

# CONSTITUTION, EUROPE, EXTERNAL AFFAIRS AND CULTURE COMMITTEE

1<sup>st</sup> Meeting, 2023, Session 6

12 January 2023

**Budget scrutiny**

1. The Committee published its [Pre-Budget Scrutiny 2023-24: Funding for Culture](#) report on 31 October 2022, [the Scottish Budget 2023-24](#) was published on 15 December 2022, and the Scottish Government responded to our report in a [letter from the Cabinet Secretary](#) on 20 December 2022.
2. The roundtable on 12 January is an opportunity for Members to follow up on the issues raised our pre-budget work with a range of cultural organisations.
3. SPICe have prepared a briefing at **Annexe A**.
4. The content of the Cabinet Secretary's letter to the Committee of 20 December 2022 can also be found at **Annexe B**.
5. Any further written submissions from other witnesses will be circulated as late papers.

**CEEAC Committee Clerks  
January 2023**

# Constitution, Europe, External Affairs and Culture Committee

12 January 2023

**Budget 2023-24**

## Introduction

On 15 December 2022 the Scottish Government published:

- [Scottish Budget 2023-24](#)
- [Scottish Budget 2023-24: equality and Fairer Scotland statement](#)
- [Scottish Budget 2023-24 – high level carbon assessment](#)
- [Scottish Income Tax 2023-24: factsheet](#)
- [Scottish Rate Resolution 2023-24 Draft Motion and Explanatory Note](#)

This paper focuses on a number of areas of spend and outcomes within the portfolio of the Cabinet Secretary for Constitution, External Affairs and Culture. It also briefly sets out the local government settlement.

The Deputy First Minister described the budget as taking place in the “most turbulent economic and financial context most people can remember.” His foreword to the Budget stated—

“That context presents a difficult set of choices for the Scottish Government. At the heart of that debate – albeit within the constraints we face – is whether to invest or to scale back. (...)

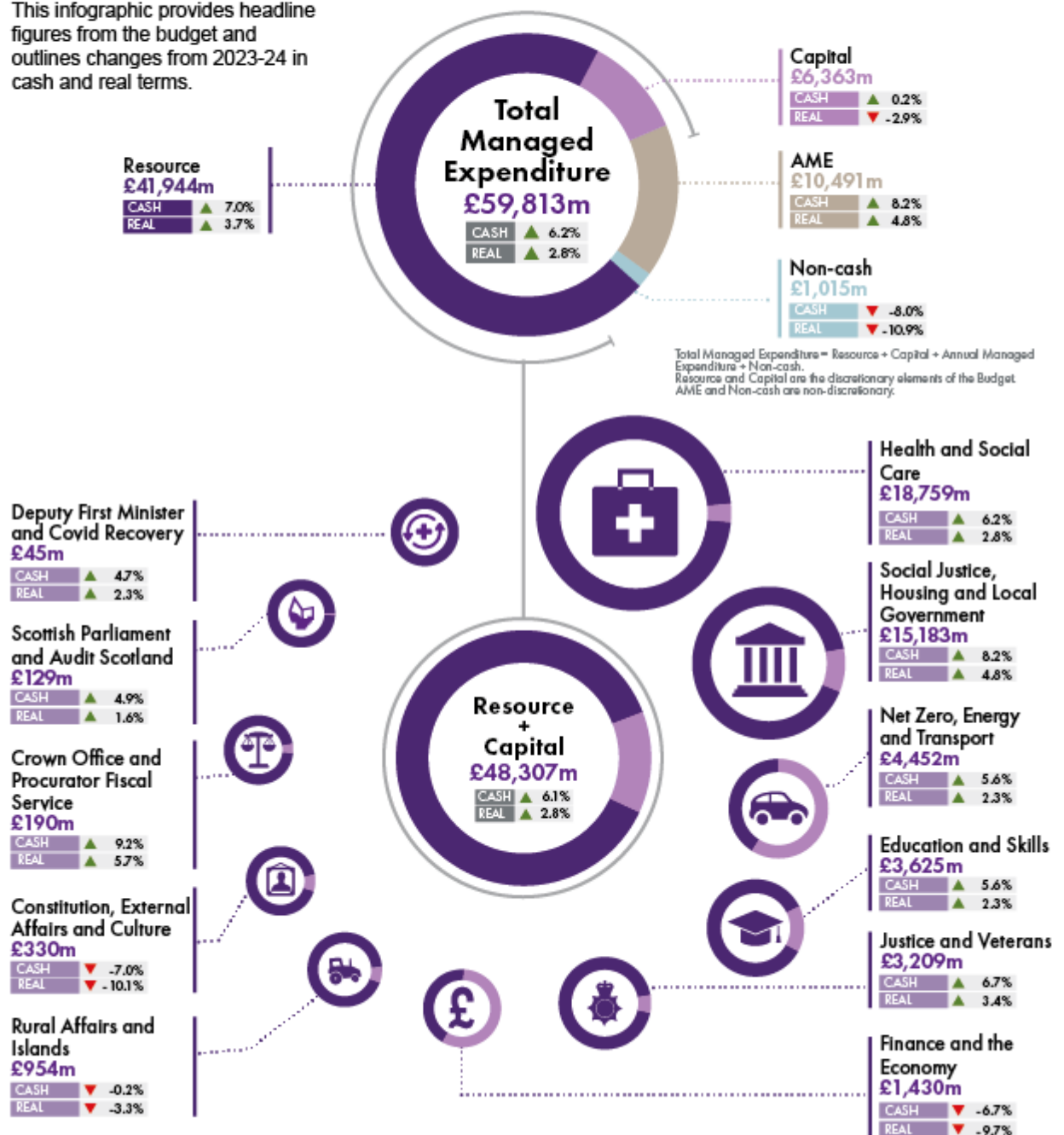
We want to create a Scotland that can eradicate child poverty, enable our economy to transition to Net Zero and create sustainable public services that support the needs of our people. The Scottish Government has chosen to invest.”

