therefore the role that the festival plays through soft power and cultural diplomacy cannot be overstated.

This August, we welcomed more than 20 international Government delegations to Edinburgh to experience what a festival city looks like. I have to say that in the majority of cases they were shocked at what they found. Chris Breward’s analogy of the swan is relevant here, too: what we show on stage and what we present outwardly are one thing, but the reality of what is happening behind the scenes is very different. I know that our visitors took away the fact that our cultural sector is in distress. That is the message that has gone out from Scotland to the world, which is not great.

I will give an example of what that looks like. Recently, I received a text from a colleague who is my counterpart at a European festival and who, therefore, has a similar job to mine. They were so worried about the conversations that we had had over the summer about the future of our sector that they said, “Is there a way that we, and a number of other European festivals, can put together an aid package for you?”

That is the scale of the crisis that we are looking at. What sort of message does it send to our counterparts in Europe that they think that we are deserving of aid? It is a really worrying external message that I am not sure we want to be putting out. However, that is the reality of the reputational

damage that is happening through the lack of investment in culture here.

Chris Breward: Like many museums and galleries in Scotland, we are a world-class museum. We have a collection that is international in its reach and we operate a number of partnerships. At the moment, we have a wonderful small exhibition called “Rising Tide”, which is about the challenge of climate change in Oceania and creative responses to that. That sort of work—which, in this case, involves working with our partners and first nation communities in that part of the world—is incredibly important to us and to our mission, as is the case for many museums.

One of the challenges is that we can do great international work and have international reach only if the core funding is there to support it. If it is not, it becomes what we might call an added value and an extra. I do not think that it is an added value and an extra; I think that it is fundamental to the work that museums and galleries do to remain competitive and also to be true to their mission and their vision.

International work is a key aspect of what our sector does. Another challenge that we might want to think about is the drive to net zero—I mentioned the “Rising Tide” exhibition—which is also fundamental to us. Understanding how we can work towards what might be seen to be an opposition in that regard is important.

10:15

Cost and value are important. I am not sure what it is like for the performing companies, but it used to be thought that blockbuster exhibitions that travel around the world were the engine of income generation, but they are incredibly expensive and complex to put together and the profit margins are not so great that they can make a difference.

I do not think that international work should be seen as an answer to some of the gaps that we have in funding, but I do think that inward international connection also remains important to us. We want to continue to attract international visitors who enjoy our collections and experiences, and we want to have a thriving international visitor experience across our sites in museums and galleries.

Julia Amour: I want to pick up on the point about internationalism with a net zero trajectory. We have worked really hard—especially during the past five years—to reimagine what internationalism is, and we have used some of the techniques that we learned during Covid lockdowns to do so.

One of the reasons that the industry and international Governments came back so strongly this summer to Edinburgh is that the city provides a global convention of ideas and debate on the north-west edge of Europe, and we all benefit from that here in Scotland.

We have always been an open society that needs to look to the world in order to thrive, and we are, happily, in a position in which people want to come and have that discussion here to meet with our society and exchange ideas. However, we need to do that in a more net-zero way. Everybody has been developing some techniques to do that, including through longer-term residencies and concept touring. One of our leading children’s theatre companies, Catherine Wheels, is an absolute expert in concept touring: it takes an idea and trains people on the other side of the world to deliver the same kind of work. There is also virtual planning of productions, which involves less travel and enables more engagement across the whole country, because techniques of that kind can enable places such as Deveron Projects, in Huntly or the Wild Goose Festival to become more involved in such interactions.

All of that is starting to flourish, but the cycle of planning for survival and having to replan for survival in-year and not having a long-term view of where we are going is very damaging to the possibility of us continuing to occupy that very unique position in the world.

David Watt: I would like to talk a little bit the soft power of culture as a driver for international trade development. We currently run a programme called the culture in business fund. The Scottish Government provides the budget for that, and the fund can only support cultural and business collaborations that deliver cultural activities for the people of Scotland in Scotland; it does not have a mandate to incentivise business investment and cultural exports such as international touring, international residencies or participation at festivals that are outside Scotland. The potential to develop an international component of that fund would help to incentivise business to use cultural engagement as a calling card for developing trade activities, which is another key target for the Scottish Government.

However, the issue is not only that the fund does not have an international remit, but also that it was cut by the Government in the most recent financial year. That means that we are not even able to deliver cultural experiences for the full list of applicants to the fund who applied in order to deliver activities within Scotland.

One of the challenges in that regard is that, as much as the outcomes and values, and the return on investment for business, are broad, the Scottish Government funding comes from the

culture division, not from a cross-portfolio approach, although the sector delivers for the economy and society as well. There needs to be consideration of how those types of initiatives are funded, and how they are delivered against cross-portfolio agendas.

The Convener: We have not come to Lori Anderson yet. Lori, do you want to come in on this subject?

Lori Anderson: I would echo everything that colleagues have said—I am not going to repeat all those points. There is no doubt that we have an excellent reputation for our culture, both in what we export and what we offer internally. Our cultural sector is the reason that international visitors come to Scotland. However, there are significant challenges to working internationally, which some of the witnesses have picked up on. Those are obviously to do with cost increases, but issues that are still prevalent due to Brexit are also putting up barriers to our ability to deliver at the scale that we have done in the past.

We welcomed the consultation this year on having an international cultural strategy, but there are concerns, particularly now, about that level of ambition, the commitment to that and the funding that might be available to deliver it, because resources are needed to deliver on the level of ambition that we all want to achieve.

The Convener: Donald Cameron, do you want to come back in?

Donald Cameron: I find those answers very full—thank you.

The Convener: I will bring in Neil Bibby.

