



OFFICIAL REPORT
AITHISG OIFIGEIL

DRAFT

Constitution, Europe, External Affairs and Culture Committee

Thursday 9 January 2025

Session 6



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CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE
1st Meeting 2025, Session 6

CONVENER

*Clare Adamson (Motherwell and Wishaw) (SNP)

DEPUTY CONVENER

*Alexander Stewart (Mid Scotland and Fife) (Con)

COMMITTEE MEMBERS

*George Adam (Paisley) (SNP)

*Neil Bibby (West Scotland) (Lab)

Keith Brown (Clackmannanshire and Dunblane) (SNP)

*Patrick Harvie (Glasgow) (Green)

*Stephen Kerr (Central Scotland) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Katerina Brown (Historic Environment Scotland)

Jackie Dunbar (Aberdeen Donside) (SNP) (Committee Substitute)

Alastair Evans (Creative Scotland)

Anne Langley (Creative Scotland)

Anne Lyden (National Galleries of Scotland)

Fiona Sturgeon Shea (Federation of Scottish Theatre and Culture Counts)

Adrian Turpin (Wigtown Festival Company)

Robert Wilson (Creative Scotland)

CLERK TO THE COMMITTEE

James Johnston

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Constitution, Europe, External Affairs and Culture Committee

Thursday 9 January 2025

[The Convener opened the meeting at 09:01]

Budget Scrutiny 2025-26

The Convener (Clare Adamson): Good morning, and welcome to the first meeting in 2025 of the Constitution, Europe, External Affairs and Culture Committee. We have received apologies from Keith Brown, and his substitute is Jackie Dunbar, MSP. Jackie has already attended a meeting of the committee, so no declarations are required.

Our first and only agenda item is to take evidence as part of our budget scrutiny on the culture spending portfolio for 2025-26. That follows the committee's pre-budget scrutiny last year and the publication of the proposed budget in December. Our first panel of witnesses are culture sector stakeholders. We are joined by Anne Lyden, director general of the National Galleries of Scotland; Adrian Turpin, creative and strategic director of the Wigtown Festival Company; and Fiona Sturgeon Shea, chief executive officer of the Federation of Scottish Theatre and chair of Culture Counts. Katerina Brown, chief executive of Historic Environment Scotland, will join us online.

I open with a general question for all the witnesses. What has the response been to the budget for culture and what will it mean for your organisations and the culture sector more generally? I will start with Ms Sturgeon Shea.

Fiona Sturgeon Shea (Federation of Scottish Theatre and Culture Counts): Good morning. As the convener said, I am the chief executive of the Federation of Scottish Theatre—FST for short. We are the membership and development body for professional dance, theatre and opera in Scotland. I am also the chair of Culture Counts, which is the national network of arts, heritage and creative industries and works to protect and develop the culture sector for the common good. I think that I was invited here mostly with my Culture Counts head on, but I will also be speaking for the FST as I hope to keep my contribution relatively high level.

The FST and Culture Counts warmly welcome the Scottish Government's commitment to increase investment in culture, as proposed in the budget. There is cautious optimism about the impact that that will have. We are been especially encouraged by the allocation of an additional £20

million to Creative Scotland's multiyear funding programme. The announcement of that increased investment has been well received by the sector, especially the 281 organisations that are anxiously awaiting the outcome of their multiyear funding applications.

It is important to stress that, in the wider community, the work of many self-employed and freelance artists, practitioners and other organisations relies on regularly funded organisations within a wide and deeply interconnected ecosystem. What is important is how those individuals and smaller, maybe more emerging organisations, many of which are focused on creating new work, will be supported beyond the multiyear-funded organisations.

There is a much greater sense of optimism in the sector than there was when I gave evidence this time last year and we were concerned about the devil being in the detail. We are still potentially in that situation, although we are not in the dire straits that we felt we might be in. However, only 62 per cent of applicants by value that are in the final stage of Creative Scotland's application process will be funded, so there are caveats to the warm welcome for the increased funding. We are not ungrateful for it, but it is about considering the sector as a whole.

We hear a strong message from our members and the Culture Counts network that the great opportunity that is afforded by the increased investment to increase the number of sustainably funded organisations in the sector will have knock-on effects on fair work, ambition, collaboration and equity. I have loads more to say, but I will stop there and let my colleagues contribute.

Adrian Turpin (Wigtown Festival Company): I start by expressing thanks and saying that we recognise that we are in a challenging fiscal environment at the national level. We are all realistic about that across the sector, so the additional investment in culture in the budget is welcome, particularly, from our point of view, the £20 million that is allocated to multiyear funding. However, as Fiona Sturgeon Shea says, that begs the question about those individuals and organisations that are not working at that level. They are not currently RFOs or organisations of scale, and we need to make sure that they are taken care of.

The expansion of the festivals expo fund is particularly welcome. We are sitting on that body at the moment. What is really important about that is that it recognises something that we have said for a long time in the festival sector, which is that festivals are resources as much as they are events. A festival is not a 10-day event or a three-day event that draws people in just for that time; it is there all year round for the community and for

other people and artists in the sector. Moving that outside Edinburgh is particularly welcome.

We have been involved tangentially, but I would also like to say that the reinstatement of funding for Culture Collective is particularly important. From where we are sitting in Dumfries and Galloway, we have seen the importance of that whole programme, which has been championed and run by the Stove Network, our partners in Dumfries. It is a fantastic programme.

I am going to say two more things. Having talked about all that good news, I have to say that the sector is still very fragile. Fiona Sturgeon Shea talked about increased optimism in the sector, and that is true compared with last year. However, I do not think that the sector is very buoyant at the moment. As you know from your previous meetings, we are all still worried about having certainty about where we are going. The word “precarity” is the one that keeps coming up, and I am sure that we will get around to talking about that a lot more later.

Finally, I note from the briefing notes that 58 per cent of people who are employed in the arts in Scotland are based in Edinburgh and Glasgow. I hope that one of the things that I am here to do today is to talk about some of the issues from a perspective outside the central belt, as well as representing the perspective of smaller RFOs. We are the second smallest RFO by funding in Scotland.

There is a lot more to say, but we will leave it there.

Anne Lyden (National Galleries of Scotland): I thank the committee for the opportunity to appear before you again and speak to these matters. I will answer the question about the wider sector first, and then I will come to the National Galleries of Scotland.

I agree with my colleagues that it is very encouraging to see the additional funds come to the culture sector, and that that will have a positive impact right across it. However, I would urge against the continued precarity, which Adrian Turpin has just referenced, and note that the sector is not buoyant and that our aim would still be to get to a figure of 1 per cent of overall spend going to culture to try to keep in line with the European average of 1.5 per cent. The Art Fund did a piece of research in 2024 that said that, because of the years of austerity and the precarity in the museums and galleries sector, it would take between 10 and 20 per cent to stabilise museums and galleries.

That leads into the situation for the NGS in particular: this year, we received a 9 per cent uplift, as indicated in the draft budget from early December which, as has been stated in our

submission, is simply not enough for us, and we will be challenged in balancing a budget for next year.

Katerina Brown (Historic Environment Scotland): Good morning, everyone. I hope that you can hear me well. Thank you for inviting me this morning. My apologies for dialling in—I am protecting you all from the flu as I fight it off.

I have been in post as chief exec of HES for just over three months, so this is my first committee meeting; however, although I am new to HES, I am not new to the sector. My 30-year background covers the private, public and charity sectors, so if you will allow me, I would like to bring a slightly different approach and, I hope, a fresh perspective. I will not repeat the views that we shared in our submission, but I will bring some other observations. I will try not to cough.

Historic Environment Scotland sits outside the arts and culture budget. Specifically, it has a unique set of responsibilities in the wider cultural sector. I would like to recap the four areas that it covers, because although the economies and the sectors that we try to fund are broad and go way beyond the remit of those areas, there is considerable overlap.

There are four pillars of stewardship. We care for more than 330 places of national importance, within which are collections and archives, and we work closely with other bodies in the cultural sector on that. We are a donor ourselves and contribute more than £13.5 million a year to more than 300 other bodies—charitable, public and private—nationwide. Another specific arm is that we are the regulator, as you may well know, for listing designations and scheduled monuments, and there are rules that we must follow independently. Finally, we also have a role as adviser and a skills body, so people come to us for advice on many fronts, from climate change to heritage skills learning.

We balance all that and, although we have that unique combination of responsibilities, we have a unique approach to managing our budget. HES will not benefit from the £100 million to arts and culture—I will cover HES’s budget first, and then the sector’s, if I may. HES’s operating budget is £146 million—that is what it takes to pay its staff, run those properties and deliver those regulatory services. Of that, we receive grant in aid of £59 million and a further £10 million of capital funding, so we must raise the balance of more than £70 million, which is over half our funding, through various commercial activities.