For context the figure below shows the planned total managed expenditure across the entire budget.

# Scottish Government Budget 2023-24

SB 22-70i

This infographic provides headline figures from the budget and outlines changes from 2023-24 in cash and real terms.



This infographic is based on Annex B of the Scottish Budget 2023-24.

## Committee approach

The [Finance and Public Administration Committee issued guidance](#) to subject committees on the 2023-24 budget process in June 2022. This guidance stated—“The budget process, as recommended by the Budget Process Review Group (BPRG) in its 2017 report, is centred around four core objectives:

- to have greater influence on the formulation of the Scottish Government’s budget proposals,
- to improve transparency and raise public understanding and awareness of the budget,
- to respond effectively to new fiscal and wider policy challenges, and
- to lead to better outputs and outcomes as measured against benchmarks and stated objectives.”

For its pre-budget scrutiny the Committee undertook a short piece of work in Autumn 2022 focussing on the creative sectors, including the impact of the [Resource Spending Review](#). The Resource Spending Review was published by the Scottish Government on 31 May 2022 and the details of this for the Constitution, External Affairs and Culture portfolio can be found in the Annex to this paper.

The pre-budget scrutiny followed up on work already undertaken by the Committee including scrutiny for Budget 2022-23, [Funding for Culture](#), and on the [Resource Spending Review Framework](#).

The Committee took evidence for its pre-budget scrutiny on [22 September 2022](#), [29 September 2022](#), and [6 October 2022](#). It conducted an [online focus group](#) with 11 grassroots cultural organisations on 26 September 2022, and received a number of [written submissions](#). The Committee [published its pre-budget report on 31 October 2022](#).

The Committee’s report noted that the budgetary pressures faced by the culture sector and highlighted by the work previously undertaken by the Committee, have become more acute. The report describes the current situation as a “perfect storm” for the sector as it continues to recover from the COVID-19 pandemic while facing the cost of living crisis and following on from longer term budget pressures. The Committee’s report stated that this—

“means there is an increased urgency for the Scottish Government to accelerate consideration and implementation of an innovative approach to the funding of the culture sector.”

The approaches considered in the Committee’s report included a Percentage for the Arts scheme, potential benefit for the culture sector from the proposed Transient Visitor Levy and embedding culture in Scottish Government plans for a wellbeing economy.

## Government response

The Government’s initial response was contained within the Scottish Government’s Budget document, which stated—

## Annexe A

“The Cabinet Secretary for Constitution, External Affairs and Culture agreed with the Committee when he gave evidence in October 2022 about the challenges in the culture sector of a fragile recovery from the pandemic combined with rising costs of living and operating costs. The Scottish Government is exploring these challenges further in a series of roundtables with the culture sector across Scotland. Against the background of general pressure on Government spending, which the Committee report acknowledged, the Budget maintains funding for the culture sector into 2023-24. The Government will consider setting multi-year planning figures for cultural organisations within the increased fiscal challenges presented by the UK Government’s Autumn Statement.”

The Cabinet Secretary responded to the Committee’s report in a letter dated 20 December 2022. This letter is included in members’ papers (see Annexe B).

Two issues the Committee has consistently raised in its work are: mainstreaming cultural spend and particularly recognising the benefits to health and well-being; and multi-year funding. Members may wish to compare the response on these issues to the Committee last year to the response this year.

