

CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

21st Meeting, 2022, Session 6

29 September 2022

Pre-Budget Scrutiny: Funding for Culture

1. The Committee agreed to focus primarily on the culture spending portfolio in its pre-budget scrutiny throughout Session 6, in line with the emphasis in the [guidance](#) from the Finance and Public Administration Committee “on developing an understanding of the impact of budgetary decisions over a number of years including budgetary trends.”
2. Ahead of Budget 2023-24, the Committee sought views on the impact of budgetary decisions, including the Resource Spending Review, on the culture sector in Scotland. Taking a cumulative approach to scrutiny, this builds upon the Committee’s [pre-budget scrutiny for Budget 2022-23](#) and scrutiny of the Scottish Government’s [Resource Spending Review](#).
3. At this meeting, the Committee will take evidence from—
 - Sir John Leighton, Director-General, National Galleries of Scotland
 - Lucy Casot, Chief Executive, Museums Galleries Scotland
 - Alex Paterson, Chief Executive, Historic Environment Scotland
4. The following papers are attached—
 - **Annexe A:** Briefing from SPICe
 - **Annexe B:** Written submissions from National Galleries of Scotland, Museums Galleries Scotland, and Historic Environment Scotland.

**CEEAC Committee Clerks
September 2022**

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Constitution, Europe, External Affairs and Culture Committee

29 September 2022

Pre-budget scrutiny 2023-24

Introduction

The focus of the Committee's prebudget scrutiny will be again focusing on the culture and historic environment aspects of the Committee's remit. This follows on from the work the Committee [undertook on the budget for 2022-23](#) and the resource spending review published on 31 May 2022.

Last week, the Committee took evidence from a range of stakeholders. The Committee [was provided with a paper covering the approach to budget scrutiny, the spending review and themes from the Committee's work in this area](#). There was also a separate paper summarising the responses to the Committee's call for views.

This week the Committee will be taking evidence from Historic Environment Scotland and representatives from the museums and galleries sectors. This paper is more focused on the witnesses', activities, submissions and budgets. Members may also wish to refer to last week's papers in preparation for this session.

Themes from submissions

Budget pressures

A theme from a number of submissions was that the additional monies to support the sectors through the pandemic have been very welcome. However, the effects of the pandemic are continuing. Museums, galleries and heritage sites rely on footfall to support income streams. Jim Hollington from Dance Base told the Committee that his organisation had seen a decline in paid-for activity of around 20% and Kirsty Cumming from Community Leisure UK said that footfall in its members' facilities, including free to use cultural facilities, was around 70-80% of pre-pandemic levels.

[National Galleries of Scotland](#) estimated that its income would return around 2025. Its submission stated—

“Having supported the sector through the immediate crisis of COVID, the priority should be to support the sector with additional funding to allow organizations to recover until income streams return.”

Tourism is a key driver for income. [Museums Galleries Scotland](#)'s submission stated that visitor numbers for its members had not yet recovered and also the profile of visitors had changed with fewer international tourists whose average spend is higher. National Museums Scotland said that visitors had returned more quickly than expected in the first quarter of this year and [Historic Environment Scotland's submission](#) stated—

“We are now seeing tourist demand returning and in time commercial income from the [properties in care] will once again offset some of HES's [grant in aid] requirement.”

Submissions from the witnesses also highlighted additional cost pressures such as fuel costs, wage demands, and meeting strategic objectives, such as Net Zero.

HES's submission also noted that “we anticipate that the cost-of-living crisis will impact on demand as consumers deprioritise leisure spending” and its “ability to generate commercial income is being impacted to an extent by our high-level masonry inspection programme and the associated access restrictions at certain sites.”

A key theme from the submissions of most of the witnesses is to highlight that they are operating under tight budget settlements. MGS highlighted the position of local authority (or ALEO-run) museums whose resources have been squeezed over the past decade. NGS stated—

“The draft decisions set out in the [Spending Review] (Grant-in-aid remaining static) would effectively amount to significantly reduced Government support for our organisation and would inevitably lead to reduced levels of service and a reduced ability of National Galleries Scotland to meet the expectations and needs of the public from a national cultural body.”

NMS stated—

“Even without Covid, over the last 10 years we have experienced a real terms decrease in Grant-in-Aid of over 18% (any increases in Grant-in-Aid since 2017/18 have been directly attributable to Scottish Government Pay Policy which has increased payroll costs by £3.1 million, with Grant-in-Aid increased by £2.9 million). In addition, there has been no allowance for inflation.”

David Avery from Prospect told the Committee last week that the national collections organisations were finding meeting public pay policy commitments challenging. He also said that they lacked the ability to flexibly undertake more fundraising work and manage reserves.

National Museums Scotland suggested that more private funding could be leveraged through a Scottish Government funded matched funding initiative. Museums Galleries Scotland provided details of a scheme to support entrepreneurialism, new

ways of fundraising, and collaboration in the sector through its Business Support Programme. MGS argued, therefore, that funding skills development should be prioritised. The lack of capacity within small organisations to attract private donations was highlighted in a number of submissions, for example [Industrial Museums Scotland](#) described the work as labour intensive and requiring up-front investment. IMS argued for support for such fundraising at a “strategic level” and the Museums Association suggested that the Scottish Government could do more to promote the [UK Government’s Cultural Gifts Scheme](#), whereby objects can be donated in return for a reduction in tax liabilities.

Outcome-focused working

The Committee has explored how the cultural and heritage sectors contribute to a variety of outcomes, particularly health and wellbeing. The Committee has also explored ideas around greater collaboration across the public sector and outcomes-focused approaches.

Health and Wellbeing

All of the witnesses’ submissions highlighted how their own sectors or work promote health and wellbeing.

MGS’ submission linked to its 2021 document, [Museums, health and wellbeing: How Scotland’s museums make us healthier and happier](#). This found that engagement with museums can lead to a range of benefits for health and wellbeing, such as:

- A positive impact on mental wellbeing.
- Reduced isolation and an increased sense of identity.
- Participation in museum activity can reduce chronic pain.

HES’ submission stated—

“Heritage participation and engagement have a demonstrably positive impact on people’s reporting of wellbeing. We have seen this linkage become more embedded in national thought and perception following the pandemic with many people using heritage locations as places of reunion, sociality and escape during and after lockdowns.”

Similarly, there was support for greater collaboration and cross-portfolio working. However, progress was considered to be limited and greater strategic support required. National Galleries of Scotland’s submission stated—

“While there are many individual cultural projects and initiatives relating to health and wellbeing across Scotland, these are fragmentary and not joined up by any national strategy or framework. At the same time, many cultural organizations struggle to engage with larger partners and stakeholders in this area and to reposition themselves as anything other than ‘leisure providers’. Leadership at national level is required to incorporate culture into an

integrated approach to preventative public health and to develop a properly resourced national framework to bridge the gap between the health and culture sectors.”

Museums Galleries Scotland said that to achieve the “transformative potential” of its members’ contribution to health and wellbeing would require “determined leadership from the Scottish Government”.

MGS also noted that there would be challenges in “developing consistent and reliable methods of measuring outcomes”. National Museums of Scotland’s submission implied that work would be required for the health sector to better understand the contribution of the cultural sectors to health and wellbeing. Its submission stated—

“There is also a barrier of terminology and a way needs to be found to share understanding of the different strengths of the medical vs cultural models of engagement. Health tends to take a medical approach of dealing with ‘illness’, whereas the cultural sector approaches health and wellbeing based upon both prevention and intervention in relation to inequality and poverty, as these are major components where poor health and wellbeing are rooted.”