Neil Bibby: I was actually going to ask the question that Donald Cameron asked, but I have another question as well. The testimony about the impact on international work is important for us to hear.

With regard to the domestic aspect, at last week's meeting, I asked about the impact that funding pressures and the trajectory of funding would have on opportunities for children and young people in Scotland. Do you have any reflections or thoughts on that? I am thinking of education and learning opportunities, and also employment opportunities.

I know that the organisations that are represented here today do a lot of work to support opportunities for children and young people, but notwithstanding that, I would like to hear what you think the challenges are in that regard and how funding pressures could adversely affect those opportunities.

The Convener: As we are back on funding, I will come back to Lori Anderson, given her earlier wish to comment on it.

Lori Anderson: To comment on the cut?

The Convener: As well as the question around funding, yes.

Lori Anderson: I will certainly deal with the cut first.

I will quote the words of the First Minister, when he announced the programme for government in Parliament a few weeks ago. In his speech, he said:

“The sector should be assured that this Government values the role of culture not just for the substantial economic impact that it has but also for the incredible joy that it brings to people in Scotland and around the world.”—*[Official Report, 5 September 2023; c 17.]*

Those words were said only a few weeks ago, but there are not many people in our sector who are feeling assured this morning. My inbox is full of expressions of disbelief at the news of the cut to Creative Scotland.

There are, we believe, 500 organisations in the midst of preparing funding applications to Creative Scotland, and they will be feeling incredibly confused and concerned about what lies ahead.

Being on standstill funding over the past 10 to 15 years has been challenging enough. The sector lost faith in the Government last year, with the announcement of the 10 per cent cut, despite the wealth of evidence that was provided to this committee, and which this committee put forward, about the challenges that the sector was facing. That faith was somewhat restored with the reversal of the cut that was announced last year, but that was after a major public campaign in which—as I understand it—at least 15,000 members of the public spoke up about their views on the cut.

Having the funding restored made the sector feel that it was being listened to, and that the challenges were understood. Yesterday's news, or this morning's news, that the cut has been reinstated is beyond disappointing. It will be a massive knock in confidence for the sector and, in all honesty, the Scottish Government will have a significant job to restore trust between itself and the sector. It shows a disconnect between what is being said and what is being heard, and it ultimately shows that the value of the sector is really not understood.

However, that goes beyond investment and places a question mark over the commitment to the ambitions that are being set out for the sector. We have just talked about the international cultural strategy. A lot of work has been done to move culture forward and to think about the strategy,

and there are some challenges with that, as Fran Hegyi mentioned, with regard to the revised action plan. It is very difficult to see how that commitment can be taken forward positively and how the level of ambition that has been set out can be supported given the news that we have received today.

I want to touch on a positive area where the Government has stepped in for the sector, mainly because I want to urge the continuation of that support. That area is the support that is provided through various tax reliefs—exhibition tax relief, energy bills relief and orchestra tax and theatre tax relief—all of which have been lifelines to the sector over the past few months that have allowed certain organisations to continue to exist and to maintain a level of service. We urge that those dialogues continue in order to maintain that support. However, alone, those will not be enough to rebalance the gap in investment. That is what I have to say about this morning's news and how we view it.

On children and young people, there has been talk this morning about the broader impacts with regard to the sector's role in contributing to health, wellbeing, young people and education. We anticipate that there will be challenges in developing new careers in the sector, and we know that that is likely to lead to services and provision of that nature being cut when there must be a focus on core services.

Chris Breward: I want to give two examples of projects that support young people and families in our museums. This week is maths week, which is a wonderful opportunity for young people to come into our museums and experience our collection through the prism of maths and increase their numeracy skills. Engaging with maths week every day this week has certainly increased my numeracy skills.

Maths week is funded every year through the Scottish Government's education portfolio. It is year-on-year funding, so we cannot quite predict what will happen in future years, but it has built a legacy and a wonderful story, and it is a really good example of cross-portfolio working. Culture can and should be funded from other portfolios as much as from the culture budget. I commend maths week and encourage you all to go to the activities and to look at that example as a model for different sorts of funding models for culture.

Digital is also important with regard to the way that we reach schoolchildren across Scotland. It is one of the ways that we pivoted during the lockdown in the pandemic years. We were able to beam out into schools and use our collection digitally when people were learning at home. We now reach every local education authority in Scotland with those programmes in the curriculum,

which is a really great thing. It does require investment in digital on all sides. My colleagues at Museums Galleries Scotland, for example, offer the example of staff in the museum sector, which is suffering from underfunding, using their own laptops to deliver those programmes. That is a real risk in the future to both digital security and the survival of those creative opportunities.

One of the risks that we carry is that education and education programmes—that everyday experience that children have in our museums and galleries, which is wonderful; we have all experienced it and remember it for life—is often seen as an add-on and it is the kind of thing, outside of the core services, that dissipates when funding is at risk. There are some great examples of the work that we can do with children, but some thinking is needed about legacy and how that work is funded in the future.

10:30

Francesca Hegyi: I will build on some of Chris Breward's points. The evidence is there of the benefits that arts and culture give to wider social agendas such as health and wellbeing, education and community building. There is tension in that all those benefits are 100 per cent reliant on the core being able to exist. Without the core happening, whether it is a museum exhibition, a festival or a theatre production, there are no attendant benefits. To enable those to continue and to be felt across society, we must fund the core bit.

We have all seen a retraction of the benefits, because the work that we do in communities and with schools and to develop talent in the industry is not revenue generating. We are inevitably forced towards activities that bring in income, so that, as organisations, we are that little bit more resilient, and, very sadly, we move away from those activities that we care deeply about. An example is that, this year, we were not able to do the fireworks concert, which is always free, is for the people of Edinburgh and is fun and joyous. However, it costs £750,000 to put on and we do not have the flexibility for that in the budget any more.