Providing 3-year funding settlements was a commitment in the 2021-22 programme for Government (p107). Except for organisations whose funding is evident at level 2 of the budget (e.g. HES), it does not appear that the Government has made progress against this commitment. [Last year’s response](#) to the Committee’s pre-budget report, dated 23 December 2021, stated—

“I know how important [3-year funding settlements] will be to many of those who gave evidence to the Committee. This remains an important Government commitment. The 2022-23 budget confirms funding available until March 2023. Alongside the Budget, as noted by the Committee, we have published our Resource Spending Review Framework. This consultation document sets out our intentions to develop and publish multi-year portfolio spending plans by the end of May 2022. These plans will provide the culture sector and others with greater certainty for future planning.”

This year’s response stated—

“I remain keen to conclude some work on multiyear funding, even if economic uncertainty means that the figures for later years can be at most only indicative. The outlook, following the recent Autumn Statement by the UK Government, is even more challenging for the later years of the Resource Spending Review period. Nevertheless, I know that multiyear figures would help the sector to plan ahead.”

In terms of mainstreaming culture across the Scottish Government, last year the Cabinet Secretary said that he was “starting a series of conversations with fellow Cabinet Secretaries ... to inform both the outcome of that spending review and a longer-term cultural recovery plan”. The National Partnership for Culture produced recommendations on better aligning and recognising the impact of cultural activities on health and wellbeing. The [Government’s response to the NPC’s recommendations](#) highlighted joint-work at the Ministerial level, work on social

prescribing, and existing initiatives, such as the Communities Mental Health and Wellbeing fund.

This year's response to the Committee's pre-budget report stated—

“We have been working to develop closer cross-portfolio relationships, including with health and social care services. We will continue to prioritise that.

“The Committee also asked for an update on the short life working group with health colleagues. This group includes colleagues with expertise and policy interests regarding social prescribing, but it is designed to have a broader remit covering a range of areas of policy crossover. The group have met in recent weeks and committed to working on joint actions. We will provide more information on the work of this group in our Culture Strategy Action Plan Refresh.”

## Evidence sessions

The Committee will take evidence on the 2023-24 Budget on 12 January from—

- Historic Environment Scotland
- Creative Scotland
- Festivals Edinburgh
- Scottish Contemporary Arts Network
- National Galleries Scotland
- Music Venue Trust

And on 19 January from the Cabinet Secretary for Constitution, External Affairs and Culture.

These sessions are an opportunity to discuss with the witnesses and the Cabinet Secretary how the budget will support outcomes in the Cabinet Secretary's portfolio. The Committee may wish to follow up on the recommendations in its pre-budget report.

## Overall Constitution, External Affairs and Culture

The Constitution, External Affairs and Culture covers a range of activities. The table below shows the level 2 expenditure plans.

Table 1a: Level 2 Spending Plans

	£m		
	21-22	22-23	23-24
Culture and Major Events	176.3	207.4	206.1
External Affairs	30.9	33.4	35.1
Historic Environment Scotland	55.9	70.1	72.7
National Records of Scotland	63.3	59.6	33.0
COVID-19 Funding	23.1	-	-
<b>Total</b>	<b>349.5</b>	<b>370.5</b>	<b>347.0</b>

## Annexe A

Table 1a shows that the overall spending plans for this portfolio area fell by 6% year-on-year. The budget lines for External Affairs and HES show an uplift in funding, but there is a fall in the Culture and Major Events budget and a significant fall in the NRS budget. The fall in NRS' budgets is due to the profile of spend for the census in 2023/24.

	£m		
	21-22	22-23	23-24
Total Fiscal Resource	316.2	323.9	303.8
Non-cash	16.1	16.1	17.1
Capital	17.2	30.5	26.1

Table 1b shows that, of the overall £23.5m decrease in spending plans year-on-year, £20.1m is resource and £4.4m is capital funding.

Non-cash is normally a change in the value of assets, i.e. depreciation, and is not money that can be spent on goods or services. The remainder of this section does not include non-cash lines, and therefore the figures will not sum to the totals in Table 1a.

Compared to the planned spend in the resource spending review published in May 2022, this year's resource budget is around £10m less than planned. However, in May 2022 there was £20m earmarked for a referendum in 2023-24 and this is not included under the Constitution, External Affairs and Culture Portfolio budget for 2023-24. Removing that £20m from the analysis, there is an increase of around £10m spread over the rest of the portfolio, compared to the RSR plans. Culture and Major Events resource budget is around £10m higher than the RSR envisaged. HES' resource budget is around £3m less than envisaged in the RSR and NRS around £3m more.

## Culture and Major Events

The Culture and Major Events areas of the budget covers the Scottish Government's funding for creative industries.