The importance of maintaining funding for core activities to allow for greater partnership working was also highlighted. Jim Hollington from Dance Base argued that both health and social care organisations and cultural organisations see collaboration between the sectors as ways to relieve their own budget pressures.

Partnership working

Submissions from the witnesses indicated that partnership working within the sector is commonplace. However, some noted partnership-working requires resource and time.

National Galleries of Scotland’s submission also noted that continuing to work under difficult conditions can limit organisations’ ability to innovate. It stated—

“The culture sector is well networked and there is plenty of evidence of informal sharing of knowledge and experience across different organizations and bodies. The obvious barrier to exploiting lessons learned during the pandemic is that most organizations are still very much in crisis and recovery mode and ... this is likely to continue for some years to come. This in turn encourages consolidation and retrenchment rather than innovation and risk-taking.”

HES’s submission set out the importance of the private sector along with the third sector and other parts of the public sector in supporting and maintaining the historic environment. It said—

“Increased partnership delivery is at the heart of HES’s approach, working with non-heritage partners to increase the benefits from their existing spend. We leverage our public funding to have wider impact, ensuring it sets the direction for the far larger private and commercial investment to be aligned

with the priorities set out in the National Performance Framework, and work towards national outcomes.”

Multi-year funding

As discussed in the briefing paper last week, the Resource Spending Review (RSR) set out indicative budget allocations to 2026-27. Last year the Scottish Government committed to “invest in much-needed stability for the cultural organisations that we provide regular funding for, by agreeing 3-year funding settlements, to allow them to plan for a sustainable recovery.” (2021-22 Programme for Government, p107).

National Museums of Scotland and National Galleries of Scotland are both directly funded by the Scottish Government. However, neither (at the time of writing their submissions) had been informed of multi-year funding plans. NGS’ submission stated—

“As at July 2022, there is no evidence as yet of multi-year funding allocations at organisation level to allow for future planning. ... Working to a one-year budget also means we have uncertainty about what we can commit to each year. This results in significant amount of work building our budgets each year (rather than over a number of years) and delays in budget confirmation often means we mobilise in Q1 and then rush to spend out in Q4. Multi-year planning would make more effective use of our resources and reduce the amount of work on budget planning and justification each year.”

The Committee has also explored how multi-year funding would be passed on by those government organisations which disburse grants, which includes HES and MGS. HES’ submission stated that it issues around £14m a year in grants. It said—

“The published RSR has helped to inform our multi-year planning scenarios, both for our own operations and those we fund through our grants’ programmes. This is appreciated by us and the sector but is not without risk as funding is indicative. Offering even long-term commitments to organisations and projects in the context of considerable economic uncertainty and growing public sector funding challenges leaves HES exposed if RSR funding does not materialise as published.”

MGS’ submission said that its grants total £1.1m which, it argued, is “wholly insufficient to meet the level of need and ambition for the scale of the sector we support”. In terms of multi-year funding, it said—

“Longer-term funding cycles could support the sector to achieve longer-term staffing and resource security and enable innovation in the sector with a move towards becoming more financially resilient. From within our own grants budget there has currently been no specific progress in moving towards multi-year funding, given our grants budget is already small for the number of organisations we are expected to support. We would also want to note that some of our grants are to be spent over two financial years - we do not consider this “multi-year funding” as the entire value of the grant comes from within the budget of the financial year in which it is made.”

National Museums Scotland argued that the culture sectors suffered from “projectism”: short term funding for short-term projects “through which it is hard to create long-term change”.

The prevalence of short-term funding was discussed in Committee last week. David Avery from Prospect indicated that the insecurity is a driver of staff turnover which militates against individuals staying in organisations for long periods and developing expertise. Kirsty Cumming from Community Leisure UK argued that short-term funding is often aimed at delivering the latest priorities, which may not take into account existing work delivering in those areas. There was generally a view that less prescriptive funding would be more beneficial.

Budgets, Spending Reviews and the Emergency Budget Review

Budgets

The four organisations represented by witnesses all receive direct funding from the Scottish Government. However, the grant in aid they receive sit at different levels of the Scottish Government’s budget. HES is at level 3, National Museums of Scotland and National Galleries of Scotland’s funding sit at level 4, and Museums Galleries Scotland’s funding is part of a wider level 4 line (“Non National Museums”).

This section will set out the budgets for these organisations for the past six years of data. These data represent the budgets and do not include any in-year adjustments or emergency funding. Non-cash items (e.g. depreciation) are not included here.

Historic Environment Scotland

A key aspect of HES’ funding is its income from fees and membership and other commercial activities. In the table below income is shown as negative and is a budgeting estimate.

	£m					
	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Running Costs	81.5	89.7	90.5	97.1	88.3	93.9
Projected Income	-44.9	-57.1	-59.7	-63.3	-41.4	-33.3
HES Resource	36.6	32.6	30.8	33.8	46.9	60.6
HES Capital	5.6	6.0	6.0	6.0	6.0	6.5

Prior to the pandemic, the trend was that resource grant in aid was reducing as both projected income and overall running costs increased.

National Museums of Scotland and National Galleries of Scotland

£m

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
National Museums of Scotland (Resource)	20.3	20.9	21.4	22.8	23.3	23.8
NMS Capital	1.5	1.5	1.1	2.0	1.7	3.8
National Galleries of Scotland (Resource)	12.9	13.5	14.1	15.4	15.9	16.5
NGS Capital	4.5	5.2	5.7	5.2	4.2	5.6

In every budget, the increases in the resource of NMS and NGS are described as meeting the public sector pay policy uplifts. Taking the period as a whole, both organisations saw real terms¹ increases to their resource budgets.

Capital spend can vary year to year based on the capital projects being undertaken. This budget line also includes funds for new acquisitions for the collection and, in the case of NMS, the National Fund for Acquisitions for non-national museums.

While it is not set out here, funding for the National Libraries of Scotland sits in the same part of the budget. Its 2022-23 budget is £15.4m and like the other national collections has seen year on year increases to its resource budget to cover public sector pay policy uplifts.

Museums Galleries Scotland

Museums Galleries Scotland's budget allocations are not set out separately in Scottish Government budget documents. The table below was obtained from Government officials and sets out its budget for the past six years. To re-iterate, this is the budget and does not include in year adjustments or emergency funding.

	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
Resource	2.35	2.50	2.20	2.43	2.43	2.42
Capital	0.20	0.20	0.20	0.20	0.20	0.20

Resource Spending Review

Below is the indicative spend under the Constitution, External Affairs and Culture portfolio. These are in cash terms.

Table 9: Constitution, External Affairs and Culture Portfolio Spending Plans

Level 2*	2022-23 £m	2023-24 £m	2024-25 £m	2025-26 £m	2026-27 £m
External Affairs	33	35	38	39	40

¹ Using HMT GDP deflators June 2022.

Referendum	-	20	-	-	-
National Records of Scotland	22	23	25	23	23
Historic Environment Scotland	61	63	58	55	48
Culture and Major Events	177	173	173	177	183
Total	294	314	294	294	294

* Figures include rounding adjustments and projected internal running costs which are subject to change as programming is finalised.

The fall in spending on HES is significant; however, this is substantially due to modelling of increased income of HES as visitor numbers increase as we emerge from the pandemic. The Scottish Government has told SPICE—

“In 2022/23 the Scottish Government’s resource funding to HES of £60.6 million reflects the impacts the pandemic continues to have on HES’s commercial income. This resource funding is £26.8 million higher than HES’s 2020/21 pre pandemic budgeted allocation of £33.8 million. As HES’s commercial income continues to increase post pandemic the level of Government funding reduces over the resource spending review period, however in 2026/27 the resource funding of £48.3 million still exceeds the pre pandemic funding of £33.8 million.”