Inevitably, we retreat to and retract into the activities that we know can generate income and sell tickets and that we can raise sponsorship against, and some of the incredibly valuable work that is an additional benefit falls by the wayside. It is not what we want—it is the absolute opposite of what we want—but we cannot have that work if we do not have the core.

Another point on that is the displacement of energy and effort. At the moment, I probably spend 70 per cent of my time on the question of how we balance the books. I am not sure that

trying to solve that conundrum is the best use of my time or the time of all our teams, when we could be thinking creatively and ambitiously about how we support communities. We could be doing that, but we are forced by the situation into being internally focused. The impact of that and the stresses that it brings to the people who work in the sector, whether as a self-employed creative freelancer—the life-blood of the industry—or as someone who runs a big or mid-sized organisation, is huge. That is where the headspace, energy and effort is, because it is such a crisis point at the moment.

Julia Amour: I want to mention what has been a really positive example of how we have been able to increase our impact on young people through quite a marginal increase of investment by the Scottish Government, the City of Edinburgh Council and, through fundraising, the festivals themselves. It is about leverage and how much is brought in additionally when a long-term approach is taken. It is called the platforms for creative excellence—PLACE—programme, and it has allowed us to have planning confidence, which Creative Scotland talked about, over five years between 2019 and 2023. Although it had to be confirmed every year, there was an agreement between the public funders that it was a commitment, and that was matched by the donors. Through the approach, we brought in more than 66 per cent more funding from the funding that the Scottish Government put into it. It allowed us to increase the number of our schools engagements by 70 per cent and our community engagements by 33 per cent.

Very unfortunately, the commitment is coming to an end this year. I asked one of our faithful private donors if they would consider helping us to keep it going. The answer was that they are not interested in becoming a funder of last resort if the Government and other public funders pull out but they are interested in a long-term strategic approach. It is a really important learning point for us about how everybody needs to get round the table and have that strategy for the future, because our private donors will start to fall out of the picture if we do not have that strategy.

Brenna Hobson: We all have programmes that we are incredibly proud of and committed to. For example, the National Theatre of Scotland has the theatre in schools Scotland programme that we run with Imagine, a Creative Scotland client, and which every year reaches 16,000 schoolchildren in their schools with theatrical offers. We know that it is increasingly difficult for schools to get out—although we know that excursions are incredibly important, too—but we have had to pick up more and more of the costs, because things are so much harder for the smaller organisations. At

some point, we will come under that pressure, too. Everybody has an example like that.

We are also really committed to innovating. For example, we have an education portal on which we put recordings of our productions, teaching resources and so on, and under a deal that we have with the various unions, those resources can be accessed for free if the access is for educational purposes. There are 432 drama teachers in Scotland, but 700 teachers have signed up to the programme, because it is relevant not just to drama but to English and indeed right across the curriculum. We know that the resource is valued and that, although seeing something online is not the same as seeing it in real life, it helps. Again, though, all of these things are under pressure, and every organisation that you speak to will have such an example.

David Watt: I want to highlight the report of the Scottish Government's advisory group on economic recovery—the Higgins report—which recognises culture as a significant contributor to social and economic recovery and renewal and recommends that the culture sector be made a high priority, because it is inherently innovative and entrepreneurial. Like the culture sector, the business sector has been hit especially hard by the pandemic, Brexit and the cost of living crisis, and it faces immense trading challenges as well as the staffing challenges that we have already discussed in relation to the culture sector. There has, therefore, never been a greater need for those sectors to collaborate. Although the Higgins report highlights opportunities for innovative solutions, that is not possible when the business and culture sectors are in cost-cutting mode, and further threats to the culture sector's budgets will make it very difficult for it to innovate, given that it will have to firefight.

Unfortunately, there is very little evidence of initiatives being put in place to realise the aspirations in the Higgins report. The majority of times, culture is not present at or around the table when it comes to setting broader policy agendas, and that issue of culture not being represented is a significant challenge for the sector and, indeed, for society.

Cutting culture budgets is only going to exacerbate that situation. I have already referred to the fact that the Scottish Government cut Culture & Business Scotland's budget, which incentivises business's sponsorship of culture, by a third last year and that it cannot commit to a standstill budget for the current year. As a result, it is not only main cultural activity that is potentially under threat but funding schemes that try to encourage cross-sector collaboration, which is certainly what we should be looking at as we move forward.

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

Neil Bibby: No—I am fine, thank you.

The Convener: I have Ms Forbes, Mr Stewart, Mr Ruskell and then Mr Brown. I am sorry—everybody wants in. I will call Kate Forbes first.

Kate Forbes: Thank you for all that you do to contribute to Scotland's culture.

You might have heard my question in the previous evidence session highlighting the fact that our budget challenges arise from a stagnating economy, inflation and a budget that over the past 10 years has been shaped largely by austerity. Of course, we are very much focusing in this conversation on one side of the balance sheet—that is, your costs—but I want to read out some figures that jumped out at me in Creative Scotland's submission. The gross value added of Scotland's creative industries has increased by 62 per cent since 2010, while staffing has increased by only 9 per cent. That means that fewer people are contributing enormously to Scotland's economy, which should be a cause for great celebration.

I have three questions, but because there are a lot of witnesses, I am just going to throw them all out at the same time and you can pick and choose which to respond to. First, do you feel that that enormous economic contribution is fully recognised in conversations about funding, whether it be public, private or third sector funding? Secondly, how has the balance of those different sources in the funding mix changed in your organisations? Lastly, what are the funding opportunities in the coming year for continuing that trajectory of contributing to Scotland's economic prosperity, which, in turn, raises the revenue to reinvest?