Just before the pre-budget scrutiny work, we agreed a unique business model and a new framework with the Government, and agreed to a £2 million reduction in our funding over the next

five years—so, a £10 million reduction in that funding by year 5. We are challenged anyway to make those savings. We will have a plan but, as my colleagues have said, we are in a precarious environment, with a very volatile sector, both economically and internally within Scotland.

09:15

There is a lot to say, but I will not say it all now. Naturally, we welcome the additional funding, but my message is that the wider sector is closely integrated and connected, because visitors who enjoy Historic Environment Scotland activities also go to museums and galleries, so we cannot be seen in isolation. A complicated solution is needed. Although I welcome the funding, I encourage the Government to provide greater alignment of our strategies and to look at funding more holistically across the sector and beyond, to the wider creative arts sector.

I will pause there, because we will no doubt talk more about some of those points.

The Convener: Thank you for your opening statements and for your written evidence, which was very helpful.

Mr Stewart will open the questioning from the committee.

Alexander Stewart (Mid Scotland and Fife) (Con): I thank the witnesses for their attendance and their comments so far. You have all touched on the challenges for your sector, and you know the opportunities that you are trying to develop. There are probably three main issues that you have to contend with day to day: ensuring that people support you by attending your events and venues; managing the fabric of your buildings, which are very difficult to maintain and sustain at present; and managing staff costs and pay awards to ensure that you retain your staff. It is extremely difficult for you to progress without one or all of those areas having to be reduced in some way, shape or form in order to balance your books.

The sector continues to show real prospects, but it is a case of taking one step forward and then two steps back. I commend you all for what your organisations are trying to do to weather the storm and manage the decline in some locations, but there are real difficulties and you are now at the cliff edge, as we have talked about in reports in the past. The extra money is beneficial, but it will not solve the problem and save some of the institutions and organisations that you support and some of the individuals with whom you work.

I have a question for each of you. In the past, the Parliament, the Government and the committee have attempted to force agendas, because we must ensure that the sector is given

the opportunities and status that it needs, but we are still far behind compared with other parts of the world and other locations that benefit through tax regimes and other ways of ensuring that funding is parallel to ambitions. We have ambition in Scotland, but, at times, we are not able to make things happen. How can we change that?

The Convener: Do you want to direct your question to somebody?

Alexander Stewart: Whoever wants to jump in first can do so. Do not be shy.

Fiona Sturgeon Shea: I will probably not say that much on that specific question, because there are people delivering on the ground who would answer it better.

I just want to thank Alexander Stewart for his understanding and his summary. I reread the report from last year with regard to the three focus areas, particularly the long-term one. I know that we will get to the review question shortly, but more certainty and a long-term strategy should be provided, and, as Katerina Brown said, there should be greater alignment across the sector so that there is a sophisticated understanding. I have always been impressed that the committee listens—the information that comes from it very much shows that that is the case—but it is about how that translates into action.

I will pass over to my colleagues to answer the question more granularly.

Adrian Turpin: We are talking about building for the future, but we are actually still rebuilding from the Covid pandemic. Our audience levels are still below those in 2019. Rural audiences have been slower to return—I understand that Creative Scotland believes that there is not any specific current research on that, although there was some in the early days after Covid. It is fair to say that book festivals have a slightly older demographic, and I think that what happened was that people's habit of coming to our book festival broke. For some people, that was specifically due to fears about health but, for others, it was just that they got older and did not want to drive at night and so on, and the issue was that, at that time, we were not replacing that audience. We are still fighting to get those levels back. Of course, there is a financial drag, because we are not getting their money at the box office.

At the same time, Dumfries and Galloway has the second lowest median wage of the regions in Scotland. We are not a community arts organisation; we are an arts organisation with strong roots in our community, which means that we care deeply about accessibility for people across that community, whether that involves free ticketing, holding free events or creating things that bring the whole community together. Those

are not things that make money. Somebody said to me, “You’ve got one of those big names in a big tent, so why are you only charging 12 quid? Why don’t you charge 17 quid or 20 quid?” Well, we do not do that because we want the event to be something that a large chunk of the community can come to.

There are various things that you and we in the sector want from the arts. We want accessibility, we want to care about the climate and we want to deliver equality, diversity and inclusion. Those are all things that cost money, and they represent other pressures, too: for example, there have been time pressures around managing those issues. The same thing applies in relation to fair work. We were a real living wage employer before it became compulsory for RFOs.

Fair work is a good thing in principle—I think that all of us at this table agree on that. However, the application of that for us has an impact through the money that is added to our wage bill. We have a young staff profile, and the real living wage increases the wages of our younger staff, which then means that we have to have increases for the staff above that level, because we have to keep a differential. The 35 hours requirement also has an impact, as it has effectively created a time cut, which brings in capacity issues. Those are some of the issues that we are dealing with.

We are not going to sit here today and give you new solutions, because we have seen all the committees that have come before and we have a culture strategy action plan. I know that the action plan is quite young—I think that it was only the beginning of 2023 when it was updated—but the specific things in there that would help us need to be acted on, and I am afraid that that comes down to money. I am talking about things such as tax relief, but I am also talking about the need for a multiportfolio approach. You can imagine how that would affect a rural organisation, particularly if you start seeing culture more from the perspective of the sustainability of rural communities—that is an approach that we could certainly benefit from.

Policies such as the percentage for the arts and a national endowment are also essential. We need those big solutions, which need to be driven from the top. Wigtown is a minnow in this area, so we are not going to be able to drive that change. However, even the larger organisations such as the national collections and Historic Environment Scotland will not be able to drive the necessary change on their own. That drive needs to come from the concerted effort of a Government with the will to make it happen.

Anne Lyden: Thank you for the question and for understanding what we are facing. As accountable officer for NGS, I have serious concerns for the organisation. We are already

looking at how we can future proof the organisation and are having internal discussions about how we get to 2050—we are setting ourselves a 25-year target at the moment.

It all comes down to the issues that you have outlined: attendance levels, managing the fabric of our building and staff costs. I reiterate what Adrian Turpin said, which is that Government ministers have choices, and it all comes down to the choices that are made. We are left with the funding allocation that is given.

To reiterate, it is very welcome that additional funding is coming to culture, but it is quite simply too little, too late. That is why we still find ourselves in a state of precarity. At NGS, we are working very hard. Our programmes and our offer do not come from Government money; it is from self-generated income. In total, 93 per cent of our grant-in-aid goes towards our pay awards and staff costs, and those are a result of Government policies. I am talking about the 35-hour working week, the pay awards and the employer national insurance contributions, which very much total up.

At NGS, our 9 per cent uplift resulted in a budget of £1.75 million, but our staff costs, including progression, are £1.75 million. That is why we find ourselves in a deficit position. Meanwhile, our costs—whether for utilities, rates, tax or whatever—have all grown exponentially in the past few years, as is being experienced throughout the sector.

To add to what has been said, I do not think that we are still recovering from Covid; we are recovering from before Covid. Year on year, adequate funding has not been coming in. It is welcome that money is going towards Creative Scotland, which was at a point of needing that assurance and investment, but it is not alone—we all need that.

If there is one thing to ask of ministers, it is whether the commitment and assurance on multiyear funding for Creative Scotland can be given to other organisations. That would help to remove some of the precarity. We would know what we were working with, we could plan accordingly and we could manage our funds over multiple years.

It comes back to the ministers. We are responsible for the national collections on behalf of ministers and for the people of Scotland. We are acting on the wishes of the ministers. It is for you to decide.

Katerina Brown: It is good to hear that the problems that are being identified are the right ones—staff costs and caring for our properties—but we should not focus on those as the solutions. A successful and vibrant sector and economy have never been achieved through cost cutting.

Any organisation needs investment to grow, and if we seemingly race to the bottom to cut our costs to the bone, it will not help anyone.

I have two observations—one on organisations and one more broadly on the sectoral economy. My observation on specific organisations is that we are quite hamstrung by a rigid workforce. We can only add to the workforce and costs. That is not how the private sector works and thrives, but we are challenged with very high fixed costs, we are hampered further by the 35-hour week and we face additional costs through national insurance and potential higher pay awards. That is choking all of us.

We apply fair work practices and encourage career development and paths, but the bottom line is that we need to find ways to have a more flexible workforce in the sector and to allow people to move around and not be so rigid. That is the first observation.

I would review all of our organisations. HES merged with the Royal Commission on the Ancient and Historical Monuments of Scotland, and those two organisations coming together saved money. As part of public sector reform, we should consider where we overlap and where different parts of our organisations across the country could potentially come together. I am too new in post to offer recommendations, but there is certainly fragmentation that we could streamline.

09:30

More widely than at organisational level, Scotland has the potential to be more than world famous, which it already is; it could be world leading in more ways. Two million people come to Edinburgh, a million of those to our castle and many more to the museums and galleries nearby that are under threat; however, we struggle to find money to invest in ourselves. I would like to see greater promotion of brand Scotland more generally and more widely. That is a drive now, and more of that would help us all.