The national collections and MGS sit under Culture and Major Events, alongside the budget for Creative Scotland, the national performing companies, major events and others.

Capital Spending Review

The Scottish Government undertook a capital spending review in 2021. The Government published updated projections in May 2022. The table below shows the projections for capital in the Constitution, External Affairs and Culture portfolio.

	£m			
	2022/23 Budget	2023/24	2024/25	2025/26
Cultural Collections	21	17	9.8	9
HES Direct Capital	6.5	9	8	10
NRS Capital Expenditure	3	3	3.5	4
Constitution, External Affairs and Culture - Total	30.5	29	21.3	23

Masonry checks

As noted above, HES is [undertaking a programme of high-level masonry safety checks](#). This work led to restrictions at around 70 sites under HES' care.

The [Institute for Conservation's submission](#) argued that this is as a result of the wider problem of "a lack of investment in cultural heritage infrastructure for many decades while at the same time the burden of maintenance and repair is increasing". That submission continued—

"Unless substantial capital funding is provided to tackle the growing maintenance and repair backlog these vital assets will not be able to contribute to improving the nation's cultural literacy or health and wellbeing in the future. The chronic underinvestment must be rectified in order to allow our heritage assets to deliver their public benefit."

Net Zero

MGS' submission said—

"Many museums and galleries are in old and historic buildings with high maintenance costs, and these buildings will need investment to meet the sector's contribution to Scottish Government's Net Zero targets and alignment with Just Transition plans, as well as to ensure suitable conditions to protect irreplaceable collections."

HES' submission highlighted its [Green Recovery Statement](#) which highlighted the benefits of reuse and adaptation of existing heritage assets and retrofitting traditional buildings to improve the energy efficiency. This in turn required a skilled workforce to carry out this work. HES however expressed concern that "skills provision is at risk of being cut elsewhere in the education and skills system, exacerbating an existing skills deficit."

Emergency Budget Review

On [7 September 2022 the Scottish Government announced in-year changes](#) to the current year's budget and that a more thorough budget review would take place. The announced budget changes have some impacts on bodies in culture and heritage sectors. The announced savings are set out below.

Historic Environment Scotland	£1.2m	Forecast increase in commercial income.
Various	£2.4m	Savings from enhanced recruitment controls, reduction in touring fund and National Performing Companies and

Scottish Lord-lieutenant activities. Forecast changes across programmes.

The Deputy First Minister identified £120m of savings from support to local authority capital budgets from “multiple portfolios”. The DFM also warned that further savings may be required.

“For avoidance of doubt, further savings will be required to balance the budget, particularly if inflation continues to rise, and to direct maximum support to those who need it most. Any further savings that are identified during the Emergency Budget Review will be over and above those detailed here.”

Strategy and Outcomes

The 2020 Culture Strategy is intended as an “overarching strategy and sits in synergy with existing strategies for Scotland’s historic environment, museums and galleries and libraries”. HES and MGS are both national agencies that are responsible for national strategies sitting underneath or alongside the Culture Strategy. There ought to be strong connections between the overarching cultural strategy and the sector strategies. There are links but since both the Historic Environment and Museums and Galleries strategies predate the Culture strategy by 6 and 8 years respectively, those connections are not necessarily articulated fully. One might also expect links between the sectors’ strategies particularly as both include references to cross-sectoral collaboration.

There are also links to the work of the Committee on culture and heritage funding. For example, a focus on collaboration both within the sectors and beyond and the importance of serving local communities.

Our Place in Time

[Our Place in Time](#) is the first Historic Environment Strategy for Scotland, launched in March 2014. It seeks to situate the historic environment as part of the everyday life of individuals and communities. It aims to “ensure that the cultural, social, environmental and economic value of our heritage continues to make a major contribution to the nation’s wellbeing.”

This strategy identified four priorities:

- cross-cutting strategic priorities – ensuring that the cultural, social, environmental and economic value of our heritage continues to contribute to Scotland’s well-being
- understand – investigating and recording our historic environment to continually develop our knowledge, understanding and interpretation of the past, and how best to conserve, sustain and protect it

- protect – caring for and protecting the historic environment in order to both enjoy and benefit from it, and to conserve and enhance it for future generations
- value – sharing and celebrating the richness and significance of our historic environment

An [evaluation of the strategy looking at the first five years](#) of Our Place in Time (2014-2019) found a consensus that good progress was being made with the strategy, although the research found that stakeholders thoughts that more could be done around ‘mainstreaming’. It also suggested that a future strategy could “better reflect priorities/challenges around aspects that have increased in priority and importance since OPiT was launched in 2014: the well-being agenda; the communities/community empowerment agenda; the climate change emergency; and intangible heritage.”

HES developed 13 key performance indicators to measure the success of delivering the strategy. [HES reports annually on these KPI](#) and uses a traffic light system. The most recent annual report looks at 2020-21. This reported that five of the 13 KPIs are Green (on track to be delivered within the lifespan of the Strategy), seven Amber (risk that the KPI may not be delivered and mitigation is required), and one was marked red (forecast to be not met). The “red” KPI was “Improve or maintain the state of Scotland’s historic sites and places”. Some of the “Amber” KPIs had lately turned from “Green” and the pandemic had impacted progress. One that has been reported as Amber since 2017 was, “Increase joined up working on strategic investment across public, private and voluntary sectors”.

The Annexe to this paper reproduces a table which sets out the 13 KPIs and how progress against them has been assessed by HES.

HES’ submission said that it plans to produce a refreshed strategy in spring of 2023 and this new strategy will aim to “unlock the potential of the historic environment to strengthen the resilience of the sector and in doing so deliver transformative change for Scotland.”

Going Further: The National Strategy for Scotland’s Museums and Galleries

Museums Galleries Scotland published [Going Further: The National Strategy for Scotland’s Museums and Galleries](#) in March 2012 and it was intended to cover ten years. This strategy had six aims—

1. Maximise the potential of our collections and culture for future generations
2. Strengthen the connections between museums and galleries, people and places to inspire greater public participation, learning and wellbeing
3. Empower a diverse workforce to increase their potential for the benefit of the sector and beyond

4. Forge a sustainable future for sector organisations and encourage a culture of enterprise
5. Foster a culture of collaboration, innovation and ambition
6. Develop a global perspective using Scotland's collections and culture

In its [delivery plan for the period 2020-22](#), MGS set out four key areas of work. These include supporting partnerships and leadership, supporting pathways and training to support skills development, responding to the climate emergency, and supporting digital infrastructure and skills.

Empire, Slavery & Scotland's Museums

MGS also supported the [Empire, Slavery & Scotland's Museums: Addressing our Colonial Legacy](#) review. The project was sponsored by the Scottish Government and MGS undertook a national consultation along with Intercultural Youth Scotland and Diffley Partnership to "establish public and expert perspectives for how Scotland's involvement in empire, colonialism, and historic slavery can be addressed using museum collections and museum spaces". This included a number of pieces of work and surveys and in total nearly 5,000 people took part.

The project's recommendations were published in June 2022. These are—

1. Scotland should create a dedicated space to address our role in empire, colonialism, and historic slavery. A new organisation should be created to lead this work.
2. Museums should ensure anti-racism is embedded in their workplaces and public spaces.
3. Museums should involve the people of Scotland in shaping their work through co-production, to promote cultural democracy and participation for all.
4. Museums should commit to research, interpret, and share the histories of Scotland's links to empire, colonialism, and historic slavery.
5. Museums should support efforts to promote and embed race equality and anti-racism in the curricula in a meaningful, effective, and sustainable way.
6. Scottish Government should demonstrate their support for restitution and repatriation of looted or unethically acquired items in Scottish collections.