The Convener: I am looking to see who would like to go first.

David—can I force your hand?

David Watt: Yeah, I am just looking for something. [*Laughter.*]

Opportunities for better and deeper engagement with communities and with the business community have already been described. We need to think about the needs of other sectors in which we know culture provides instrumental benefits as well as cultural value.

We recently undertook a survey to ascertain the appetite for culture and business collaboration, which was born out of what we saw happening during the pandemic, when cultural organisations repurposed their assets when they were not able to perform to audiences and so on. For example, the Royal Scottish National Orchestra did online

percussion workshops for school kids when schools were in lockdown, and Scottish Ballet got its dancers to do breathing and movement exercises for national health service staff who were at the coalface in the pandemic. A lot of that stuff was under the radar, because only the people who were supportive of those organisations recognised that it was a valuable contribution.

We surveyed 195 arts and heritage organisations, asking them what they thought the opportunities were to diversify their income streams and look at aspirational development beyond the pandemic. A lot of the responses were about how to engage better with business and what they could do for business in terms of products and services that they might be able to provide. A good example is Scottish Ballet repurposing its movement workshops to provide support for its corporate supporters, including employees of KPMG when they were in lockdown and working from home, who were supported to get up and move away from their computers and breathe properly and so on, because they were not able to have their water-cooler moments.

Having spoken to those 195 cultural organisations, we then went out to businesses, and 114 came back to us. We told them what the culture sector said it could do—that it can develop products and services or it can, without moving from its core purpose, hand tailor and develop aspects of what it does to provide solutions for business that could be transactional and bring new income streams to the sector. We asked what is important to businesses; both sides said that the challenge was access to markets and the fact that they did not know who to go to and when to go to them when they were looking for cultural solutions to business challenges and so on.

Nine out of 10 businesses said that it was really important to engage with the culture sector, but only 20 per cent said that they find it easy to do so and 96 per cent of the culture sector said that they were actively seeking business engagement and transactional relationships with business, but only 17 per cent said that they found that easy to do. There is clearly a potential supply-and-demand situation that needs some kind of brokerage in the middle.

The rationale for the businesses that were interested in some kind of marketplace was that they might achieve certain business targets, a lot which were internal and related to staff and their health and wellbeing. For example, 73 per cent of respondents said that they would seriously consider engaging if they could deliver activities to improve staff health and wellbeing, 76 per cent said that they would if they could engage with culture to support innovation, creative thinking and problem solving in the workplace and 70 per cent

said that they would do so in relation to enhancing productivity in the workplace. There were similar percentages in relation to team building, improving dynamics and greater engagement with communities.

There is recognition within the business community that culture can deliver benefits for businesses, but there needs to be greater understanding of that across Government portfolios. It cannot all sit within the culture division, because it addresses cross-portfolio agendas.

Julia Amour: Thanks very much for that, David. The cultural and creative economy is such a complex picture and you set out some of the interdependencies very well.

One of the reasons why the economic contribution of culture is not well recognised is that it is difficult for policy makers to get their heads around it. The sector consists of microbusinesses, small-to-medium-sized enterprises and freelancers, and it is fragmented across the country.

Some enterprise bodies in Scotland, particularly Highlands and Islands Enterprise and South of Scotland Enterprise are, partly because of their remit from Government, more able to capitalise on how culture infuses benefits across our communities. They have a role in placemaking and in helping fragile communities to thrive. They take a wellbeing-economy approach, which is not only about monetary value but is about the core economic services that are being provided.

10:45

I turn to the monetary aspect of the overall national economy and the change in the funding mix. Edinburgh's festivals are, on average, around 15 per cent funded by public sources, and of the 85 per cent that is self-generated the two top sources are ticketing and commercial donor and sponsor income. That is a source of astonishment to many of our international peers, because their national-level festivals' funding is the other way round. They might be 80 per cent state funded with 20 per cent self-generated funding, so what the Edinburgh festivals do is an extraordinary achievement.

The festivals are interconnected with other bits of the creative industries, which are pulling away from the rest of the economy, because people who act as technicians in our sectors and do a lot of the underlying software design and so on also work in the gaming industry, the music industry and so on. They are all interdependent. Francesca Hegyi is the expert on this, because she has sat on a committee on the issue over the past couple of years.

That situation built up over decades, but it changed greatly after the financial crisis, because a big chunk of funding for the Edinburgh festivals came from corporate donors. That has dropped away almost completely, and individual donors have now replaced that component; the segment of funding from individual donors has grown by more than 200 per cent in that time. That is obviously much less stable, and there is much less commitment from the business community of Scotland, which is not good.

Finally, on opportunities in the next 12 months, many of our festivals have been doing great work in the United States in activating the diaspora interest. I know that that will also be the case for other organisations—I see nods around the table. That is fantastic, but they are interested in commercial opportunities. If you want a less dependent—if you want to use that word—culture sector in Scotland, we can go and get those opportunities, but they are commercial opportunities.

The other opportunity that I am working on is about bringing the Edinburgh and south-east Scotland local authorities together to work on a regional prosperity framework. That provides us with an opportunity to link the Edinburgh festivals together with organisations and individuals who are based in the other five south-east local authority areas to develop a more regional cultural tourism economy. We are excited about that, but it will take public investment.

David Watt: I will pick up on the economic development agencies. Highlands and Islands Enterprise has a track record of working closely with the culture sector, and has invested in capital and revenue in Comar, known as An Tobar and Mull Theatre, for example.