We need to grow our income streams to support rising costs. Some of those are inevitable, and the pricing of costs of contractors, supplies and utilities are out of our control. However, a race to reduce costs has a limit. Wherever possible, we need to use technology and other innovative commercial solutions to grow our income and help one another do the same, whether through philanthropy or national or international streams. I would take a much broader look at attracting investment, and we should work together to do that. We do some of that well already, but the future is in trying to reduce taxes where possible and attract investment, rather than push people out.

Jackie Dunbar (Aberdeen Donside) (SNP): My question follows on quite nicely from that. Witnesses have already said that the increase in national insurance contributions will have a knock-on effect, due to not just the increase in contributions but the lowering of the threshold by nearly a half. What will the implications be for your budgets? Have you had an indication from the United Kingdom Government as to how much of the increase it is prepared to cover? Has it said that it will cover it all or just parts of it?

The Convener: I saw Katerina Brown nodding her head vociferously. I will go to her first and then to Anne Lyden.

Katerina Brown: The cost to Historic Environment Scotland is £1.6 million, which is, as Jackie Dunbar rightly said, a combination of the lowering of the threshold and the higher rate. That further £1.6 million will go on to our staff bill of around £78 million, and we have had no clarity on whether that will be funded. I understand that there is some contribution towards around half of the total estimated increased impact on Scotland, but we have had no clarity as to whether it will flow to us individually. Perhaps another witness knows more.

Anne Lyden: My understanding is that the UK Government is working directly with the Scottish Government, so it is not contacting any of the individual organisations that are impacted. We expect to have discussions with the Scottish Government.

On the figure for the National Galleries of Scotland, we have a much smaller workforce than that of Historic Environment Scotland, but we are still looking at almost £300,000—the exact figure is £271,500.

Jackie Dunbar: Is that the full amount of the extra costs?

Anne Lyden: For the national insurance contributions, yes.

Adrian Turpin: As a much smaller organisation, the effect of the national insurance change is not huge on us; it is marginal because of the allowance. As I said, the Scottish Government's fair work policy has had a much larger effect on us over the past three years, given the additional requirements to pay while we have had standstill funding under our RFO agreement, plus there is the cut in hours. That is far more crucial to us.

Jackie Dunbar: So you are not worried about the increase at all.

Adrian Turpin: No, not at the moment. It is just that we are pretty much under the threshold.

Fiona Sturgeon Shea: For us, it all depends. Our membership is very wide and diverse; we

have organisations the size of our administrative base and Adrian Turpin's organisation, but we have other much larger organisations that will be deeply affected. We have a survey going on at the moment; I do not have exact figures, because not everybody has filled it in, but we are keeping an eye on that and the concerns that are being raised.

We have been working with the Scottish Council for Voluntary Organisations, and I would just note that, in its recent briefing, it has highlighted a disproportionate impact on sector employers with a large part-time workforce and lower wages, which is basically where the cultural sector sits. One implication of that is the fear that staff will be pushed involuntarily into freelance roles as a consequence of the policy, which would increase vulnerability in what is, as we have said, an already fragile sector. Again, it is much more about the ecosystem.

Although many of the SCVO's members are smaller in size, some very large charities are involved, too, and having spoken to the organisation, I think that the whole sector is behind these efforts and would want to stand shoulder to shoulder with the Scottish Government, the Convention of Scottish Local Authorities and the SCVO in any efforts to persuade and influence the UK Government and Westminster with regard to subsidising this.

Jackie Dunbar: It is a bit concerning that there is no clarity, but I will hand back to you, convener.

The Convener: I call Mr Kerr.

Stephen Kerr (Central Scotland) (Con): I want to stay on that subject for a moment. We are focusing, quite rightly, on the increase in the tax on jobs. By the way, I want to congratulate Anne Lyden on the coup of getting two front pages this morning—*The Scotsman* and *The Herald*.

Given that, Anne, I will come straight to you, because you specifically mention the "staffing cost trap" in your submission. Can you say a little bit more about the impact of the Scottish Government's policy on the 35-hour week and the pay increase, and can you also elaborate on what you mean by the "staffing cost trap"?

Anne Lyden: I am happy to speak to that.

Let me set out some figures to give you a sense of what we are working with. The shorter working week is costing us almost £800,000—that is where we are really feeling it. In addition, there is the increase in the national insurance contribution. When you total those things up, you get to just over £1 million, and that is year on year. As we have said, costs are increasing elsewhere, so it is putting an additional strain on what we are doing.

When we refer to the staffing cost trap, we are talking about those policies—and, in addition, the pay policy that is then negotiated. We are not a part of those negotiations; we are not sitting at the table when the policy is agreed on, so we then have to find a way—

Stephen Kerr: You have to deal with the consequences.

Anne Lyden: Exactly—we have to deal with the consequences. We are also working within the confines of the no compulsory redundancy policy, which I have talked about before. It just constrains an organisation.

As I have indicated, we are looking at how we future proof NGS. What is it going to take for us to get to 2050? What does our staffing profile need to be? The world is changing, but we still have a responsibility to care for the collection. We are going about that in new and innovative ways, which sometimes requires new skills and expertise.

However, as a result of the budget constraints that we have been dealing with over the past five years, we have had two voluntary exit schemes. They are very blunt tools, and the risk is that expertise and knowledge will leave the organisation. We are bookended by policies that make it very difficult for us to break out and be as innovative as we want to be in future proofing the organisation.

Stephen Kerr: So that is preventing you from evolving and innovating.

Anne Lyden: It is stifling us, I would say. It means that we cannot be as agile or as flexible as we want to be, because all the money that we receive goes towards keeping our existing staff profile.

Stephen Kerr: If you had more operational independence—in other words, if you could set your own policies in many of those areas—what would that do for you?

Anne Lyden: We are looking into that. As part of public sector reform, one of our projects is entirely about looking at our operations and how we can be more efficient and maximise things. It all comes back to the point that my role and that of my colleagues is about taking care of the collection for the people of Scotland. The collection dates from the middle ages to now, so we are always dealing with a timespan of hundreds of years. The national gallery building on the Mound was built in the 1850s, so our timescale always has that far-out horizon. We are very much stymied by yearly or annual budgets, with limited funds—

Stephen Kerr: And by inflexible policies.

Anne Lyden: Exactly.

Stephen Kerr: I presume that that is why the story on the front pages today is about the potential shutting down of whole assets. That is your only option, is it not? You have no flexibility on the workforce, which is one of your two biggest costs. As I understand it from reading the newspapers this morning and, of course, your written submission, your only alternative is to shut down wings and perhaps even whole assets.

Anne Lyden: Definitely. We are facing some very unpalatable options here—

Stephen Kerr: Is that in the coming year?

Anne Lyden: Yes. We are actively looking at that in order to balance the budget. We will have a deficit in the coming year, so we are faced with very difficult choices, and we are actively looking at what that means. Is it a change in our opening hours for the public? Currently, we are open seven days a week, from 10 am until 5 pm. Is it a day closure? Is it closures across our multiple sites? Is it even going to the far extreme of a complete permanent closure of one of our buildings? If we cannot afford the upkeep of the fabric of those listed buildings, we are at risk. We are risking colleagues, the collection and the public, and I cannot take that risk.

Stephen Kerr: Will you talk about that risk a bit more? In your written submission, you talk about the estate and, specifically, the immediate risk. You have put a cost against what needs to be done to mitigate the immediate risk that you have just described, which is £17.4 million. You do not have anything like £17.4 million to deal with that. Will you elaborate a bit on the nature of the risk? What are we actually talking about?

Anne Lyden: Our written submission has a table and a timeline. That £17.4 million is for a period of the next five years. Essentially, that is about looking at our estates and the infrastructure, whether it is electrical or plant, or simply—I should not say “simply”—the weatherproofing of our buildings. As we increasingly—

Stephen Kerr: So it is about structures.

Anne Lyden: It is structures and facilities—it is everything. We are using some systems—

Stephen Kerr: It is basic stuff such as watertightness.

Anne Lyden: Absolutely. With the climate crisis, we are experiencing weather patterns that we have never had before. Although our buildings have lasted this long, there has been a dramatic shift. I am sure that Historic Environment Scotland is contending with that. We overlap and empathise with what it is dealing with on a much larger scale.

However, we need investment, and there has not been investment over time.

I assume that the issue was picked up from our written evidence, which is why it featured in the media today. The situation really is at crisis point. I am here today telling you that something needs to be done. There has to be an intervention.

Stephen Kerr: Now.

Anne Lyden: Now—within the next zero to five years.

Stephen Kerr: Your submission is pretty strong in relation to the current offer in the proposed budget. You will not be able to operate as you currently do; something will have to give, and that will damage Scotland the brand, which we heard about earlier, will it not?