The project estimated that the new organisations envisaged in recommendation 1 would cost £5m over the initial four years to set up and would then require ongoing support.

MGS' submission stated—

"Following on from our work to support the Scottish Government sponsored Empire Slavery and Scotland's Museums Project (ESSM) we are keen to take

forward some of the Steering Group’s key recommendations to enable our sector to target their communities in an inclusive way through a fundamental human rights and equalities-based approach. From focus groups within the sector on delivering ESSM we know there is strong interest and desire to implement these approaches, however caveated with the concern that the pandemic has left the sector increasingly time and resource poor. We recommend it essential that the budget provides additional grant funding that would enable MGS to support all parts of the sector, including non-accredited museums, to maximise the benefit of initiatives such as ESSM that seek to expand the reach of the sector.”

Ned Sharratt, Senior Researcher (Education, Culture), SPICe

23 September 2022

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area. The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot

Annexe: Our Place in Time KPIs

Key Performance Indicators: Results at 2021

	Priority	No	Key Performance Indicator (KPI)	RAG 2017	RAG 2018	RAG 2019	RAG 2020	RAG 2021
Cross-cutting	Mainstreaming	01	Increase economic and social wellbeing benefits from the historic environment for the people of Scotland	Green	Green	Green	Green	Amber
	Mainstreaming	02	Improve the environment by reducing CO2 emissions	Green	Green	Green	Green	Green
	Informed decision making	03	Increasingly historic environment evidence informs policy	Evidence Gap	Amber	Amber	Amber	Amber
	Leadership & shared working	04	Increase joined up working on strategic investment across public, private and voluntary sectors	Amber	Amber	Amber	Amber	Amber
	Skills & capacity	05	Improve skills and capacity to deliver priorities	Amber	Green	Green	Green	Green
Understand	Knowledge development	06	Increase customer focus of knowledge created on the historic environment	Green	Green	Green	Green	Green
	Accessible knowledge	07	Improve access to knowledge on the historic environment	Green	Green	Green	Green	Green
Protect	Holistic and sustainable approach	08	Improve or maintain the state of Scotland's historic sites and places	Green	Green	Green	Green	Red
	Effective & proportionate protection and regulation	09	Increasingly the outcomes of management, including designation, reflects what people value	Evidence Gap	Green	Green	Green	Green
	Ensuring capacity	10	Improve capacity by supporting communities through community empowerment and engagement	Evidence Gap	Green	Green	Green	Amber
Value	Enhance participation	11	Increase the number and range of people volunteering in the historic environment	Green	Green	Green	Amber	Amber
	Broad ranging approach to learning	12	Increase the number and range of people who learn about the historic environment	Green	Green	Green	Green	Amber
	Tourism	13	Increase the number and range of people visiting the historic environment	Green	Green	Green	Amber	Amber

**National Galleries of Scotland Written Submission to Inquiry into Budget
Scrutiny 2023-24**

1 How are budgetary decisions supporting the recovery of the sector from COVID and what should be the Scottish Government's priorities in supporting recovery through Budget 2023-24?

After the immediate crisis experienced by our sector during COVID, which was eased with significant Government support, we now face what is if anything an even greater short and medium-term challenge. Visitor numbers and the related income generation are still below pre-COVID levels and this is likely to be the case until at least 2025. At the same time, costs are increasing rapidly (energy costs are a major factor for museums and galleries) and there is intense pressure to address the cost of living crisis being experienced by staff; there is also increased demand on private sources of funding; and additional pressures arising from the need to address the climate emergency. In addition, current salary levels in the public sector meant that it is often hard to recruit and retain staff in key technical roles. Against this background, the draft decisions set out in the RSR (Grant-in-aid remaining static) would effectively amount to significantly reduced Government support for our organisation and would inevitably lead to reduced levels of service and a reduced ability of National Galleries Scotland to meet the expectations and needs of the public from a national cultural body.

Having supported the sector through the immediate crisis of COVID, the priority should be to support the sector with additional funding to allow organizations to recover until income streams return. It would also be beneficial to provide long term funding allocations to allow for planning certainty during this time, and to allow organisations to plan strategically.

2 Despite an increasing recognition of the established health and wellbeing benefits of culture, the Committee has previously heard that this had not led to transformational change in terms of both a cross-cutting approach within Government and increased budgetary support for culture across a number of spending areas - what needs to change to embed culture and health and wellbeing across government and the public sector?

There is wide recognition of the benefits of access to art and culture for health and well-being – and the experience of the pandemic when organizations like NGS helped to support communities and individuals, has added to an existing depth of knowledge in this area. While there are many individual cultural projects and initiatives relating to health and wellbeing across Scotland, these are fragmentary and not joined up by any national strategy or framework. At the same time, many cultural organizations struggle to engage with larger partners and stakeholders in this area and to reposition themselves as anything other than 'leisure providers'. Leadership at national level is required to incorporate culture into an integrated approach to preventative public health and to develop a properly resourced national framework to bridge the gap between the health and culture sectors.

We should raise awareness of the economic and non-economic impact of culture on health & wellbeing. A place-based action group has already been set up at Scottish Government which crosses departments. This is at early stages but is a very useful way forward. One of the biggest issues in society is the likelihood of early death, drug abuse, ill health linked to growing up in deprived areas. If we can demonstrate that culture can be part of the tools to help break that cycle and to help people see new opportunities about their self-esteem (eg through engagement with art), then investing in art and bringing art to wider communities can play their part in the health of the nation. But this needs to be done in an integrated way.

3 The Scottish Government's independent Advisory Group on Economic Recovery in the wake of COVID-19 recommended that Ministers should in relation to the creative sector seek "ways to increase public and private investment across the sector to allow it to recover and compete" – can you provide examples of where this is happening or ways in which it should happen?

There is no evidence to support that this is happening, and, across many areas of the arts and culture, public investment will be reduced in real terms under the proposals set out in the RSR. Cultural bodies such as NGS have been extraordinarily successful in raising funds through philanthropy, membership, and commercial activities but, as noted above, these sources are under pressure and there is little to suggest that new ways of encouraging self-generated income are being actively pursued. It should be noted also that self-generated income tends to support short-term activity or project work rather than 'core business' and private funders are generally reluctant to make up any difference when public funding is reduced.

It would be beneficial to support the collections bodies with additional funding to support the operations through the recovery period – as forecast through to 2025 – until income streams return. It would also be beneficial to provide long term funding allocations to allow for planning certainty during this time, and to allow organisations to strategically plan rather than work to one year budget allocations.

4 The Committee has previously agreed with COSLA that a 'whole system' approach is essential to the spending review and that this is consistent with an outcomes-focused and collaborative approach; our view is that it is only through such an approach that the necessary funding can be freed up to ensure that sufficient cultural services are available to meet the increased demand arising from cultural prescribing – what progress has been made in moving towards a whole system approach, what are the main barriers and how do we overcome them?

We recognize both the potential benefits and the challenges of adopting a 'whole system' approach across diverse portfolios and sectors. For the cultural sector in particular, there are barriers of scale (small, diverse, and multi-faceted) and a lack of awareness of the potential benefits of integrating culture in addressing issues of health, inequality, and the climate emergency. While useful dialogue is on-going, we are not aware of any real progress.