I proactively encourage arts and heritage organisations to attend things such as XpoNorth, which is great. South of Scotland Enterprise proactively works with and funds organisations such as the Stove Network and Alchemy Film & Arts. There is recognition of the economic contribution that culture brings, particularly in slightly more rural and remote areas.

We have struggled to see a similar understanding of that at Scottish Enterprise, possibly because of the change of leadership in the organisation. There was a positive response when Steve Slater came into the enterprise agency, and a sense that culture would become more of a mainstream player in it, but that seems to have dissipated since he left.

We would like, from the economic development agencies, a consistent national approach to understanding the value that culture brings.

Francesca Hegyi: I might pick up on some of that. Culture's part of the creative industries is fundamental and foundational. We know that the creative industries are growing at one and a half times the rate of the rest of the economy, so investment in creative industries, including culture, means that the whole economy grows. There is a golden thread from the subsidised culture sector through to the commercial sector. It is the public investment in arts organisations and the creation of art work that enables us to take the risks that commercial operators will not or cannot take. The obvious examples that are always used are "The War Horse" and "Matilda", which started in the subsidised end of the spectrum and were then commercialised and brought huge benefits. However, you have to support the origin of the work in order to get the consequential economic benefits.

There is an opportunity for greater joining up across Government in that respect. I sometimes fear that a bit of a silo mentality happens, in which culture is over here and economic development, trade or investment are over there and never the twain shall meet.

An example is the joint investment from the UK Government and the Scottish Government in investment zones, whereby £80 million is going into the two different zones of greater Glasgow and the north-east. The creative industries, including culture, are among the priority sectors that can benefit from those investment zones and being part of those bids but, from early conversations that I have had with them, culture ministers were not aware of the ability to be part of those bids. That might have changed now—I really hope that it has. Although those decisions are obviously made locally, there is definitely more work to be done on greater joining up between the potential of the creative industries and culture and the local and national economic growth to which they can contribute.

On one of your other questions about the make-up of our income, although we have seen a 41 per cent drop in public subsidy, our level of philanthropy and corporate sponsorship has grown by 200 per cent. We have worked incredibly hard to backfill the gap, but that does not make it up, so in future years, even if our budget stays at a standstill—let us not talk about cuts—a deficit will opening up of between £1.5 million and £2.5 million a year. That is the size of the gap that we are talking about. Julia Amour is completely right: the generosity and support of our donors and philanthropists is extraordinary, but they will not subsidise the Government. They want a partnership and confidence that a long-term strategy is in place that they can support and play their part in. That long-term thinking needs to be joined up for them to come in.

Another example of where there could be greater joined-up thinking relates to the concern about the impact that alcohol has on the population and the desire to introduce some sort of restriction on alcohol advertising and sponsorship. Although everybody shares the desire to address that problem, one of the unintended consequences of such legislation would be the disappearance of alcohol sponsorship from the arts and culture sector. That sponsorship is another plank of our funding. We hugely rely on that form of sponsorship because of the nature of the entertainment industry that we reside in. Joined-up thinking about the implications of policy decisions and movements would be really welcome.

Chris Breward: I will go through the three questions quickly. As I said earlier, my grasp of stats is not great, but there are really interesting ones here. The first is on economic impact and value. We did really useful quick research on grant in aid spend per visitor across different national companies across the nations of the UK. That of the National Museum of Wales was £17.86 per visitor, that of the National Museum of Northern Ireland was £15.36 per visitor and the England nationals' spend was an average of £10.52 per visitor. To read it one way, that is great news: National Museums Scotland spends £7.97 of grant in aid per visitor, and we deliver programming and experience that are equal to, if not better than, those of any other. We drive real value for the funding that we receive from grant in aid.

The last time we did a more detailed economic impact study of our museums—the national museum of rural life in East Kilbride and the Edinburgh museums, which are the national war museum, the national museum of Scotland and the national museum of flight—was just before the pandemic. Across the piece, we contributed £116.8 million to the economy and supported 5,190 jobs and 13 per cent of tourism jobs in Edinburgh. We have seen a rapid recovery post-pandemic, so that would be an interesting exercise to re-run now. The national museum of flight alone contributed £8.4 million to the economy and 340 jobs in East Lothian. Again, that is great news and a lot to build on.

When it comes to the mix between grant in aid and commercial, philanthropic and other sorts of funding, grant in aid accounts for 70 per cent of our funding. I have been in Scotland for 13 years—the best years of my career, when it comes to the institutions that I have worked for. I came here from a London national museum at the time of the last financial crisis, when the proportion of grant in aid for the London nationals went down to 30 per cent of their total budgets. I therefore commend the Scottish Government for its continuing support with 70 per cent, which has

meant that we have been able to deliver value above and beyond.

One challenge is that the funding ecology in London, New York or anywhere else is different from Scotland. Building up from that 70 per cent from high net worth individuals is perhaps more of a challenge where we are, so we have to think much more creatively about the opportunities.

I am glad that the alcohol sponsorship problem was mentioned. I will give two examples of our working in incredibly creative partnerships—those with Glenmorangie and with William Grant & Sons. I do not like talking about individual companies, but those two have done such great things for us. We could not have properly published and catalogued our amazing world-class collection of tartan without the partnership of William Grant. That was added value, on top of the core. Similarly, when it comes to interest in early Scottish history, Glenmorangie has enabled extraordinary work on Viking-era archaeology and has got that out into communities.

More such partnerships are important to us, as is more support for such work, to go back to the international question that Julia Amour and others raised about the potential of the Scottish diaspora—that issue of high net worth. In November, I am off to New York, as are many colleagues from across the cultural sector, to work with our American foundation to build on that. Any help from the Scottish Government is always gratefully received.