09:45

Anne Lyden: Absolutely. The collection belongs to the people of Scotland—that is what is at risk. That said, we have mitigations that we are putting in place. The art works project is a solution that will help with that. It will ensure the safety of the collection. It will also be future proofed for the continuing climate crisis, as it will be a Passivhaus building. It will have added value; it will not be just a storage facility. It will allow us to work with the community, the nation and internationally, so it absolutely will fit within brand Scotland. It will also help us to achieve some of the key targets of the Administration, such as eradicating child poverty and widening access—it is all within that realm.

I have spoken about this before, and I am keen to say more about it today: engaging with art is a health behaviour. In relation to the challenges that Scotland faces in the years to come, such as obesity, dementia and short lifespans, evidence is coming out in tenfold to prove that engaging with art by going to visit an art gallery for 30 minutes once a month can extend a person’s lifespan by 10 years—10 years! That is the area that we are in. Art is not a luxury; art is essential to our culture thriving and surviving.

Stephen Kerr: You have spelled that out very clearly for the committee.

My next question is for Katerina Brown. I am a little confused about the new business model whereby HES will surrender some of its budget from the Scottish taxpayer in order to exist on a more commercial footing. That is how I understand the plan. However, having read your submission to the committee, I do not know whether, as an organisation, you are in a fit position to do that.

Katerina Brown: A new business model was in discussion for several years before I joined HES. In my first month as chief executive, I looked at all

the evidence that had been discussed, and I was very happy to agree to the principle of the new framework just before Christmas.

There is a downside and an upside to the new framework, which is certainly not applicable to all organisations in the culture sector. The downside is a £2 million reduction in funding per year for five years—a £10 million reduction in total. I will say—this is very public—that that will come off a high base. Prior to Covid, the grant in aid was lower. We have had new, higher levels since Covid, so the £10 million reduction will take us back to more normal levels. That said, our cost base has gone up by more than 30 per cent since Covid.

However, there is an upside and an opportunity that I am happy to take on. As the accountable officer, it will fall to me personally to deliver that. I am a chartered accountant, so, as you can imagine, I have been very closely focused on the numbers. We have a five-year financial strategy that runs from April this year, and we forecast a growth in income that can more than offset the £2 million reduction that we have accepted.

We have work to do to deliver that growth. There are underlying assumptions that we need to work through, but, essentially, it is about becoming more entrepreneurial and commercial, and focusing on our visitors. It is also about focusing on investing in properties that could generate additional income and reinvesting that back into the organisation.

There is a key lever that is different in the new model, which is a multiyear model—that is important for all of us, as other witnesses have said. Historically, HES has had to give money back to the Government at the end of the year if it has underspent or overearned income, and it has done that.

As an accountant, it horrifies me that we have to give money back if we have not spent it. There are often good reasons for the money not having been spent. Where capital projects have not been mobilised or have not been finished, for whatever reason, we have had to give money back in-year or at the end of the year. The new model allows us to carry the money over and to continue to spend it in the following year, which smooths out the big capital projects that we have across the country.

If we outperform, the framework allows us to retain the extra or surplus that we might make and to reinvest it in the estate. Ultimately, that will help the Government, because, if we are able to keep the upside and to reinvest it, we can look to have less reliance on the Government.

Stephen Kerr: However, your submission talks about the current situation. I will read from just one paragraph in your submission. You say that organisations within your portfolio

“are seeking to reduce services to cut costs, scaling back activity, cancelling events, reducing opening hours and delaying or cancelling capital projects”,

and you go on to talk about shortages of traditional skills. I would submit that that is not a healthy backdrop. Do not get me wrong—I applaud what you are trying to do. As an individual, I think that any entrepreneurial input in relation to leveraging the magnificent asset that we have in this country is great. However, are you starting from a pretty low base in terms of your capability to embrace the new financial model?

Katerina Brown: We have a tremendous asset base, as you understand. We have 336 properties, including Edinburgh and Stirling castles and many more. Some 20 per cent of those—around 70 properties—charge an entry fee, but there is free entry to the other 80 per cent. We are not necessarily suggesting that we will charge for entry to those properties, but we are looking at—

Stephen Kerr: Is more charging an option?

Katerina Brown: It is something that we are looking at, but we are not necessarily going to roll that out. We look at inflation on the properties that we charge entry for, and the money goes straight back into the maintenance of those properties. That is a very normal model for running any asset.

With regard to the base, as Anne Lyden said, our assets range from the neolithic, such as Skara Brae in Orkney—5,000-year-old assets—to more modern buildings. We are very conscious of the impact of climate change and the rate at which assets are being impacted, so we have a very uncertain capital outlook right now. The new model gives us more certainty to, at the very least, take a multiyear view on how we manage our money. We must do that as a starting base. We cannot cope with seasonality and the undertaking of a five-year or 10-year capital programme if we do not have certainty, year on year, about where that money is coming from. While we are facing challenges, we must have more flexibility in how we manage our money.

Stephen Kerr: That seems to be the theme from you and from Anne Lyden—you want more operational flexibilities. We have not even approached with Historic Environment Scotland the issue of employment that we explored with Anne Lyden.

You mentioned the assets. Part of the problem over the past few years has been the fact that many of those attractions and assets have been closed, because they have been deemed to be unsafe. How much would it cost to address the backlog, make the assets safe for visitors and open them all? Some of us on the committee have received communication from within Historic Environment Scotland that suggests that that

number is north of £800 million. Can you tell the committee how much it would actually cost to address the backlog?

Katerina Brown: That was the very first question that I asked when I joined the organisation in September. There are two issues. There is more of an emergency issue, which has been very publicised, that is to do with high-level masonry. In the past two years, emergency work has required us to close some properties. Of the more than 300 properties that we have, 200 needed inspection, and we have inspected more than 130 of those. We have spent around £3.7 million on that immediate work. There are 70 of the 200 properties left. We aim to finish them by March next year, so we will have inspected all 200 of those properties by then.

The remedial work that each inspection has generated is still being calculated as the team rotates and moves around the country. Some work is done on the ground while the team is there, and other work will need to be planned and scheduled in accordance with our budgets over the next few years. We do not have a full cost for all the work yet, because we have not surveyed all the properties. I could not stand behind any random number that you might have. We are also doing a larger piece of work on our properties in care strategy to identify which ones we should prioritise when we do the remedial work.

Stephen Kerr: When will the inspection work be complete? Do you have a date or deadline by which you will have a number?

Katerina Brown: Yes. It is March 2026. We expect that the programme will end then and we are two thirds of the way through.

Stephen Kerr: Do you have a running total for the estimated cost of bringing all those properties up to the standard that we would all like to see?

Katerina Brown: I could not give you that number at this stage. I can tell you how much we have spent so far, which is just under £4 million.

Stephen Kerr: Could you send that total to the committee subsequent to the meeting, so that we get an idea of the scale of the challenge that you face?

The Convener: We have quite an analysis of what can be estimated at the moment. However, any further information on the continued work would be helpful to the committee.

I am conscious of time. We have a second panel of witnesses, so I ask for concise questions and answers. Does anyone else want to respond to Mr Kerr's questions so far?

Stephen Kerr: I have a different question for Adrian Turpin, if I might ask it quickly.

The Convener: Quickly.

Stephen Kerr: I am conscious that Angus Robertson spoke up—rightly I think—about the risks of the withdrawal of corporate sponsorship of the arts in Scotland. His words were that it posed an “existential threat” to the arts and culture sector. You have experienced it at first hand, Mr Turpin. How much of a risk is it to the viability of our arts, particularly our festivals?

Adrian Turpin: That is a huge risk at the moment. We have been protected so far this year because, as it happened, the Baillie Gifford money went into our budget earlier in the year before the storm kicked off, and also because certain individuals, organisations and members of the publishing community have recognised that we might have issues with that and have, as one-offs, given a small amount of money to help to save it. Trusts and foundations have done that, as well.

However, at the moment there appears to be no long-term replacement. We hope that we will be successful in the multiyear funding process, but the worry for us is that, if we get more money out of that, we will still have to cover £35,000. We have already had to cut activity. I have been with the festival company for 18 years and this is the first year that we have made anyone redundant for financial reasons. It is clearly a problem.

For us, in a rural situation, it is doubly a problem because one of the issues about not being in the central belt is the lack of access to corporate sponsors. Baillie Gifford was a powerful supporter in that respect. I come back to the point that we need to consider a high-level solution. We need to think about how money that is available can be channelled across the sector rather than to those who have the most immediate access to individuals, organisations and businesses that have deep pockets.

It remains to be seen what will happen. I know anecdotally from talking to friends who work in the business world that there is an increasing fear of putting themselves or their organisations out there.

10:00

Anne Lyden: That issue is on-going and is one that the NGS is still facing, in that there is critical pushback and protest about our continued involvement with Baillie Gifford. As you will see from our submission, figures that have been provided by Museums Galleries Scotland show that only 1.3 per cent of funding for the museums and galleries sector comes from corporate sources: it is still rare even within the major cities. The issue of philanthropy and corporate support impacts the whole culture sector.