5 The Committee's view is that it is essential that, wherever practical, multi-year funding for the cultural organisations the Scottish Government supports is passed on to the groups and individuals being funded who should, where appropriate, also receive a multi-year settlement – what progress has been made in moving towards multi-year funding, what are the main barriers and how do we overcome them?

As at July 2022, there is no evidence as yet of multi-year funding allocations at organisation level to allow for future planning. Pay policy is a particular challenge as this varies each year- thus a multi-year settlement would help; level 4 allocations would allow the collection bodies to plan more effectively. At present the four-year plans are presented at too high a level.

Working to a one-year budget also means we have uncertainty about what we can commit to each year. This results in significant amount of work building our budgets each year (rather than over a number of years) and delays in budget confirmation often means we mobilise in Q1 and then rush to spend out in Q4. Multi-year planning would make more effective use of our resources and reduce the amount of work on budget planning and justification each year.

6 The Committee has previously stated that the collaborative learning from managing the response to COVID should be harnessed and built upon; for example, in exploring how innovative ways of working such as the shift to digital platforms can enhance the accessibility of cultural activities while at the same time improving health and wellbeing – what progress has been made in embedding the collaborative learning from managing the response to COVID, what are the main barriers and how do we overcome them?

The culture sector is well networked and there is plenty of evidence of informal sharing of knowledge and experience across different organizations and bodies. The obvious barrier to exploiting lessons learned during the pandemic is that most organizations are still very much in crisis and recovery mode and, given the context set out above, this is likely to continue for some years to come. This in turn encourages consolidation and retrenchment rather than innovation and risk-taking. For example, there is no doubt that digital cultural activity was a major success during the pandemic and, going forward, offers huge scope for greater access and widening of audiences. However, digital activity requires both investment and capacity at levels that are simply not available at present.

Museums Galleries Scotland Written Submission to Inquiry into Budget Scrutiny 2023-24

1 How are budgetary decisions supporting the recovery of the sector from COVID and what should be the Scottish Government's priorities in supporting recovery through Budget 2023-24?

Museums Galleries Scotland (MGS) welcomes the opportunity to respond to the Constitution, Europe, External Affairs and Culture Committee's Call for Views on the impact of budgetary decisions, including the Resource Spending Review, on the culture sector in Scotland.

As the National Development Body, MGS supports 422 museums and galleries in Scotland through strategic investment, advice, and skills development. 255 of these museums are accredited and 187 are non-accredited, reflecting differing governance structures and levels of professionalism across the sector. The sector includes some of the most visited and popular attractions in the country as well as small, volunteer-run community museums. Despite the importance of these community museums to Scotland's cultural and heritage offer, we do not currently have any grants budget available to invest in our non-accredited museums – just over 40% of our sector. MGS has an annual grants budget of just £1.1m to support the sector – a budget which is proportionally significantly smaller than that received by partner organisations and wholly insufficient to meet the level of need and ambition for the scale of the sector we support.

The Scottish Government's emergency funding provided throughout the pandemic has been integral to the ongoing viability of the culture sector and we are very grateful for the significant financial support which allowed us to meet the sector's needs. The Government's Culture Strategy states that culture 'must be valued first and foremost in and of itself, it is central to who we are and who we seek to be', and as such positions access to culture as an essential part of our everyday lives. The 422 organisations we support provide this essential element of culture to their local communities, and these organisations are also deeply connected to enabling their communities to access their basic rights to wellbeing, equality, social, creative and economic opportunity as set out in the Programme for Government framework. The Government's emergency funding has allowed many of our organisations to survive despite the sudden and dramatic loss of commercial income streams at the onset of the pandemic, where we would have otherwise had no alternative funding support at our disposal. This funding continues to allow these organisations to stay afloat as commercial income remains substantially below normal levels. With that context, the financial impact of lengthy closures during the pandemic, the long tail of lower visitor numbers, and now an uncertain financial outlook for local government amid rising inflation risk creates a perfect storm for the delivery of these services.

The long-term impacts of the pandemic contribute to diminishing returns on the viability of museums to support the Programme for Government and Culture Strategy's' visions for culture to play a wider role in society - particularly in the

wellbeing and equalities space. Visitor levels have not fully recovered, and visitor profiles are now different, with fewer international tourists who had tended to be higher spenders. Of particular concern here is the civic museums sector (those provided by local government or arms-length external organisations), that were given no additional funding during the pandemic and are in a highly vulnerable position. Even prior to the pandemic, a decade of financial pressures within local government had had a notable impact on the resources available for these organisations. Civic museums occupy a distinctive space in the heart of our communities and our cultural life; they are enriching and inspiring as they are deeply connected to the story of a place, whilst telling a wider global story and therefore elevating not only Scotland's international cultural offer but also supporting the development of an international Cultural Diplomacy Strategy.

Civic museums and our smaller non-accredited museums also play an important role in enhancing equality of access to culture at grassroots level in communities that are typically harder to reach. However, these organisations have limited capacity to continue to provide this more holistic role when many of them are struggling to continue basic operation and face a very real, immediate risk of closure. Our view is that it is far more cost effective to invest the small amounts required now to ensure their survival, rather than risk their closure and lose the knowledge and skills they demonstrate in delivering huge benefits to their local regions, fostering a strong sense of place, education and wellbeing. MGS is deeply committed to ensuring our organisations and collections maintain a core function for local communities. Following on from our work to support the Scottish Government sponsored Empire Slavery and Scotland's Museums Project (ESSM) we are keen to take forward some of the Steering Group's key recommendations to enable our sector to target their communities in an inclusive way through a fundamental human rights and equalities-based approach. From focus groups within the sector on delivering ESSM we know there is strong interest and desire to implement these approaches, however caveated with the concern that the pandemic has left the sector increasingly time and resource poor. We recommend it essential that the budget provides additional grant funding that would enable MGS to support all parts of the sector, including non-accredited museums, to maximise the benefit of initiatives such as ESSM that seek to expand the reach of the sector.

Rising energy costs is a significant concern, with many museums and galleries facing reported increases of 250-400% in their energy costs. This is related to the ongoing need for capital funding. Many museums and galleries are in old and historic buildings with high maintenance costs, and these buildings will need investment to meet the sector's contribution to Scottish Government's Net Zero targets and alignment with Just Transition plans, as well as to ensure suitable conditions to protect irreplaceable collections. The current capital funding budget in Scotland is £200K annually. In stark contrast, the Museum Estates and Development Fund (MEND) in England, which aims to tackle a backlog of building maintenance, is around £200 million.

2 Despite an increasing recognition of the established health and wellbeing benefits of culture, the Committee has previously heard that this had not led to transformational change in terms of both a cross-cutting approach within Government and increased budgetary support for culture across a number of spending areas - what needs to change to embed culture and health and wellbeing across government and the public sector?

There is strong desire within the sector to make a greater contribution to the health and wellbeing agenda, and an understanding of the role culture can play. Many museums already make a significant contribution to health and wellbeing outcomes, as is demonstrated by MGS's report "Museums, health and wellbeing: How Scotland's museums make us healthier and happier" (<https://www.museumsgalleriesscotland.org.uk/advice/raising-your-profile/museums-and-health-wellbeing/>). However, the transformative potential of this approach will not be achieved without determined leadership from the Scottish Government, who are in the position to facilitate change and direct cross-portfolio resourcing. There is also a need to improve understanding of cultural value at local level, as less understanding in local TSI's of the benefits of Mental Health and Wellbeing funds into cultural organisations will make it more challenging to achieve outcomes in this area. In general, the act of getting out and visiting a museum and gallery in itself benefits a person's health and wellbeing - however, our evidence-base gathered across the sector shows that the largest benefits will come from directed engagement, which will have staff and resourcing implications. Due to the financial pressures already outlined, most museums will be unable to meaningfully contribute to this agenda unless explicitly funded to do so.