The Convener: David Watt wants to come back in, but I am conscious that some people have not contributed. Does anyone else want to come in before a final thought?

Brenna Hobson: Thank you for acknowledging the value that culture brings financially as well as in other ways. We are like colleagues in that, as a percentage of our turnover, investment from the Scottish Government is going down.

Income from philanthropy, the box office and co-production is going up, which can be a really good thing. Our production of “Burn” with Alan Cumming last year was co-produced with a theatre in New York, which invested in what was a very Scottish production. This year, “Dracula: Mina’s Reckoning”, which is rooted in the Doric and is a co-production with Aberdeen Performing Arts, has been invested in by the Belgrade theatre in Coventry. Those are really valuable things.

However, if we are going to go, as we must, to village halls in Nairn and Strathpeffer, if we are going to reach Mull and if we are going to go into schools—and subsidise that really heavily—that investment piece from the Scottish Government is vital.

I would echo the point about commercial opportunities, but having that foundation of Scottish Government investment over the long term—after all, we, like the other national companies, receive annual funding—means that commercial investors will have confidence that we will be around to deliver. At the moment, that sort of thing is slightly shoochy.

11:00

David Watt: I want to come back to the sponsorship issue. We have been focusing quite a lot on big sponsorship, the nationals and so on, but we see, through the Culture & Business Fund Scotland, that sponsorship activity is happening across the country. Since 2017, the fund has match funded cultural activity and business sponsorship in all the country’s 32 local authority areas. We are talking about £2.5 million-worth of investment in 148 projects, of which about £1.4 million comes from business. In other words, for every £1 of Scottish Government money invested, business is investing £1.21. It is a pretty effective way of leveraging and generating new investment in culture, which is, again, why we are concerned about the fund’s having been cut by a third in the past year.

There is also the issue of what small business can do. I am thinking, for example, of the festival of small halls on Skye, which is supported by a local hotel. That is sponsorship, but it is targeted marketing, too. The hotel recognises that, if it can create a kind of cultural destination and generate cultural activity, it—the hotel, the restaurant and the bar—will be full. It is investment in something that is good for the local community, and we need to look at how we enhance such opportunities.

The Stonehaven folk festival does something similar with local businesses, a lot of which are not the big nationals—they are the butcher, the baker and the candlestick maker. They are investing on a small scale, sometimes in kind, and that is bringing significant economic value through cultural tourism. We need to look at such approaches, how they will be funded by Government and whether they should sit in the culture division budget alone or whether they go across portfolios.

Kate Forbes: I wonder whether the various representatives can share some of that data with the committee. I also commend you for passing the numeracy test during maths week. *[Laughter.]*

Alexander Stewart: You have made it very clear that the sector is in distress—we heard as much last week and from our guests in the previous session—and the reputation of the organisations that you represent is at risk and continues to be so. However, you have all been

extremely and inherently innovative in managing the crises that you have faced, and your sector has diversified its income generation and its processes.

That said, there is still a mismatch between what you are trying to do and what the Government is saying and doing. Last week, I asked about the working groups, the strategies and the action plans that are in place, and I asked whether you were being listened to. I am sure that you are—indeed, I was told by the groups last week that you are—but you are being listened to at a time when one of your hands has been tied behind your back. Indeed, after recent events, it appears that both of your hands are tied behind your back.

We need to engage with how we go forward. We all want a long-term strategic approach, because we know that the sector brings in over £5 billion a year through its thousands of organisations and its tens of thousands of employees. They are at risk if you are at risk—and, at the moment, you are at risk. Where do you go in the future? How do your organisations attempt to recruit development roles for the future and, indeed, see that development happen? At the moment, you are stagnating and are living from hand to mouth. You all want to achieve—and you are all achieving. All of your organisations are punching above their weight—we get that—but the issue is the strategy that is required. There needs to be much more co-operation, which will mean understanding and respect. After all, without that respect, confidence in the culture sector will continue to be eroded. In fact, that confidence is being eroded every day—I can see that, and I know that you all feel it, too. It is about where we take the long-term strategic approach and how you develop the recruitment and development role to give yourselves a chance for the future.

The Convener: I am looking to see whether anyone wants to come in on that question.

Lori Anderson: Yes—a sustainable funding model is absolutely what is needed in order to provide the investment levels to support the sustainability of the sector, and we need that on a multiyear basis. Those are things that this committee has called for and that we have all been talking about.

Over the past few years, a lot of potential solutions have been suggested. To be honest, though, we have not seen much progress in taking those things forward. One key aspect, which has been mentioned today, is the need to take a cross-portfolio or whole-system approach. That was highlighted in the report “Culture in Communities: The challenges and opportunities in delivering a place-based approach”, which the committee launched a couple of weeks ago.

Work is already being done across multiple areas, but we need to identify ways in which to access investment across portfolios that goes beyond project funding. We need an embedded understanding of the benefits of culture and where it meets those other portfolio priorities.

There have been discussions about the potential for a transient visitor levy. Some progress has been made on that, but a levy has not yet been launched. There have been discussions about a percentage for art or culture scheme. That was a 2021 SNP manifesto commitment, but we have not seen much progress in that particular area either. That would involve funding coming from Government infrastructure projects.

There are other ways to look at the issues. There could potentially be flexibility for local authorities around changes to the Verity house agreement. There are a number of different ways in which we could look at making changes, but what is needed is clear leadership and the commitment, ambition and drive to actually want to find the solutions and take them forward.

Julia Amour: The ambition to place culture at the heart of Scottish society was reiterated in the speeches—literally dozens of them—that Scottish ministers made at Edinburgh’s 2023 peak-season festivals. We feel that culture is appreciated by them, and we hear that. Some of the things that would make that feel real include making progress with the cross-portfolio approach that Lori Anderson mentioned.