Stephen Kerr: That important element is now perishing on the vine. I could go on all day.

Neil Bibby (West Scotland) (Lab): Yesterday, the Deputy First Minister announced a review of the indicators and outcomes in the national performance framework. The current national outcome for culture is that

“We are creative and our vibrant and diverse cultures are expressed and widely enjoyed.”

The national performance framework includes four indicators for culture which are

“attendance at cultural events or places of culture ... participation in a cultural activity ... growth in the arts, culture and creative economy ... people working in arts, culture and creative industries”

In the context of the budget announcement yesterday, do you believe that the indicators and outcomes are broadly correct? Do any of them need to be changed and is there anything that is not included in the indicators and outcomes for culture but should be included?

The Convener: Can I ask a supplementary question? You have all spoken about cross-portfolio work. We talk constantly about wellbeing and Adrian Turpin mentioned the Stove Network, which is a fantastic example of wellbeing work in the community. We talk and talk about that. Do you see any progress in that area?

Neil Bibby has asked a huge question, which is one that the committee will return to, but what is your current view of the indicators? Have you used the national performance framework indicators and have they influenced the outcomes for your organisations? We are tight for time, so short answers would be helpful.

Fiona Sturgeon Shea: There has always been an issue about what the word “growth” really means. Is growth really the best indicator of a healthy and flourishing sector? I know that you will hear from Creative Scotland later. The sector is aware of the temptation to spread the jam really thinly if having more organisations being funded is one measure of success, but that takes us back to standstill funding. We have to hope that Creative Scotland will make sensible decisions about what that means. I have not had a great deal of time for analysis, but that is one of my issues.

Also, does the idea of growth consider things such as Covid? We had a year of terrible attendance and participation for no reason other than that there was an international pandemic.

Adrian Turpin: I echo what Fiona Sturgeon Shea said about growth. I believe that, in a previous written submission, the cabinet secretary spoke specifically about multiyear funding. The cabinet secretary said that the Government wishes to see as many organisations being funded as

possible. Although we all want our colleagues to have jobs and the sector to create employment, I worry that that is a recipe for slow private failure rather than quick public failure, and that we will end up with a sector that carries on being structurally fragile.

Mr Bibby’s question on the performance framework is slightly difficult, but I would push two things up the agenda. One is wellbeing. We have spoken for years about health and wellbeing and its relationship to the arts. To some extent, it is the great white whale for all of us, because we are thinking about how we can tap into it as a funding thing. It is something that the sector is very interested in—as much as how we are relating to our audiences. How can we move that on? How can we change it from something that is just appended to a strategy to something that we can make happen? We are back to looking at the multi-portfolio approach and what it really means, rather than it just being a nice form of words.

The second thing is that I would add sustainable communities to the national performance strategy to give them a greater emphasis. Again, we come back to what we are doing in Scotland’s national book town, but also to the Culture Collective. The activities—I was going to call them interventions, but that is very clinical—that take place that engage communities and bring them in are very powerful, whether they be in smaller communities, rural communities, or defined communities within cities, particularly in places of multiple deprivation. I would like us to think more strategically about communities and building communities, as part of the strategy.

Fiona Sturgeon Shea: You have hit the nail absolutely on the head, in connecting Mr Stewart’s question with Anne Lyden’s evidence about the impact. That cross-portfolio approach is working and we are still waiting for significant action on that. It would be amazing if there was an incremental move towards that. I am sorry; I did not mean to butt in again.

The Convener: Mr Bibby has a supplementary question that he wants to throw in.

Neil Bibby: Thank you, convener. My question is related, and I just wanted to get your thoughts on two of the indicators, about attendance and participation. We have statistics from the Scottish household survey that show that attendance at cultural events and visiting places of culture in the past 12 months, including cinema, went from 81 per cent in 2018 to 76 per cent in 2023, which is a reduction of 5 per cent. Participation by year in cultural activities, including reading, was at 76 per cent in 2018 and 74 per cent in 2023. That is only a 2 per cent reduction in participation but a 5 per cent reduction in attendance. I think that that is significant.

I note Mr Turpin's earlier answer about lower attendances in rural areas such as Dumfries and Galloway. To what extent are lower attendances an issue? What factors are at play there? Covid obviously resulted in venues closing, but to what extent has that had an impact on attendance figures, versus the valid points that Mr Turpin made?

Adrian Turpin: Attendance as a metric is a pretty blunt tool. For example, in the work that we do with young people, there is a temptation to say, "Oh, we went out into schools and, in our last schools tour, we took authors into 36 schools and 1,800 pupils took part in those sessions." That is great. Many of those pupils will not previously have attended a session with an author.

However, the work that we are really interested in includes, for example, the work that we are doing with young people aged between 13 and 26 and deepening engagement with them. That work does not come up in an attendance metric. If we put the 10 young people who come from backgrounds where they would not normally participate in cultural events into an attendance metric, they are the same as the 300 middle-class kids whose parents take them to a nice festival for a few days. That work also costs more money. We have to be careful about using attendance as a metric.

The Convener: I am going to draw the session to a close, I am afraid, because we have another evidence session coming up. The national performance review will give us another opportunity to explore more of those areas with your organisations. I thank you for your attendance this morning.

10:11

Meeting suspended.

10:16

On resuming—

The Convener: Welcome back to this meeting of the Constitution, Europe, External Affairs and Culture Committee. For our second panel, we are joined by Robert Wilson, who is the chair of the Creative Scotland board; Anne Langley, who is the executive director of operations at Creative Scotland; and Alastair Evans, who is the director of strategy and planning at Creative Scotland. We have received apologies from Iain Munro, who is Creative Scotland's chief executive, as he cannot be with us today.

I will open with a question for Mr. Wilson. You have been very positive about the budget, describing it as a

"significant vote of confidence in Creative Scotland and the creative and culture sector."

Could you give us a bit more detail on why you have what appears to be optimism about it?

Robert Wilson (Creative Scotland): Thank you, convener, and happy new year to you all. It is very good to be before the committee in the context of more positive financial news for the culture sector in Scotland. We warmly welcome the Government's budget announcement in December, including the significant uplift in funding for culture and creativity in Scotland in 2025-26.

We can confirm that Creative Scotland's grant in aid budget from the Scottish Government in 2025-26 is now £89 million, which is up from £66.5 million in the previous year. That is further supplemented by the £32 million that we received from the National Lottery as one of its major distributors. Importantly, an additional £20 million is included in that specifically for supporting the multiyear funding programme. There is £3 million extra for the expo festival support; an additional £2 million for Screen Scotland's production growth fund; a further £300,000 for the youth music initiative; and a further £4 million for the Culture Collective initiative. All of that is hugely welcomed.

That budget, coupled with the Government's aim to provide a further additional £20 million for multiyear funding in the following year—2026-27—which the cabinet secretary confirmed in a recent letter to the committee, means that we will have at least £54 million for the multiyear funding programme in 2025-26 and £74 million in 2026-27 and that we will be able to support more cultural organisations on a multiyear basis than was previously anticipated. However, we still have important decisions to make and will announce the outcome of the multiyear funding at the end of this month.

It is clear that we are seeing the fruits of a great deal of effort by the cabinet secretary, Government officials, Creative Scotland staff and of the public campaigning by people and organisations across Scotland and further afield. We all know the benefits that creativity can deliver in relation to employment, health and wellbeing, education and learning, and making all our lives richer. We also know that the culture economy delivers in terms of supporting jobs and contributes a not insignificant £5.6 billion to Scotland's overall economy.

This additional funding will help that work to continue and grow with increased stability and certainty for the sector, all of which is reflected in this positive commitment from the Scottish Government. It is particularly welcome given the

extreme challenges that the culture sector has faced over the past few years.

Alastair Evans will give you the context and will compare the awards here with those in other UK nations.

Alastair Evans (Creative Scotland): Good morning. We very much recognise the difficult fiscal environment that we are in. The Department for Culture, Media and Sport's budget line, as announced in the UK Government's budget last year, is up 2.6 per cent. Arts Council England is working year on year with a 2 per cent increase in its budget. Arts Council Wales's increase is slightly higher, at 3.6 per cent, and there is a 4.5 per cent increase in culture funding in Ireland.

That comparison is clearly for just one year, and the figures fluctuate, but Creative Scotland's budget allocation for next year would represent a 34 per cent uplift across its budget. As Robert Wilson says, that commitment is hugely welcome at a time of such pressure on public finances, and it gives Creative Scotland and the sector confidence that the Scottish Government is prioritising its support for culture.

The Convener: We will move to questions from the committee.