3 The Scottish Government's independent Advisory Group on Economic Recovery in the wake of COVID-19 recommended that Ministers should in relation to the creative sector seek "ways to increase public and private investment across the sector to allow it to recover and compete" – can you provide examples of where this is happening or ways in which it should happen?

Museums Galleries Scotland is proud to represent and support a particularly resourceful sector. The museums sector is reliant on a combination of public funding, charitable donations and income generation. There is an awareness within the sector of the importance of income diversification and MGS has worked to support entrepreneurial leadership, most recently through our Business Support Programme. The Programme was delivered during lockdown, entirely online, upskilling over 120 unique individuals and 39 cross-regional organisations at all levels from staff, volunteers to senior management and Board members. This programme was at its heart a hugely successful partnership, led and developed by MGS with Built Environment Forum Scotland (BEFS) and greenspace scotland, maximising the impact of skills-based training across the sector by encouraging entrepreneurial approaches, new ways of fundraising and regional networking which would not have been achievable or as impactful at individual organisation level. Our workforce remains an essential part of the success. Amongst the various cost pressures, we recommend that prioritisation of funding for skills development and staffing resources should continue to be an integral component of Scottish Government budget

priorities. Supporting museums and galleries to support themselves ensures longer-term sector recovery and resilience, helping these organisations to become less reactive and more strategic in their approach to cultural investment.

Our funding has also directly helped museums to play a part in Levelling Up bids and other place based regeneration funding bids, as well as supporting the sector to innovate through approaches such as e-donation boxes and websites with greater fundraising ability.

4 The Committee has previously agreed with COSLA that a ‘whole system’ approach is essential to the spending review and that this is consistent with an outcomes-focused and collaborative approach; our view is that it is only through such an approach that the necessary funding can be freed up to ensure that sufficient cultural services are available to meet the increased demand arising from cultural prescribing – what progress has been made in moving towards a whole system approach, what are the main barriers and how do we overcome them?

The museums sector is well-placed to work collaboratively and across portfolios, such as through cultural prescribing. MGS would welcome the use of outcomes-focused funding to allow the sector to benefit from wider funding streams while contributing to wider positive outcomes. There would of course be challenges in developing consistent and reliable methods of measuring such outcomes, and such an approach would only be effective to the extent that it introduced genuinely additional money into the sector. An outcomes-based approach to funding must also be designed to be consistent with the objective of moving towards multi-year funding - this should allow cultural organisations to do more, not fill in gaps.

At present we cannot say that the ‘whole system’ approach has had any notable impact. As discussed in relation to embedding culture and health and wellbeing across portfolios, such a transformational approach requires serious political commitment and a demonstration of leadership from both national and local government. It is hard for organisations at all levels to commit to long-term changes of direction while, as at present, they are operating under significant pressures and uncertainties. However, these ongoing pressures make the case for new funding approaches despite potential difficulties, and we would encourage both national and local government to outline how it anticipates a whole system approach to be achieved, with measurable timescales and objectives.

5 The Committee’s view is that it is essential that, wherever practical, multi-year funding for the cultural organisations the Scottish Government supports is passed on to the groups and individuals being funded who should, where appropriate, also receive a multi-year settlement – what progress has been made in moving towards multi-year funding, what are the main barriers and how do we overcome them?

MGS would strongly welcome a multi-year funding settlement, which would give us the much-needed ability to forward plan for the sector’s continued recovery, following a period of financial instability and unpredictability. As a funder ourselves we recognise that short-term funding cycles can lead to short-term thinking, as funding recipients find themselves forced to navigate a constantly changing landscape in order to maintain income levels. Longer-term funding cycles could support the sector

to achieve longer-term staffing and resource security and enable innovation in the sector with a move towards becoming more financially resilient. From within our own grants budget there has currently been no specific progress in moving towards multi-year funding, given our grants budget is already small for the number of organisations we are expected to support. We would also want to note that some of our grants are to be spent over two financial years - we do not consider this “multi-year funding” as the entire value of the grant comes from within the budget of the financial year in which it is made.

The main barriers to adopting a multi-year model is the current financial framework MGS is required to work within, which acts against a multi-year approach, as on a practical level and with an already small grants budget, committing to funding some organisations over multiple years would shrink the available funding for others over that time period, and this approach would have to be managed carefully in order to not lock-out our smaller or unsuccessful organisations. There are also valuable projects that can be funded within one financial year, and we would not want to move entirely away from being able to fund such activity. We would, therefore, request that a more flexible financial framework is considered for our sector as a whole, that in combination with a multi-year financial planning strategy, would allow for an element of reserves to be built up and deployed in a bespoke way to manage certain ongoing resource-intensive projects or provide flex for resilience to down turns in commercial income streams, particularly for our smaller and non-accredited organisations

Multi-year funding would also enable the sector to retain workforce, with many museums and galleries reliant on volunteer support to stay afloat, sustainable funding could ensure long-term security for the sector through a more permanent workforce as well as maximise the benefits of skills training to ensure the value of that training can be realised and retained within the culture sector.

6 The Committee has previously stated that the collaborative learning from managing the response to COVID should be harnessed and built upon; for example, in exploring how innovative ways of working such as the shift to digital platforms can enhance the accessibility of cultural activities while at the same time improving health and wellbeing – what progress has been made in embedding the collaborative learning from managing the response to COVID, what are the main barriers and how do we overcome them?

Museums Galleries Scotland has strong examples of successful partnership working in order to maximise our offer to our sector and avoid duplicating efforts. It is important to note that these genuine collaborative opportunities take time and resources to deploy effectively, particularly where workforce capacity is in short supply. Our view is that such approaches should continue to be encouraged and incentivised with appropriate budgetary support, as it has been clear that where these collaborative approaches have been taken, the dividends have been high. The Climate Beacons project, Year of Stories Community Fund and XpoNorth are three examples of successful working across portfolios, with partnerships of cultural and in some cases commercial interests. We are keen that this collaborative, partner-based approach can continue and believe that a move towards an outcomes-based model of funding can support this.

We funded many projects to support museums digital provision. Most museums found quite quickly during the pandemic that their digital capacity was not at a desirable level. The lack of digital content and skills were both significant barriers. We funded several projects that were about trying to integrate digital across the organisation and change organisational approaches to this. These tended to be larger scale and longer-term projects and the final reports are only now coming in on these. We will be considering the success of these projects over the next financial year and how we can learn from them in terms of resource allocation and filling skills gaps

Historic Environment Scotland Written Submission to Inquiry into Budget Scrutiny 2023-24

Introduction

Historic Environment Scotland (HES) welcomes the opportunity to respond to the Constitution, Europe, External Affairs and Culture Committee's Call for Views on 'Budget Scrutiny 2023 – 2024: Funding for Culture'.

Scotland's historic environment is a part of our everyday lives. It can be a castle or a stone circle but it's more than that. It's our homes and high streets, schools and hospitals. It's also transport infrastructure like canals and bridges. The historic environment is central to our lives and our sense of place, identity and to our wellbeing. It inspires us and is part of the fabric of our culture: the songs, the stories and the traditions that shape how the world sees us and informs how we forge our future. Investment in the historic environment has the power to catalyse economic recovery and the transition to a low carbon wellbeing economy.