	£m			
	2022-23		2023-24	
	Resource	Capital	Resource	Capital
Royal and Ceremonial	0.4	-	0.4	-
Architecture and Place	1.5	-	1.5	-
Creative Scotland and Other Arts	69.1	-	64.0	-
Cultural Collections	59.7	21.0	64.6	10.2
Major Events	18.2	-	24.2	-
Culture and Major Events - Advice and Policy	5.1	-	5.0	-
National Performing Companies	22.9	-	22.9	-
<b>Total</b>	<b>176.9</b>	<b>21.0</b>	<b>182.6</b>	<b>10.2</b>

Taking Culture and Major Events as a whole, the resource budget (that is, day-to-day spend) is planned to increase by £5.8m or 3.3%. In real terms, using HMT GDP deflators, this represents a flat settlement.

### Major Events

The budget for Major Events increased in cash terms. This budget has increased due to the spend profile of the 2023 UCI Cycling World Championships and the 2024 World Athletics Indoor Championships.

### Cultural Collections

The resource budget for Cultural Collections increased, while the capital budget under this line fell. The table below shows the allocations in more detail.

Cultural Collections	£m			
	2022-23		2023-24	
	Resource	Capital	Resource	Capital
National Museums of Scotland (NMS)	23.8	3.8	26.1	1.2
National Galleries of Scotland (NGS)	16.5	5.6	18.1	2.8
National Library of Scotland (NLS)	15.4	2.3	16.1	2.8
Non National Museums	3.4	0.3	3.6	1.0
Non National Libraries	0.7	-	0.7	-
Other Cultural Capital	-	9.1	-	5.4
<b>Total - Cultural Collections</b>	<b>59.7</b>	<b>21.0</b>	<b>64.6</b>	<b>13.1</b>

NMS's resource budget increased by 9.5%, NGS by 9.8%, and the NLS by 4.8%. The Government explained these increases as, "for 2022/23 public sector pay policy and other rising costs." Non-national libraries, which is funding for Scottish Library and Information Council, remained flat. Non-national museums' resource budget increased by 5.8%, the Government explained this increase as supporting "work on Empire, Slavery and Scotland's Museums."

Capital budgets were reduced overall. Changes at the individual level 4 lines were explained as being due to changing spend profiles for capital projects.

### Creative Scotland and Other Arts

Creative Scotland and Other Arts	£m	
	2022-23	2023-24
Creative Scotland	32.6	32.7
Other Arts	36.5	31.3
<b>Total - Creative Scotland and Other Arts</b>	<b>69.1</b>	<b>64.0</b>

Creative Scotland's core budget rose 0.3% in cash terms, at £32.7m, however there has been a decrease in funding made available under the Other Arts line. Generally, this line is for ring-fenced funding distributed through Creative Scotland, but also includes direct funding to organisations such as V&A Dundee that does not go through Creative Scotland. This aspect of funding will decrease 14.2% from £36.5m to £31.3m. This decrease is explained as an:



“Adjustment in funding for Creative Scotland to reflect arts lottery income and reserves”

[Creative Scotland's](#) full response to the budget followed a 19 December 2022 meeting of the Board to discuss the implications of the settlement. It stated—

“Whilst the Board fully appreciates the challenging context in which the Scottish Government has reached its decision, and the pressures that are being felt by everyone across all parts of society, we are extremely disappointed by the settlement. (...)

In an effort to address this, at its meeting today, the Creative Scotland Board has agreed to use a proportion of its National Lottery reserves to maintain funding for Regularly Funded Organisations (RFOs) at 2022/23 levels.

National Lottery reserves have been accumulated and earmarked to ease the transition to the new funding framework. Using these reserves to cover the reduction in Scottish Government funding means that Creative Scotland will no longer have the flexibility of using these funds for other support, including the potential for an RFO supplementary fund previously referred to in our [Future Funding for Organisations update on 3 November](#). (...)

Creative Scotland will continue to act responsibly and pragmatically, however, if Scottish Government cuts continue beyond 2023/24, Creative Scotland will require to pass those on to the sector.”

### *National Performing Companies*

The five National Performing Companies are: Scottish Ballet, Scottish Opera, Royal Scottish National Orchestra, Scottish Chamber Orchestra and the National Theatre of Scotland.

The NPC budget line included national funding for these five companies and the International Touring Fund. The overall funding for this line rounds to £22.9m for both 2023-24 and 2022-23. This disguises a small increase of £70k which was for the International Touring Fund.

Funding for the NPCs has been (to 1 decimal place) £22.9m since 2016-17. Prior to that funding for NPCs was higher (e.g. in 2010-11 it was £26.0m).

### **Historic Environment Scotland**

HES relies on both grant in aid from the Scottish Government and earned income. The figures presented in Table 1a, above, show the net funding from the Scottish Government.