Alexander Stewart (Mid Scotland and Fife) (Con): There is no doubt that a battle has been won in progressing the funding, but perhaps the war continues in relation to culture and the process of what we want to achieve to ensure that we maintain that status and level of participation. As you indicate, many of the 285 applicants who are at the next stage of looking at where funding comes from will breathe a sigh of relief.

Over the past few months, we have heard from individuals and organisations who are looking forward to seeing what you can achieve on their behalf, so that they can be supported by your organisation, because they—and we—want the sector to continue to survive, thrive and progress.

The ability to be pioneering has been inspirational for the sector, and we have talked in the past about Scotland punching above its weight in the area. However, in reality, we are on this journey and we have come so far. What are your strategies? What is Creative Scotland's next step towards what it wants to achieve? There is a potential review of what the organisation will need to manage for the future, and you have some financial security in the short to medium term, but the long term must be a major issue for you.

Robert Wilson: The multiyear funding model, which we have been working on for almost three years, is about giving the sector security and the ability to plan for the longer term. The Scottish Government's commitment to this year's funding

and, more importantly, to giving us clear lines of sight for next year's funding enables us to plan and give that stability to the cultural institutions that we support. The more clear lines of sight we can envisage, the more we are enabled to be the support organisation for culture in Scotland. That is very much what we would like to see.

The Government is listening and has listened as we have presented the multiyear funding model. We are unique in that we are the only sector that has adopted a multiyear funding model. However, it is incredibly important, on the basis of what I just outlined, that organisations have security and the ability to plan for the longer term. As you all know, cultural organisations plan their programmes and initiatives many months in advance, so having that ability and security is of enormous comfort to them.

Alastair Evans: With regard to our strategy, which has been in place since 2021, there are elements that organisations and the sector have been able to move on, but perhaps not at speed. If the multiyear outcome can be settled positively, that will allow us to move forward with areas such as fair work and the environment, on which we see a lot of ambition in the sector but which obviously come with costs attached. Those areas are perhaps next on the horizon for the sector to look at.

Beyond that, we know that the issue of capital is coming back into focus. After a period without a dedicated capital fund, we are starting to look at the cultural estate—and specifically its net zero readiness—in some depth. We have research on that under way, and we have a partnership with the Scottish Futures Trust to begin what will be the considerable task of understanding and responding to the net zero targets.

Alexander Stewart: Within that envelope, you still have to manage the maintenance and the fabric of the buildings; you still have to meet the costs of the pay awards, which is an issue that I have asked about previously; and then you have to ensure that people attend and support your cultural activities, that they continue to bring in revenue and finances, and that you have the support mechanisms in place to manage all of that. However, when you have to touch on all of those things, huge clouds of potential difficulty can arise with regard to what can be achieved financially in the short to medium term.

Alastair Evans: Bigger issues will always be coming down the track, but the ability for the organisations in the multiyear group to look beyond next year's programme will certainly be hugely welcome. I think that we will start to see a broadening and deepening of programmes, as well as wider engagement that really looks at the barriers that some groups and areas face in

accessing culture. It is quite difficult for organisations to have longer-term strategic aims when they are focused just on keeping the doors open. With this budget settlement, we can start to move away from and beyond that.

Alexander Stewart: Thank you.

The Convener: Ms Dunbar, did you want to explore the same issue?

Jackie Dunbar: Not right now, if you do not mind, convener.

The Convener: I call Mr Harvie.

Patrick Harvie (Glasgow) (Green): Good morning. Obviously, it is a happy circumstance to be at a parliamentary committee meeting hearing witnesses talk about a rising budget and multiyear funding. I guarantee that there will be committee meetings happening throughout this building and throughout this month at which members will be hearing from witnesses who do not have such a positive story to tell.

You will be aware that we have heard—from the previous panel, too—about the wide range of costs and challenges faced by the culture sector, including some parts of it that are not seeing the rising budget that Creative Scotland is seeing. We have heard about workforce and employer costs. We have heard about net zero, both in an operational sense and as part of the cultural response that people want from the creative sector with regard to the climate emergency. We have heard about the transition to fair work, and we have heard some people asking for more flexibility. I hope that nobody will want the sector to go further in the wrong direction on fair work and see the kind of abusive and exploitative practices that are endemic in the private sector becoming more of a problem in the culture sector. That said, achieving fair work in a sector with lots of freelance, casual and short-term employment is a real challenge. There are also issues around accessibility, which itself has many dimensions, as well as the need to regrow audiences.

My worry is that, if Creative Scotland tries to help the sector to do a little bit of all of that, it will do most of it inadequately. The rising trajectory of budgets is a good thing, but is it enough to achieve a response to all the different challenges? If not, how do we prioritise things? What strategic approach can we take with the budget that is available?

That is connected to the work that the Government is doing to review Creative Scotland and the wider landscape. We still do not really know what direction that review will take or how long it will take. How is it possible, in the absence of answers about that process, to know what the strategic approach will be to deploying the

resource that is available now in order to meet all the diverse challenges that the sector faces?

10:30

Robert Wilson: Would you like to take that one, Anne?

Anne Langley (Creative Scotland): Yes. There are a number of key priorities on which we need to make progress, and we have, to a great extent, established the order of priority in setting the strategic priorities that Creative Scotland works to. Those priorities, which include fair work, EDI, internationalisation, sustainability and environment and the climate emergency, underpin all our funding decisions and are embedded in our funding criteria, and we use them as the guiding principles in making our funding decisions.

With regard to the review, the Scottish Government has helpfully been clear that it is a review of purpose, not process. It has been helpful for us to understand that. We do not yet know the detail of the scope of the review, and we are looking forward to the chair being appointed and to being able to engage with the review actively and lean into it. It presents us with an opportunity to enhance the work of all those of us who support the sector, in the context of the £100 million of additional funding that is expected to come.

With regard to how the review might impact Creative Scotland's work, the Scottish Government has been clear—which, again, has been helpful—that it should not impact on our business as usual or on the decisions that we are taking now. It is helpful, for example, that our multiyear decision-making process will continue. It is extremely helpful for us to understand that we can continue as we are, with confidence, with the strategic priorities and funding programmes that we currently have in place.

When we come to think about medium-term and long-term strategic projects, it will be important that we understand the outcomes of the review, as that will help to inform our decisions. I will give a couple of examples. We have been intending to complete a target operating model review, to ensure that our operating model remains as efficient and effective as possible in delivering our priorities. The fact that the Scottish Government's review is looking at purpose means that it will be very helpful for us to understand the outcomes of that, so that it can inform a target operating model review. We will slow that review down, and we may pause it slightly, until we have the outcomes of the Scottish Government's review.

Likewise, we have talked previously about our open access funds, which are an important part of our overall funding framework, and about our ambition to review, refresh and renew those funds.

Again, that piece of work is likely to benefit from our having the outcomes of the Scottish Government's review before we progress and finalise it.

With regard to completing those types of medium-term to long-term strategic projects, we will seek to wait for the outcomes of the review. In the main, however, it will be business as usual and we will continue to push ahead on our strategic priorities.

Patrick Harvie: At a practical level, though, you are looking to use the increased financial resource that you have and disperse it throughout the sector to support the funding of work. You have talked about strategic priorities such as sustainability, fair work, internationalisation and so on, but the organisations that you are funding are also dealing with their employer costs and the need to address accessibility and the new challenges around trying to regrow audiences post the past few years of chaos.

In what way can you have confidence that the allocation of funds to support more work on those strategic priorities does not get swallowed up by the increased costs that organisations face? That could mean that you do not achieve what you are seeking to do through that funding.

Anne Langley: Alastair Evans may want to come in on that as well.

On multiyear funding, the whole process is underpinned by those strategic priorities, so all the plans that have been proposed to us address those strategic priorities. All the applications that organisations have made talk about their plans to use the funds that they are awarded to further those strategic priorities, and, as Alastair Evans said, simply providing organisations with a three-year funding horizon enables them to make some of those strategic investments. That alone really helps.

Patrick Harvie: I will just butt in for a second and say that I get how that applies to some of the bigger organisations that know that they have an on-going relationship, but I am not sure that it cuts it for smaller organisations, for freelancers or for people who are applying for individual bits of project work through Creative Scotland. They are not in the position of being able to make those kinds of plans, but they are facing increased costs, whether that is for the staff that they are employing or for their energy costs and other costs that have risen.

Anne Langley: The issue involves the interaction between having a multiyear funding programme and the effect that that has on our other funds. Alastair, do you want to come in on that one?

Alastair Evans: A point to make in starting is that, in the multiyear fund, we have been very clear that we would assess people against their own context. In designing the programme, we were at pains to make sure that no organisations of any particular size, geography or specialism would feel that there were barriers within the system. In assessing fair work, for example, some organisations might be shooting for the stars while others are saying that they are in the early stage of their journey on that. There is a level of compliance that the Government requires, but beyond that, we assess people within their own logic of where they are and what they want to achieve over the three-year period.