There is a very interesting blog by Matt Baker—I am sure that members will all have had access to it—from the Stove Network in Dumfries and Galloway about the approach to funding professional and community sport, for example, and how a pot of funding hypothecated from across portfolios could be available to make the approach to culture contributing to those policies real.

We would like to see that combined with a set of shared, high-level outcomes, because another thing that Scotland suffers from is small scale. In some ways, that is very much a benefit—our international peers come here and say, “That is wonderful. You can get your system in a room.”—and it makes beautiful things happen. However, while our counterparts down south are experiencing the kind of overheads in managing their budgets that Fran Hegyi was talking about, we are experiencing that more, because a greater proportion of our human resource is dedicated to that aspect.

If the public funders could work around a shared series of high-level outcomes, rather than a very detailed series of individual key performance

indicators, that would make a big contribution to us all thinking more strategically about this area.

It is three years until the next election. If we are talking about the serious restructuring of Scottish culture—and everything that we have heard last week and this week suggests that we are—we would like a multiyear commitment to that, even if it needs to be reconfirmed every year.

Finally, there are non-financial things, some of which have been touched on today, that could be done to reduce the operating costs of the culture sector and ensure the proofing of policy regulations so that we do not see unintended consequences. Alcohol regulation is one such area, along with detailed workings for the deposit return scheme and, for Edinburgh in particular, the short-term lets legislation. As you might know, the festivals collectively are looking for home sharing and home letting to come out of that agreement—we are not in any way disagreeing with the policy intent of better regulating that market. Those are three things that could make a significant difference.

Francesca Hegyi: A couple of people have used the word “ambition”, and that is where we need to start. We need to take a step back and ask, “What is our ambition for arts and culture in Scotland?” We need to be similarly ambitious as we have been in other policy areas. This is a country with free national health service prescriptions, no tuition fees for students and free travel for under 22s. Those are bold and progressive, ambitious measures that we can take as a country. What is the equivalent for culture?

With the greatest respect for all the work that has gone on to date, I would take the cultural strategy, put it to one side, take a blank piece of paper and talk to everybody around this table, our artists, our creative freelancers, our communities up and down the country and the people who run the organisations and ask, “What is the equivalent ambition for culture?” It is not taking the culture spend from 0.58 per cent to 0.79 per cent of Government spending. It is not a bit of tinkering around the visitor levy. Those are all levers that you can pull at the right time, but we do not have an overarching ambition.

With an overarching ambition would probably come restructuring of some of the mechanics to make that happen, whether in departmental terms or with regard to funding routes or mechanisms or the joining up of different parts of Government that is necessary to ensure that coherence of the economy, social outcomes and creativity.

I am not sure that we have a clear sense—or perhaps a common sense—of what that ambition is. That is where we need to start. On a culture

strategy action report, I have to say that, honestly, our time is better spent focusing on the ambition.

The Convener: I am conscious of the time, and there are two more members to come in. David Watt, do you have thoughts on that question?

David Watt: I agree, and focusing on that ambition should involve thinking about some key pillars. We need to think about cultural tourism and the importance of culture to the tourism economy, and we need to better measure that and get a sense of its true value across the piece. Lots of the organisations that are contributing to it are too small and do not have the resources to do that on their own. Therefore, there is an opportunity to work more strategically with the economic development agencies, which we spoke about earlier, on that. We need to ensure that culture has a voice at the table when we are looking at national and local policies, particularly around food and drink, tourism, hospitality and so on, because it is disjointed at the moment. We are a small country and we should be able to work more collegiately.

We have already touched on infrastructure. How much influence, or how much of a voice, did the culture sector have in the city and regional deals? It was not very much from what I have heard. We need to rethink that and get that voice at the table. We need to ensure that bodies such as Creative Scotland and Historic Environment Scotland are invited to all these Government infrastructure projects as statutory consultees, which they are not at the moment.

We need to look at skills development, which we have already covered, and we need to look at economic sustainability and how our cultural ambition aligns with the Community Empowerment (Scotland) Act 2015 and think about the opportunities there, particularly around how we support local authorities in drastic budgetary times. We need to look at what we can do about the high streets, empty homes, empty lots and empty shops and what role culture can play in that regard through taking a more collegiate approach with local authorities.

The Convener: Those are good points. The culture in communities report was mentioned by a number of contributors. One of the committee’s recommendations in that report is about cultural representation at the community planning partnership level. The Government is yet to respond to that report, but that should happen soon.

Mark Ruskell: I am aware of the time. It has been a really enlightening evidence session, and I have loads of questions, but I will focus on just one.

I was aware that, in the submissions, there was a lot of reflection on the transient visitor levy. It is clear that you see that as an opportunity to invest in culture. However, the point was made that, in these straitened times for local authority budgets, councils might just spend that money on meeting their statutory duties rather than in discretionary spending on culture. My question is therefore how you think ring fencing could proceed.

11:15

I then want to ask whether you have any comments on the late confirmation of grant in aid budget. That has been a theme of this morning's evidence from Creative Scotland. If that is being reflected across the sector, has it caused issues with delay in the budget that has come in?

Francesca Hegyi: I will pick up on both questions. I am not so hopeful about what will come out of the visitor levy. It has the potential to do something very positive for culture, but the observation that I am picking up is that the conversation in local authorities is about localism and specific local benefit as opposed to investment in core infrastructure. Therefore, there is some way to go in order to square those two aspects. Perhaps Julia Amour will be able to talk about that more eloquently than I have done. The latest advice from City of Edinburgh Council is that it sees such investment as relating not to the cultural product that brings tourism into the city—the people who are paying the levy—but to the local communities, and it is about small-scale activity. There is therefore a disconnect between those two things, and I am a bit nervous about that.