The anticipated running costs of HES in 2023-24 are £114.5m. The budget models the income in 2023-24 as £50.8m, significantly higher than the £33.3m income in 2022-23 and indicating an expected return of visitor numbers after the COVID-19 impacts. In addition, there is a £9m capital budget. This is an £2.5m uplift compared to 2022-23 and is to “support an increase in essential maintenance.”

[HES welcomed the budget stating—](#)

## Annexe A

“Historic Environment Scotland (HES) has welcomed grant in aid funding of £72.7 million as part of the Scottish Government’s 2023-2024 Budget. This is an increase of £2.6m from the 2022-23 budget. Grant in aid funding forms one part of HES’ budget, with the remainder coming from commercial income which has seen strong recovery as the tourism sector has returned following the impact of COVID.

The confirmation of the budget allocation will support skills and jobs and help HES to prioritise activities for the next financial year through its Annual Operating Plan.”

HES is [undertaking a programme of high-level masonry safety checks](#). [Alex Paterson from HES told the Committee in September](#) that at that point around 60 sites had access restricted, albeit not necessarily closed. He said that he had followed legal advice to restrict access after a pilot of a more hands-on approach to high-level masonry inspections had identified issues. Mr Paterson said that the decision to restrict access to sites was taken following legal advice in relation to risk of injury. Mr Paterson said that the issues with masonry were due to “a lack of investment over decades and ... the exposure of some of the sites to climate change”. The inspection programme is continuing through this winter, weather permitting.

The [Institute for Conservation’s submission](#) to the pre-budget scrutiny undertaken by the Committee agreed that these issues have arisen 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.”

In response to [S6W-12787](#) asking about the financial implications of restoring all of the sites managed by Historic Environment Scotland, the Minister for Culture, Europe and International Development stated that—

“Historic Environment Scotland continues to review the budgetary requirements during its ongoing inspections programme. Findings from this programme will allow informed decisions to be made regarding the capacity and resources required to carry out any subsequent conservation and repair works.

Against the current challenging financial backdrop, the Scottish Government will maintain our support of Historic Environment Scotland to protect Scotland’s unique heritage and historic environment. I will continue to engage regularly with Historic Environment Scotland to discuss the access restrictions and restoration programme.”

The Committee may wish to consider how the budget impacts on capital funding, both in the HES budget lines, but also across other areas of the portfolio discussed above.

## Overall local government funding

Local authorities make a significant contribution to the cultural offer and scene in their local areas. In 2020-21, local government spent around £580m on “Culture & Related Services”, which represents around 5.0% of total local government net revenue expenditure. Of this, however, around £185m was spend on museums, galleries, other culture & Heritage and Libraries; the remainder was expenditure on tourism, recreation and sport. £185m represents around 1.6% of net revenue expenditure.

Local authorities’ funding for culture and heritage comes from its core funding. This section is an edited version of the section on Local Government funding which appears in SPICe’s main briefing on the Budget.

In the Budget announcement, the Deputy First Minister told Parliament he was “increasing the resources available to Local Government next year by over £550 million”. This increase refers to “core” revenue and capital allocations plus funding transferred to local government from other portfolios in-year (for an explanation of these terms, see [recent SPICe Briefing](#)). The following table shows that the total local government settlement, also set out in this week’s Finance Circular will be £13.2 billion in 2023-24. This represents a cash increase of 5.1%, or a real-terms increase of 1.8%, when comparing Budget 2023-24 to Budget 2022-23.

### *Local Government funding from Scottish Government (cash)*

	<b>2022-23 (£m)</b>	<b>2023-24 (£m)</b>	<b>Cash change (£m)</b>	<b>Cash change (%)</b>
General Revenue Grant	7,094.60	7,133.90	39.3	0.6%
Non-Domestic Rates	2,766.0	3,047.00	281.0	10.2%
Specific Resource Grants	752.1	752.1	0.0	0.0%
General Capital Grant	510.50	607.60	97.1	19.0%
Specific (ring-fenced) capital grants	139.0	139.00	0.0	0.0%
<b>Local Government settlement</b>	<b>11,262.2</b>	<b>11,679.6</b>	<b>417.4</b>	<b>3.7%</b>
<i>Plus</i>				
<b>In-year transfers from other portfolios (rev+cap)</b>	<b>1,332.1</b>	<b>1,551.8</b>	<b>219.7</b>	<b>16.5%</b>
<b>Total</b>	<b>12,594.3</b>	<b>13,231.4</b>	<b>637.1</b>	<b>5.1%</b>

The total increase of £637.1m compares Budget 2023-24 to Budget 2022-23 and is a real terms increase of 1.8%. This figure is complicated due the inclusion this year of the resource support for school meals, which were not included in the comparable tables last year. Last year the planned resource to support meals in the holiday was £21.75m, and £42.2 million resource to support the expansion of free school

meals. Including these amounts in last year's settlement would reduce the increase in the table above, but it would still be "over £550 million".