In 2019, the historic environment generated £4.4 billion for Scotland's economy and supported 68,000 full time-equivalent jobs, mainly in the heritage, tourism and construction sectors. It has a significant part to play in our recovery from the pandemic, and in building a stronger, fairer, greener future for Scotland. We know it can contribute to the revitalisation of our villages, towns and cities, and support good, green job creation, skills development, health and wellbeing, and Scotland's transition to net zero.

This potential is central to the current review of Scotland's historic environment strategy, Our Place in Time, that HES has been commissioned to lead by the Minister for Culture, Europe and International Development, and Minister with special responsibility for Refugees from Ukraine, Neil Gray MSP. Working with government, the heritage sector and other relevant sectors, a refreshed strategy will be published in Spring 2023 that aims to unlock the potential of the historic environment to strengthen the resilience of the sector and in doing so deliver transformative change for Scotland.

A whole systems approach that involves working together across government portfolios and sectors is essential to maintaining our historic environment ensuring the ongoing flow of benefits which support the achievement of the government's ambitions. Equally important is the budgetary decisions that are taken to ensure that the sector is resilient, sustainable and has the skilled workforce needed to deliver an economic transformation, support the transition, and care for the historic environment for future generations.

About Historic Environment Scotland

HES is the lead public body established under the Historic Environment Scotland Act 2014 to investigate, care for and promote Scotland's historic environment. We are Scotland's largest visitor attraction operator, managing over 300 culturally significant properties of national importance of which 70 are staffed, including Edinburgh Castle, Skara Brae and Fort George. HES is also responsible for an internationally significant collection of drawings, photographs, manuscripts and aerial photographs.

We have a statutory role in the planning system, designating buildings and monuments, overseeing scheduled monument consents, advising on planning and development proposals, and undertaking environmental impact assessments. We work nationally and internationally to advance education, skills, and research in heritage. Through our Grants programme, we invest around £14million a year to support building repairs, ancient monuments, archaeological work and conservation. We also have a lead role in the delivery of Our Place in Time – the national strategy for the historic environment.

Our budget and financial context

HES's funding comprises grant-in-aid and a significant level of income derived from commercial and charitable activities.

Under the Resource Spending Review (RSR), the indicative grant-in-aid budget for HES is £63m in 2023-2024, reducing to £48m in 2026-2027. We employ over 1,000 people across Scotland, maintain an estate of 336 properties, spend over £22million per year with Scottish SMEs, and give grants totalling £14m a year on average. How we spend our budget to deliver against the identified priorities of the review can be found as Annex A.

Following two difficult years, with heritage tourism falling by 80% in 2020, we are seeing tourist demand returning. However, we anticipate that the cost-of-living crisis will impact on demand as consumers deprioritise leisure spending. Our ability to generate commercial income is being impacted to an extent by our high-level masonry inspection programme and the associated access restrictions at certain sites. We are exploring paths to support the Resource Spending Review's ambitions for an innovative and reformed public sector through a review of our business model.

The published RSR has helped to inform our multi-year planning scenarios, both for our own operations and those we fund through our grants' programmes. This is appreciated by us and the sector but is not without risk as funding is indicative. Offering even long-term commitments to organisations and projects in the context of considerable economic uncertainty and growing public sector funding challenges leaves HES exposed if RSR funding does not materialise as published.

We estimate that only around 15% of investment in Scotland's built heritage funding comes directly from the heritage sector, which includes our own grants programme. The majority (around 60%) is private spend by residential owners or business owners, with a further 25% from other public/third sector departments managing their estate (e.g., health/education/justice), meaning the heritage-led benefits from this spend are incidental. HES's budget allows us to carry out our statutory role in the planning system, produce technical research and guidance, and demonstrate innovation and best practice in the management of cultural assets. This shapes our engagement with asset owners and guides their investment sympathetically towards broader NPF objectives. Increased partnership delivery is at the heart of HES's approach, working with non-heritage partners to increase the benefits from their existing spend. We leverage our public funding to have wider impact, ensuring it sets the direction for the far larger private and commercial investment to be aligned with

the priorities set out in the National Performance Framework, and work towards national outcomes.

Beyond culture: how the historic environment contributes to wider policy objectives

The historic environment has a huge role to play in achieving Scottish Government's strategic priorities for the country and public funding for the historic environment has a significant impact in key policy areas. The historic environment is an important part of Scotland's ambitions to:

- deliver economic transformation
- reduce Scotland's contribution to climate change.
- create a wellbeing economy

We discuss these in more detail, below:

Economic transformation

The historic environment **generated £4.4 billion for Scotland's economy in 2019 and supported 68,000 full time-equivalent jobs**, mainly in the heritage, tourism and construction sectors.

Tourism

Every year, more than £3 billion is contributed to Scotland's economy by tourism generated by the historic environment sector. Tourist footfall at heritage attractions was over 18 million, with half of all international visitors reporting heritage as the key motivation for visiting Scotland.

Visitors who included a heritage attraction as part of their trip spent over £3.2 billion in 2019 (pre-pandemic). This contribution is comparable to the turnover of Scotland's shipbuilding (£1billion) and aerospace (£2.2 billion) industries combined, or other key growth sectors including life sciences (£3.1billion), digital industries (£3.2billion), or visual and performing arts combined (£3.8billion). (Comparators from Scottish Annual Business Statistics, 2019)

Properties cared for by HES, on behalf of Scottish ministers, account for an estimated 60% of overall heritage tourism visits, and play a key role encouraging tourists to visit destinations across Scotland. They are a catalyst for tourism recovery, and the growing shift to responsible tourism models. This is particularly important in the Scottish context, where more than half of all local authorities have a higher-than-average reliance on tourism to support local employment and GDP. The historic environment sector supports jobs and spending through tourism in areas where there are fewer opportunities for alternative employment.

The historic environment sector is well positioned to implement responsible tourism models, improve job prospects, and sustain local economies. We are now seeing tourist demand returning and in time commercial income from the PICs will once again offset some of HES's GIA requirement. However, as noted above, a number of sites remain closed or with access restrictions and will need investment. Creative solutions and funding options will be required to meet investment requirements and unlock commercial income potential. HES's asset management plan is prioritising sites based on need and investing as budget permits.

Construction

In Scotland, one in five residential buildings were built before 1919 using traditional materials and building skills. A similar proportion of industrial buildings, retail units and office stock is also traditionally constructed. The historic built environment makes up an estimated £1 billion share of Scotland's total spend (£4.4bn in 2019) on property maintenance and repair.

Scotland's Infrastructure Investment Plan and other government documents prioritise the re-use of existing built environment assets and the embedding of circular economy principles. We therefore anticipate an increase in the contribution that the historic environment makes to construction, its associated industries and supply chain as re-use increases.

Historic buildings also require adaptation to help them become energy efficient. In April 2022, HES published its [Green Recovery Statement](#), outlining how the historic environment can make a vital contribution to Scotland's green recovery from the COVID-19 pandemic and its transition to net zero and a climate resilient society. A nationwide renovation wave, like that proposed in the EU (See: [Renovation Wave](#)), will be required to decarbonise our built heritage and improve its energy efficiency. The requirement for labour and materials to deliver mass retrofitting and adaptation, along with skills training, will see the repair and maintenance market grow. Historic buildings also require adaptation to help them become energy efficient. HES's Green Recovery Statement outlines how Scotland can use the sector, its assets, people, skills, and knowledge, to achieve a green recovery and a sustainable future.

The environmental impact of the historic environment is considered further in the following section.