The late confirmation of grant in aid has a huge effect. I will give another real-life example. Edinburgh International Festival will put its 2024 programme to bed by Christmas this year. However, we do not yet know what our budget will be next year, which then pushes the risk on to organisations. As Iain Munro said earlier, that causes our boards and our auditors to ask uncomfortable questions about going concerns. If the national development agency, the funding agency, national and international organisations and, I am sure, people all the way down and through the system are having conversations about whether they are going concerns, that system is fundamentally broken.

That is why I come back to the point about ambition and strategy. We cannot keep just twiddling at the edges of a broken system and hoping that the outcome will be different. We need a fundamental reset that is ambitious and in line with the overall ambitions that have been shown in other policy areas. That is where we need to get to.

Chris Breward: I will really just be repeating what Frances has said. On the going concerns issue, it is quite extraordinary that our national organisations are having such conversations at board level and that boards do not feel confident to sign off annual accounts.

We are moving, in a positive way, towards pay negotiations with our staff by the middle of the year. However, the situation is corrosive to our ability to recruit and to reward our colleagues appropriately. There is a risk of continuing industrial unrest in the culture sector as a result of that uncertainty of being able to settle for our colleagues. We need a three-year planning horizon for almost everything that we do. We cannot be ambitious in the way that we want to be when we are not sure what is coming in the next two months, year on year.

This is a really challenging time. I would love to spend more of my time out doing creative things rather than worrying about the next month's budgets.

The Convener: Does anyone else want to come in on those points, or have they been covered by Fran and Chris? It seems that they have.

Mark, if you have covered your theme we will move to questions from Keith Brown.

Keith Brown: I am quite new to the committee, and I am stunned by how unremittingly bleak the experience has been, although it has been made lighter by the high-quality analogies that have been used. There have been aquatic ones and ones about climate change, which have been better than those I have heard in any other committee I have been on.

The international aspect of the financial pressures is interesting. We heard about high interest rates, inflation, Brexit and a 400 per cent increase in energy costs. You brushed over the implications of that quite quickly, but there will be implications for the Scottish Government across the board, not just in relation to culture.

In relation to the festivals, we are pretty much done—the international reputation has gone, to the extent that people who come here are shocked and want to give us an aid package. I have heard people elsewhere say that we still have an excellent reputation, but I take it that that was for the non-festival sector.

A couple of examples from Canada and South Korea were raised, but they are vitally different from Scotland in important respects. They do not have financial pressures to the same extent, and they do not have Brexit. They do not have devolution, so they do not have a predetermined budget. There was also reference to London,

which is not as relevant as it might be. Rather than giving answers just now, if people were able to provide information in writing on what the situation is in Europe or the rest of the UK, that would certainly be useful.

I turn to Mark Ruskell's question on the transient visitor levy. There is potential there, but I wonder whether it might end up having a very unequal impact, given what the likely dividends would be for different local authorities across the country. I would not be averse to trying to safeguard the dividends. We heard that there is real danger that they might just go into core funding. There are ways in which they could be safeguarded. Local authorities would rail against ring fencing, but perhaps there could be some agreement through the Verity house agreement or others. Would the levy strengthen areas that are already strong and do very little for more rural areas with dispersed populations? I am interested in hearing the panel's thoughts on that.

Julia Amour: It is always valuable to look at the wider context, particularly with international comparators. When people visit Edinburgh's festivals, they are absolutely astonished at what Scotland is able to achieve, given the constraints that you have just described. Their desire to help us is because this asset is important to them as well as to Scotland as a nation. We should take that as a point of strength to build on for the future, rather than a feeling that we are past the point of no return.

We deal with regions such as Catalonia, Flanders and Quebec, which are very strong partners that share and exchange work with us regularly. They support their culture sectors with statutes on the status of artists and itinerant workers when they are not on active jobs. We can definitely build up those policy relationships in the long term with those comparators to help us to understand how, currently as a non-state actor, we can strengthen that relationship.

The whole of the country could benefit from analysing questions about how the creative workforce is nurtured. As many of us have been saying, people who work in the performing arts also work in the screen sector. We have seen how the focus on the screen sector has hugely benefited Scotland's economy and workforce, but it is not being backfilled. The increased demand for those kinds of technicians is not being backfilled in other bits of the creative sector. By working with partners in Scotland and those international partners, I hope that we will be able to safeguard and regrow a talent pipeline for the future. That is an example of how we can harness those relationships.

The Convener: Does anyone else want to add anything?

Keith Brown: I am keen to find out whether the Scottish Government could do anything else with the powers that it has, which are quite different from devolved powers in Quebec and Catalonia on taxation and other things. Are there things that the Scottish Government is not doing that it has the power to do, and are there analogies, whether they portray the Scottish Government favourably or unfavourably, that could give us a better picture of what it could be doing? If anyone was able to provide that information in writing, that would be useful.

Julia Amour: We have had good discussions with civil servants on the international cultural strategy. Quite a lot of us around the table have probably submitted material on that, so I would be delighted if people wanted to revive that discussion—we have not heard anything about the international cultural strategy for months—and have a go at those questions. I would be happy to take part.

The Convener: I am conscious that we have run right up against our time. If there are no more questions, I thank everyone for coming along for the evidence session and for your written submissions, which have been helpful to the committee for today's session.

Meeting closed at 11:25.

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Published in Edinburgh by the Scottish Parliamentary Corporate Body, the Scottish Parliament, Edinburgh, EH99 1SP

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