In their [press release published on Friday 15 December](#), COSLA spoke about cuts to local government's "core" budget, i.e. the combination of General Revenue Grant, Non-Domestic Rates income and Specific Resource Grants. This amounts to £10.9 billion in 2023-24, representing a cash increase of £320 million over the year (+3%), or a slight real-terms decrease of £22 million (-0.2%):

COSLA are disappointed at the budget, believing that local government has not been prioritised. Acknowledging the Scottish Government's claim of a cash increase for local government, COSLA calculates that, in their view, the actual cash increase will be a much smaller £71 million once the costs of previous policy commitments are accounted for. Arguing that real-terms cuts to councils' budgets will impact the most vulnerable in society and damage the local government workforce, the potential implications are set out in COSLA's [Save Our Services campaign](#) and in its [recent submission to the Finance and Public Administration Committee](#). They have vowed to "fight for a fairer settlement".

Perhaps the most pressing and highest-profile issue facing local authorities in 2022 has been the pressure of meeting the pay demands of their 260,000 strong workforce. With teacher strikes still ongoing, the issue is far from being resolved, even within this current financial year. Local government is by far the [largest public sector employer](#) in Scotland, with [COSLA and Directors of Finance estimating](#) that between 60 and 70% of the local government budget is used to pay for workforce costs.

The Scottish Government stress that councils are the employer when it comes to the local authority workforce, and relevant trade unions should negotiate with COSLA on national pay deals. The fact remains, however, that the majority of local government net expenditure funding comes from the Scottish Government in the form of grants and NDR distribution, and much of this will be used to pay the wages of carers, teachers, social workers, street cleaners, bin collectors, planners, etc. The significant in-year funding to support pay deals is not base-lined within the 2022-23 figures. The Institute for Fiscal Studies observed its [initial response to the Scottish Budget](#)—

"Local government is a notable case in point, where a sizeable £260 million extra has been found for pay awards this year: the costs of these awards will continue into next year, but this funding has been excluded from the year-to-year comparisons quoted by the Scottish Government. Taking this into account suggests that rather than falling by 0.2% in real terms, as suggested by the Scottish Budget, funding for the main local government portfolio will in fact fall by substantially more."

## Culture and External Affairs Outcomes and Strategies

The Budget identifies which [National Outcomes](#) each budget portfolio is intended to support. These are split by Primary and Secondary under each portfolio. In this portfolio, the Primary outcomes are:

- Communities

*We live in communities that are inclusive, empowered, resilient and safe;*

- Culture

*We are creative and our vibrant and diverse cultures are expressed and enjoyed widely; and*

- International

*We are open, connected and make a positive contribution internationally.*

The secondary outcomes are:

- Economy;
- Poverty;
- Children and Young People;
- Education;
- Fair Work and Business;
- Health;
- Environment; and
- Human Rights.

Taken together, these are all of the National Outcomes. The inclusion of the Communities outcome as a Primary outcome here perhaps reflects the increasing focus on the concept of 'place' within culture and heritage policy.

Members have been interested in how the Culture strategy would be embedded across Government. The other portfolios which included the Culture outcome as a secondary outcome are:

- Social Justice, Housing & Local Government;
- Education and Skills;
- Net Zero, Energy and Transport; and
- Rural Affairs and Islands.

## National Performance Framework Indicators

The performance of the Culture National Outcome is measured by 4 indicators.

These are—

- Attendance at cultural events or places of culture
- Participation in a cultural activity
- Growth in the cultural economy
- People working in arts and culture

The first two indicators currently have not had the performance data updated since 2019.

[Growth in the cultural economy](#) is measured by the amount of income generated by businesses connected to the culture sector. To do this the Approximate Gross Value Added (aGVA) of the Creative Industries Growth Sector (GBP Millions) is used. The aGVA of Scotland's Creative Industries sector was estimated at £4,379.0 million in 2020, up by 3.2% (in nominal terms) on 2019. While there has been an increase in approximate GVA over the latest year, there has been a reduction of 11.3% since 2017. The largest contribution to aGVA within the Creative Industries sector came from Software/Electronic Publishing (56.3%), followed by Design (10.7%), then Architecture (8.8%).

[People working in arts and culture](#) is measured by the number of jobs in the Creative Industries Sector. The number of jobs in Scotland's Creative Industries sector decreased by 3.3% between 2019 and 2020. In 2020, there were 87,000 jobs in Scotland's Creative Industries sector, down by 3,000 jobs on 2019.

### **National Partnership for Culture**

A [Culture Strategy for Scotland](#) [was](#) published by the Scottish Government in February 2020.