What has been very positive is that, having been on standstill, current RFOs can build some of those costs into their ask. Within our open funds and targeted funds, organisations can build costs into their ask of us, whether they are for access costs on EDI or costs for travelling by train rather than plane.

The ripple effect that Anne Lyden mentioned means that, as we have said publicly, we will now be able to fund more organisations through multiyear funding than we have done previously, as regularly funded organisations. We expect that to take some demand out of our open funds, which are running at lower success rates than we would like. We hope that that will open up more opportunity within those open funds, which are for organisations and individuals.

On the ripple effect of multiyear funding, when we fund organisations, it is not as simple as just funding them—we are funding their partners, the supply chain and, critically, the freelancers who they work with. There is, therefore, a big impact on residencies, space to work in and directly contracted work with those organisations. That all builds a picture of people being able to start to take on some of the more difficult issues that are coming through, whether they involve the environment, EDI or fair work.

Patrick Harvie: On fair work specifically, I was not quite clear when I was looking around. Is there a single document, statement or policy that Creative Scotland has adopted that defines what it thinks that it can achieve in terms of fair work practices throughout the sector or the parts of the sector that it engages with, particularly with regard to some of the challenges around casualised or freelance parts of the sector? What responsibilities does Creative Scotland have, as opposed to funding recipients, for achieving fair work in terms of the experience that people have while working in the sector?

Alastair Evans: Creative Scotland has a fair work statement that sets out how fair work plays out within our organisation. We have been an

early adopter of the fair work agenda in our work with the sector, principally because we know that there is poor practice in the sector and it gives us an opportunity to work with the sector to change some of that.

We made fair work a strategic priority in 2021, which was very early—even now, I am not sure that other public sector organisations in Scotland are mainstreaming it. Following publication of the culture strategy, we did some work to understand the sector's key concerns, some of which relate to freelance working and to skills, talent and leadership initiatives. There are fewer such initiatives in the sector than we would like there to be. We are working on an action plan for the next three years, which we will, I hope, publish in the spring. That will set out where we will put our energies in relation to fair work.

Beyond that, we have enforced the Government's compliance requirements on the grant-in-aid side of our business, and we will be looking to do that on the lottery side of our business, too. That involves ensuring that all our grant recipients pay the real living wage and make provision for the effective voice of workers to be heard in their organisations.

Patrick Harvie: It would be helpful to hear more about the action plan as it is developed. I do not know whether it would be possible for you to share your thinking with the committee ahead of its publication, but we should perhaps focus on that as we hear more detail.

Stephen Kerr: I hope that the witnesses will forgive me if I ask some basic questions. I am a new member of the committee, but I have a close interest in some of the things that you have been describing.

Is the additional £100 million of funding over the base of the previous financial year between now and 2028-29? I think that Anne Langley mentioned the £100 million. Have I got that right?

Anne Langley: That is correct.

Stephen Kerr: That means that, by 2028-29, the budget will basically be £100 million a year, because it is currently £80 million, or will it be £120 million a year?

Anne Langley: It is worth clarifying that the additional £100 million for the culture sector that the Scottish Government has committed to will not necessarily go into Creative Scotland's budget.

Stephen Kerr: Okay—I take that point. Nevertheless, it is a huge amount of public money—taxpayer money—at a time when local authorities are closing public libraries, so you will understand that members of the Scottish Parliament will have a keen interest in scrutinising how that money is spent.

Anne Langley, you mentioned, very deliberately, that the review will be about purpose, not process. However, my understanding is that the committee's recommendation to the Scottish Government—particularly in the light of the shambles of Creative Scotland commissioning a pornography movie for £80,000—was that the review should consider effective governance and transparency. From my reading of that, I presume that that relates to the governance and transparency of Creative Scotland. Is your understanding that that is now not within the review's scope?

Anne Langley: Our understanding is that the review will focus primarily on the support to the culture sector and that the Creative Scotland element will focus on Creative Scotland's purpose—

Stephen Kerr: Not on how it operates.

Anne Langley: That is correct.

Stephen Kerr: I find that incredibly disappointing.

Anne Langley: It is worth saying that the chair of the review has not yet been announced, and they will be working on—

Stephen Kerr: But the Scottish Government has led you to believe that the review's remit will not include the operation of Creative Scotland.

Anne Langley: As I said, our understanding is that the focus will be on the purpose of Creative Scotland.

Stephen Kerr: Robert Wilson is looking at me very intently.

Robert Wilson: The point of the review is that it will cover the whole culture sector, of which Creative Scotland is a large part. The review will look at the sector and how we ensure that it is best able to cope with the extra £100 million of funding, which, as you rightly pointed out, is a significant amount of Scottish taxpayers' money. The review needs to ensure that the entire culture sector is match fit to be able to cope with that extreme generosity from the Scottish Government, and Creative Scotland is a very large part of that.

On the process, as Anne Langley rightly pointed out, we do not yet know who the chair will be or the exact scope of the review, but we have been informed that it will be about the purpose of Creative Scotland and how we best serve the culture sectors that we represent.

10:45

Stephen Kerr: How were you informed of that? As I said, I am new to the committee, but that seems like a change from what we have heard in

the chamber and from what I have understood from my reading of the work of this committee. How were you informed that it is going to be about purpose across the sector and not, apparently, the process by which Creative Scotland operates?

Robert Wilson: We have had many discussions with the cabinet secretary and Government officials. That is our understanding based on what has been presented to us in those discussions.

There is a caveat, in that the chair will be independent of both Government and of the cultural sector, including Creative Scotland. We are not absolutely sure of the guidelines that the new chair, once appointed, will outline.

Stephen Kerr: [*Inaudible.*]*—*the cabinet secretary is going to give a remit.

The Convener: That is probably something that we can bring up with the cabinet secretary, who we will have in front of us next week.

Stephen Kerr: Right. I am just interested to know how the statement that we have heard this morning about the review being about purpose only, and not including process, has come about. I completely understand that that is an issue that we can take up directly with the Scottish Government.

As you can probably already tell, I am interested in Creative Scotland's internal processes. Clearly, last year threw up the example that I have already quoted of the £85,000 that was given to the production of what was going to be a porn movie—

Patrick Harvie: Convener, is it in order for the member to misrepresent issues in that way?

Stephen Kerr: That is a fact; those are the facts. If I am not allowed to mention facts in a committee of this Parliament, then we are—

The Convener: We did a considerable amount of work on that at the time, Mr Kerr. I know that you were not a member of the committee at that time, but I just give a reminder that this session is about budget scrutiny.

Stephen Kerr: If I might explain the rationale of my question, convener, I am interested in how Creative Scotland uses all the taxpayer money that it gets. I am anxious to find out from the panel what they learned from the shambles that brought that issue to a head last spring. I think that that is relevant to the taxpayer.

The Convener: I am conscious that we have to finish at half past 11 to allow people to get to general questions. I think that covering that in the next 40 minutes is a bit ambitious. If you can focus the question, that would be helpful.

Stephen Kerr: I will focus the question to this: what lessons were learned from last year about

how Creative Scotland operates in terms of the use of taxpayers' money? What did you do differently after the hiatus that we had last spring—and I am not misrepresenting how the money was used, because everyone knows, as it is in the public domain—

Patrick Harvie: If you read the *Daily Express*, yes.

Stephen Kerr: No. It was discussed extensively in the chamber of the Scottish Parliament, Patrick Harvie, so I do not think that I am saying anything that has not—

Patrick Harvie: It is not accurate.

The Convener: I also note that we have had correspondence back from Creative Scotland with regard to that issue.

Stephen Kerr: Yes, but my question is about internal processes and procedures. I come from a private sector background, as do a number of other members of the committee, and I am very interested to know what was learned in terms of internal controls in relation to the expenditure of Scottish taxpayers' money.

Robert Wilson: Absolutely, Mr Kerr; you need to know that. Anne Langley was specifically charged with looking into that, in great detail. A huge amount of time and effort was put in by Creative Scotland—as you would expect—to resolve and learn from that experience.

Anne Langley: As a very quick recap, when we conducted our review of the issue that arose with Rein, we identified that the application, award, subsequent funding withdrawal and recoupment of the funds were all done in line with due process and policies and through the application of the legal terms in our contracts.

It is worth noting that Creative Scotland assesses many thousands of applications and makes thousands of awards each year. This was an award that was made in line with process, but the terms of that award were breached, and we took immediate and effective action to recoup the funds.

Stephen Kerr: Did anything change in respect of the internal controls?

Anne Langley: I will come to that. Obviously, whenever an issue arises, we take every opportunity to learn lessons from that. There are always improvements that can be made to any process—I, too, come from a private sector background—and, through our review, we identified a number of additional controls and measures that we could put in place to help to avoid that sort of thing happening again.