Net zero

Scotland has set out its ambitions to reach net-zero by 2045, and the historic environment is vital to achieving key Government targets in relation to resource and energy efficiency, repair, maintenance and re-use. A key consideration for the budget is the provision of funding to attract and develop the skilled workforce that is needed. HES currently provides traditional skills training, but we are concerned that skills provision is at risk of being cut elsewhere in the education and skills system, exacerbating an existing skills deficit.

Energy efficiency and carbon management of the existing built environment is needed to reduce the country's carbon emissions in line with the Scottish Government's emissions reduction targets. Given the proportion of traditionally constructed buildings in Scotland built before 1919 (see above), addressing the historic environment is crucial in achieving key government targets in terms of energy efficiency, repair and maintenance. Public funding supports HES's lead role in providing the technical adaptation solutions, industry training and planning support that is essential to achieving the transition to net zero.

HES has already been identified under the Scottish Government's Energy Efficiency Action Plan for Scotland to take the lead in researching and promoting energy efficiency in traditional buildings and is a research and delivery stakeholder in the Heat and Buildings Strategy. One key consideration for the budget is funding to develop a suitably skilled workforce. Analysis has identified skills gaps and shortages in key trades such as stone masonry. HES chairs the cross-sector Skills Investment Planning group and actively supports training in this area, but more investment is needed. We also need an education and skills ecosystem that improves access, attracts talent, and provides sufficient infrastructure and capacity to deliver training. While Historic Environment Scotland currently supports training in this area, we consider that continued investment is needed to make sure Scotland has the workforce needed to carry out the work.

Creating a wellbeing economy

The condition and quality of the historic environment has an impact on wellbeing both positive and negative. Poorly maintained and in need of repair buildings, or cold, draughty and expensive to heat homes, clearly have a negative impact on people's quality of life. While investment in maintenance and repair, in retrofitting homes and offices to reduce carbon emissions, or in repurposing historic buildings and place-making, can deliver tangible and lasting benefits for local communities and businesses.

Heritage participation and engagement have a demonstrably positive impact on people's reporting of wellbeing. We have seen this linkage become more embedded in national thought and perception following the pandemic with many people using heritage locations as places of reunion, sociality and escape during and after lockdowns. (See [Cambridge Heritage Research Centre: Places of Joy: The Role of Heritage After Lockdown](#)).

In 2020, HES published research that showed 86% of respondents reported a wellbeing benefit from local heritage engagement. People cited improvements in at least one of the following areas: happiness, life satisfaction, feeling healthier, a sense of being worthwhile or less anxious. All of these are criteria on Scottish Government's Wellbeing Monitor. Many of the wellbeing benefits reported are derived from simply being aware of the heritage around us. Contingent valuation research completed for HES by St Andrews University demonstrated that the current level of public funding is well within the public's tolerance based on their own perceived benefits.

As we move towards a wellbeing economy, we hope to see the benefits of heritage being better realised and their provision properly resourced through public funding for the outcomes they produce. Being more outcomes focused, is aligned to a “whole systems” approach, and blurs the distinction between responsible agents, which the public sector and government tend to reinforce, such as the distinction between the natural and cultural environment. A move towards a wellbeing economy should mainstream the historic environment sector, and HES, into the policy and decision-making of Scottish Government departments beyond CEEAC, reflecting its broader contribution to the National Performance Framework.

Conclusion

The historic environment makes a significant contribution to Scotland’s economy. It has great potential to deliver government priorities, support the achievement national outcomes, and advance a whole system approach.

Budgetary decisions are important to support the long-term resilience and sustainability in the sector, and to maximise the contribution that Scotland’s historic environment makes to our economy, environment and wellbeing.

A joined up approach across government and key sectors is needed to ensure the required maintenance, repair and retrofitting of Scotland’s traditional buildings in public and private ownership is undertaken, in a timeframe to enable Scotland to meet its net zero targets.

Investment in skills, jobs and training is needed to ensure Scotland has the workforce it needs to maintain, repair, and decarbonise our historic built environment and heritage tourism and the benefits that flow from them.

The Resource Spending Review has helped to inform HES’s multi-year planning scenarios. As a grant funder, it helps us to pass on multi-year funding commitments to the organisations and projects we fund. This is welcomed by the sector but is not without risk.

With a small share of the sector’s total investment, HES’s Grant-in-Aid allocation ensures that the far larger private and commercial investment in the historic environment is aligned with the priorities set out in the National Performance Framework, through delivery of statutory functions (planning policy) and the management of key heritage assets (the Properties in Care and collections). Shaping this wider funding context is critical to catalysing economic recovery and transitioning to a low carbon wellbeing economy.

Annex A – Evidence of alignment with the Resource Spending Review

Theme	Overall HES assessment against key criteria	HES evidence	Key enablers / partnerships
Addressing Climate Change	<p>Leading national role: Critical to delivery of:</p> <ol style="list-style-type: none"> 1. Decarbonising homes and industries 2. Adaptation, climate resilience 	<p>The Scottish Government’s Energy Efficiency Action Plan for Scotland: Conserve & Save, Action 2.5: Historic (Environment) Scotland will take the lead in researching and promoting energy efficiency in traditional buildings. This named role carries through subsequent associated climate policy and covers:</p> <ul style="list-style-type: none"> • 19% of Scotland’s housing stock is pre-1919 (Scottish House Condition Survey). These properties account for a higher share of total residential carbon emissions due to their nature. • 33% of Scotland’s retail space, 24% of office space and up to 41% of space used by the public sector is based in traditionally constructed buildings (Geomni estimate). <p>Net zero cannot be achieved in Scotland if this traditional infrastructure is not addressed. The scale of change required will shape the construction industry and provide new, green jobs.</p>	<p>HES work Delivery of HES Climate Action Plan 2020-25. Technical research and guidance to industry and planning authorities, and skills plan. HES’s statutory planning role in relation to changes to historic infrastructure. HES repair grants and CARS.</p> <p>Key partners Alignment with construction industry on methods, skills and materials pipeline. Established Climate Heritage Network.</p>
Securing a stronger, fairer, greener economy	<p>Significant contributor:</p> <ol style="list-style-type: none"> 3. Green recovery opportunities 4. Fair work 	<p>Heritage, led by HES properties, is a main contributor to Tourism: a priority in the National Strategy for Economic Transformation.</p> <ul style="list-style-type: none"> • Half (50%) of Scotland’s international visitors engage with heritage. 34% list heritage as their main reason for visiting, 16% visit heritage while here for other reasons. • £3.2bn was spent by visitors who included heritage as part of their trip in 2019. This fell 80% in 2020 (COVID). • >£1bn will be lost to Scotland if HES’s properties close. <p>The shift to sustainable and responsible tourism will create the new jobs of the future. The sector provides jobs in remote and rural areas where few alternative opportunities exist.</p>	<p>HES work HES PIC Investment Programme. Repair and maintenance to keep PICs open. Visitor Service operations.</p> <p>Key partners VisitScotland. OPIT Heritage Tourism Group. Local Council and business linkages.</p>
Supporting progress towards meeting child poverty targets	<p>Long-term positive contributor, but limited immediate effect on household incomes and direct cost reduction</p>	<ul style="list-style-type: none"> • HES contributes to addressing childhood poverty by providing targeted access, learning opportunities and skills development, aimed at supporting a longer-term structural shift away from poverty. • Research to drive energy efficiency in traditional housing should indirectly support a reduction in cost of living for residents, and employment supported through tourism and construction creates opportunities for income. 	<p>HES work Targeted education and learning programme. Energy efficiency and adaptation guidance. Generating local employment through investment in PICs and sector promotion.</p>