To support implementation of the strategy, the Scottish Government established the [National Partnership for Culture](#). Its role is to provide advice to Ministers on:

- education and learning
- community and place
- health and wellbeing
- fair work

The NPC published a [report and recommendations](#) in March 2022, and the Scottish Government published their [response to the recommendations](#) in September 2022.

The NPC's recommendations were welcomed by the Scottish Government, whose response stated that they would assist in developing a 'refreshed' Culture Strategy Action Plan.

A number of commitments were made in the Scottish Government response, including:

- to begin scoping of the new youth arts strategy over the next year
- to take forward a review of the expressive arts curricular area beginning at the beginning of the 2022/23 Academic Year.
- the development of a refreshed Culture Strategy Action Plan
- to continue to work jointly across the Health and Culture portfolios to ensure culture is represented in social prescribing discussions, and is considered and featured in social prescribing initiatives where appropriate
- to fully consider any actions required by the forthcoming Creative Scotland review of Fair Work in the culture sector
- to take forward work with Creative Scotland on implementing Fair Work First amongst the organisations that they fund.

The Scottish Government response to the recommendations also said—

“The Scottish Government is currently reviewing and further developing the definition and measurement of culture and the creative industries for the existing National Indicators on the creative economy and those working in arts and culture.”

The Cabinet Secretary's letter to the Committee in response to the pre-budget report stated that the Government is undertaking “Resilience Roundtables” with stakeholders. The letter stated—

“It is important we allow sufficient time to complete the roundtables, to ensure the fullest possible representation of views. Additionally, the publication of the Culture Strategy Action Plan refresh should not pre-empt the outcomes of these discussions. On that basis, I have taken the decision to reschedule the publication of the refreshed Action Plan until spring 2023, after the conclusion of the Resilience Roundtables. It will take these valuable conversations into account, and set out the actions the Scottish Government will take in response to current and ongoing issues, as well as how we will deliver on the long-term ambitions and vision of the Culture Strategy. This later publication date also allows us to fully set out our response to the 2023-24 budget settlement.”

## External Affairs

This section will not be relevant to the round table taking place on 12 January, however, members may wish to ask questions of the Cabinet Secretary on 19 January on these issues.

The 2022-23 Budget allocated £33.4 million for the External Affairs budget line. The draft budget for 2023-24 is £35.1 million. According to the Scottish Government’s budget:

“We remain committed to being a good global citizen and to playing our part in tackling global challenges, including climate change, poverty, injustice and inequality. Through our international work we support the National Strategy for Economic Transformation and the transition to Net Zero. We want to ensure Scotland is an open and welcoming nation for people and their families to live and work in, and to make a positive contribution to our country. Across our international and European relationships we will continue our commitment to internationalisation, supported by the work of our external network of offices. We will build our relationships, celebrate cultural, educational and ancestral connections, and exchange policy ideas to address shared challenges, ensuring Scotland remains a valued and well-connected nation. We will continue to demonstrate our commitment to EU values, and our alignment with EU policy priorities.”

As with the current year, the International and European Relations budget line is allocated all but £100,000 of the External Affairs budget. There are 17 budget lines in the proposed International and European Relations budget. There are budget lines for each of the Scottish Government’s international offices.

The International Development fund budget remains at £11.5 million for 2023-24. The largest increase within the International and European Relations budget is for the Migration Strategy budget line which increases from £2.3 million to £4.0 million. According to the Scottish Government, the purpose of the Migration Strategy budget is to support:

“The provision of immigration advice and support on policy, and the delivery of PfG commitments associated with Population and Migration including the new Talent Attraction and Migration Service.”

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The Scottish Government has explained that the reason for the £1.7 million increase in funding is “to fund population and migration commitments, such as the new Talent Attraction and Migration Service and visa pilot schemes”.

Details of the External Affairs budget lines are provided below.

Level 4 Budget Line	2022-23 Budget £million	2023-24 Budget £million	% Change 2023-24 on 2022-23
<b>International and European Relations</b>			
External Affairs Advice and Policy (Scotland)	7.064	7.121	0.8%
International Development Administration	0.177	0.177	0.0%
Scottish Affairs Office China	0.567	0.482	-15.0%
Scottish Affairs Office United States	0.794	0.782	-1.5%
Scottish Affairs Office Canada	0.634	0.600	-5.4%
International Development Fund	11.500	11.500	0.0%
International Relations	0.676	0.676	0.0%
Humanitarian Aid	1.000	1.000	0.0%
Brand Scotland Policy and Co-ordination	1.350	1.332	-1.3%
European Strategy	0.245	0.245	0.0%
Migration Strategy	2.257	4.013	77.8%
Scottish Government Office Paris	0.659	0.673	2.1%
Scottish Government Office Copenhagen	0.598	0.693	15.9%
Brussels Office	2.467	2.441	-1.1%
Scotland House: London	2.180	2.162	-0.8%
Scottish Government Office Dublin	0.593	0.547	-7.8%
Scottish Government Office Berlin	0.572	0.591	3.3%
<b>Total - International and European Relations</b>	<b>33.333</b>	<b>35.035</b>	<b>5.1%</b>
<b>British Irish Council</b>			
British Irish Council	0.100	0.100	0.0%
<b>Total - British Irish Council</b>	<b>0.100</b>	<b>0.100</b>	<b>0.0%</b>
<b>Total - External Affairs</b>	<b>33.433</b>	<b>35.135</b>	<b>5.1%</b>