That is all set out in the detailed review that we provided to the committee. I will highlight some of

the points, if that would help the committee. We reduced the maximum award level that can be made to individuals. We also put in place an additional risk review and control and reporting mechanism, and an additional approval level for open fund awards. There are other measures, which you will see in the report, but those are the headline measures; they are mainly around risk control, risk management and approvals. Those have now been baked into our processes.

I reiterate, too, that our existing governance processes kicked in and were effective in responding to the item.

Stephen Kerr: All right—thank you for that.

I will stay with you, Anne. With regard to the decision that was made in the autumn to close the open fund for individuals, which created a lot of interest within the Parliament and elsewhere, you have obviously learned lessons from that experience. Can you discuss the rationale behind that decision and what lessons were learned as a result of what followed?

Anne Langley: Certainly. Again, I will be brief—I am looking at the convener. Iain Munro explained some of that in some detail at the previous committee meeting but, for your benefit, I will set out the basis on which the decision was taken.

We allocated the funding for that as a mix for the year—very unusually, there was going to be a mix of national lottery and Scottish Government funds allocated to the open fund for individuals—and as we progressed through the year, we had been having conversations with the Scottish Government to alert it that we needed release of those funds in order to maintain the open fund.

The national lottery element of the funds was coming to an end and was running out, and so we had calculated how much funding we needed, and by when, to be able to keep the fund open in order to honour the applications that were being made. We reached a point at which we did not have the certainty that the money was going to be released to enable us to continue the fund, so we had to take the decision to close it. It was a very difficult decision for us to take; we do not close funds lightly, and reopening them is also difficult. We took that decision because we could not hold a fund open without knowing that we could honour it. That is the basis for the decision.

Stephen Kerr: I have one final question. In your view, what did that do for the confidence and standing of Creative Scotland among both those who would be most likely to be applicants and decision makers more broadly? Have you done any research since to find out how it affected people's perceptions of Creative Scotland?

Anne Langley: We are very aware that it had a deep impact on people. I think that we have been as clear as possible about the reasons for the decision, and there is an understanding that we cannot offer money that we do not have available to us—

Stephen Kerr: Last year, damage was done to the reputation of Creative Scotland.

Robert Wilson: I think that that was corrected quite quickly, and there was a genuine understanding that what had happened was slightly beyond our control. That goes back to the subject for discussion today, which is that we now have a budget commitment from the Government that enables us, as I said earlier, to have clear lines of sight. It is so important for us to have those lines of sight so that we can support exactly the people whom you are talking about.

The relationships between Creative Scotland and the sectors that we support are incredibly important—I think that that is at the centre of your question—and we believe that we have reassurance, and will be able to give those sectors reassurance, now that we have a clear understanding of the commitment from the Scottish Government both for this year and, very importantly, for next year.

Stephen Kerr: Do you do any research on the standing of Creative Scotland in different communities?

Robert Wilson: We do a great deal of research.

Stephen Kerr: Is that publicly available?

Alastair Evans: It is part of our annual review.

Stephen Kerr: It is part of your annual review. Okay—I will have a look at that.

The Convener: As there are no further questions for Creative Scotland, I want to ask for clarity about the expo fund and major events. There was an overspend on the cycling world championships. The Scottish Government corrected that by recognising that it should not fall to the smallest portfolio of culture to cover something like that. Do you have clarity on how major events will be funded in the future, rather than their being funded solely from that portfolio?

Alastair Evans: The scenario that you set out happened when major events were within the culture portfolio, so the first thing to note is that that is no longer the case. The extra £3 million for the expo fund is hugely welcome with regard to supporting the festivals economy and building resilience in the festivals of Scotland more broadly. As you know, previously the eligibility of expo was limited to a smaller number of festivals. However, at the moment, we do not know what eligibility will look like: how it relates to major

events or festivals that have a cultural element, but which are not focused solely on culture, is not yet clear. However, we are in discussion with the Scottish Government and the exact eligibility for the fund will become apparent.

The Convener: Earlier, we heard from stakeholders about the importance of cross-portfolio working, which is something that we talk about a lot in relation to wellbeing. We mentioned the screen sector, and skills are obviously hugely important for that sector. How will the budget support skills development for those who come into the sector? There have been huge successes for Scotland, and Screen Scotland is doing extremely well. How are you working with other agencies, education and the wider sector to ensure that the skills are being upheld?

Alastair Evans: There is an additional £2 million to go into screen funds through Screen Scotland, with a focus on inward investment. That will be used in the production growth fund to bolster the budget of that fund. That is focused on film, television and animation productions. As you said, there is a strong element of skills and talent development in Screen Scotland's own strategy. The big productions bring all that, including the opportunity for Scotland-based talent, in front of and behind the camera, to be part of those productions and to flourish within them. Therefore, from a skills perspective, the money is very welcome.

More broadly, we have talked about fair work. The sector has told us that, in recent years, it has struggled to afford elements in relation to the workforce, leadership and talent development. That includes training for staff and the ability to take time out of the day job to do a leadership programme, for example. Those things have tended to fall away recently. There is an opportunity in the multiyear portfolio, but also more widely, for that to restart in earnest.

Patrick Harvie: I would like to follow up those points, including about the screen sector. You will be aware that some committee members have an interest in the games sector, too, with which there is a great deal of overlap with the screen sector in terms of some of the skills and infrastructure, for example. However, there is not a complete overlap, and there is a sense that the games sector has suffered a bit from a disjointed approach in terms of whether the Government supports it through enterprise or as culture and creativity—there is an element of both.

Is there a view emerging in Creative Scotland—given that it has engagement with the games sector but not at the level or degree of success that Screen Scotland has had in relation to film and TV—about what the future direction should be?

11:00

Robert Wilson: Creative industries is one of the main directorates at Creative Scotland. The gaming industry is a huge player in the creative industries in Scotland. It is a very important part of what we are involved with and an extremely important strategic element of Creative Scotland's work. We are discussing with the Government how we have a strategy in mind to drive it forward but do not have huge economic budgets to do so. That discussion is on-going. We need not only the wherewithal to strategically drive forward creative industries, but some financial resource behind it. Alastair, do you want to add to that?

Alastair Evans: Yes. It is important to note that we have a locus within the games industry, whether in relation to the Indielab accelerator or to supporting regular events for the games sector. As Robert said, the position of the creative industries directorate is such that we would support individual projects on the basis of their public value—that is essentially what we are looking for in the creative industries. Sometimes projects are brought to us, such as games or digital content, that meet our aspirations.

Creative Scotland is not an economic development agency in the way that Scottish Enterprise, South of Scotland Enterprise and Highlands and Islands Enterprise are, but we work very closely with them in a very co-ordinated way to support the games industry. That is how we approach the situation at the moment. The games sector has historically been an area where Scotland has had a competitive advantage as an early adopter of games technology. It has growth potential, as do many other areas of the creative industries—especially design. There is a live conversation about how we might support those industries in a way that goes beyond the public-value rationale.

Patrick Harvie: Okay, thank you.

The Convener: Looking back over the past few years, the headline quote from the budget scrutiny has been about the “perfect storm” and the impact on the creative industries. Part of the committee's remit has involved examining how we can encourage more confidence in the creative sector. I ask for a final view on how you think confidence has changed in relation to where we were a few years ago.

Robert Wilson: It is important to point out that funding for the sector has been at a standstill since 2018. During that time, we have had Covid and a cost of living crisis. The real inflationary impact over that period is about 29 per cent, yet organisations in the creative sector are still on 2018 funding levels. So, the importance of the Scottish Government's budget must not be

underestimated, and the 34 per cent figure that Alastair Evans outlined earlier shows that, in a sense, it only brings the levels back to where they currently are.

That sounds like a mealy-mouthed comment, and I do not mean it to be at all. The generosity of the Government is creating an atmosphere within the culture sector in which there is a huge sigh of relief that organisations will not have to close their doors and let people go. They now have clear lines of sight. Creative Scotland will be working extremely hard over the next few weeks to clearly enunciate who and what will receive the funding that they wish for. We hope that the reach of the funding will be as wide as possible. Those who are involved in the process will have the security and comfort of seeing not only what they will achieve in 2025-26, but what is likely to happen in 2027. As I said in my opening words, that will be an enormous comfort and will enable the sectors to build.

The power of culture in Scotland is not lost on anyone in this room. We punch way above our weight and we have a very vibrant and impressive range of cultural organisations that we are lucky to call our own. If things had not changed in the way that they have, there would have been a potentially very bleak outlook. Again, we are enormously grateful to the Scottish Government's commitment of £100 million extra for culture in Scotland.

The Convener: As there are no further questions, I thank you very much for your attendance at committee.

Robert Wilson: I also thank the committee, because your inquiries and the reports that you have written have played an enormous part in getting us to where we are today. That is a vote of thanks from Creative Scotland, as an organisation, to the Scottish Parliament.

The Convener: I am sure that that will be welcomed not only by the current committee members but by those who have served on it in the past. Thank you very much, and happy new year to everyone.

Meeting closed at 11:06.

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