Ned Sharratt, Iain McIver and Laura Haley  
SPICe



9 January 2023

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## Annexe: 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

<b>Level 2*</b>	<b>2022-23</b>	<b>2023-24</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
External Affairs	33	35	38	39	40
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
<b>Total</b>	<b>294</b>	<b>314</b>	<b>294</b>	<b>294</b>	<b>294</b>

\* 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.

## Annexe B

20th December 2022

Dear Clare

Following the publication of the proposed budget for 2023-24, I am responding to the Committee's pre-budget scrutiny report.

I am very grateful to the Committee for its ongoing work on culture funding. I have found the evidence gathered by the committee very informative. This has been reinforced by the information I have heard at the roundtables that I have convened with the culture sector in November and December. Further roundtables will be held early in the New Year.

The overall budget for my portfolio in 23/24 is £347m. This is a decrease of £23.5m from 22/23. This includes £304m of resource and £26m in capital. The decrease is largely due to the reduction in funding required for the census as it nears the end of its ten-year cycle.

Specifically on the culture sector budget which I know has been the focus of the Committee we will invest £278m in Scotland's, culture & heritage sector in 2023-24. This includes £72.7m in funding for Historic Environment Scotland which, as its commercial income continues to recover strongly from the impact of the pandemic, will ensure it can continue to care for our heritage in communities across Scotland. We will continue to invest in Scotland's screen industry with £9.25m for Screen Scotland, including £750k to facilitate year-round engagement between the Scottish and international film & television industries. We are providing an additional £2.1m to support increased costs in the National Collections (National Museums Scotland, National Galleries of Scotland, National Library of Scotland) reflecting the high fixed costs that these organisations have. We are also maintaining spend for other areas of the culture budget, including local museums, public libraries and the national performing companies. Our support for youth music and community-based culture will also be maintained.

Before I address each of the recommendations in the committee's report I would like to provide an update on the Culture Strategy refreshed Action Plan and also touch on organisational reserves which we discussed earlier.

#### **Update on the Culture Strategy Action Plan refresh**

During my evidence session on 6 October I explained that we intended to publish the refreshed Action Plan by the end of this year.

Since then, and in light of the critical challenges facing our sector, on which the Committee have provided substantial and useful evidence, I have asked my officials to work quickly to organise a series of urgent Resilience Roundtables across Scotland. Two of these roundtables have now taken place, with more to follow in Inverness and Dumfries early in 2023. I have attended each of these so far, and have appreciated the opportunity to hear directly from the sector about their concerns, but also to discuss the potential for collaborative solutions, harnessing the sector's inherent creativity.

It is important we allow sufficient time to complete the roundtables, to ensure the fullest possible representation of views. Additionally, the publication of the Culture Strategy Action Plan refresh should not pre-empt the outcomes of these discussions. On that basis, I have taken the decision to reschedule the publication of the refreshed Action Plan until spring 2023, after the conclusion of the

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Resilience Roundtables. It will take these valuable conversations into account, and set out the actions the Scottish Government will take in response to current and ongoing issues, as well as how we will deliver on the long-term ambitions and vision of the Culture Strategy. This later publication date also allows us to fully set out our response to the 2023-24 budget settlement.

**Organisational reserves**

During my evidence to Committee on 6 October I committed to providing further information on whether the level of reserves that an organisation holds influenced funding decisions taken by the Scottish Government, Creative Scotland or Museums Galleries Scotland during the Covid19 pandemic, or whether it does so now.

The Scottish Government, as a direct funder to Non-Departmental Public Bodies and other organisations, does not make funding allocation decisions by reference to reserves. Rather, it is more likely to take into account the commercial revenue an organisation is expected to generate or capital investment required for projects when considering increasing or decreasing funding.

A similar approach is taken by Creative Scotland (CS). CS have confirmed that they take account of an organisation's projected cash flow and financial outlook when making funding decisions, rather than reserves. CS also took this approach when distributing COVID-19 emergency funding. In the case of the cancellation funds distributed as a result of the Omicron variant of Covid19, CS only took into account the cost of the cancelled events incurred by the applicant organisation.

Museums Galleries Scotland (MGS), the national development body for museums in Scotland, seeks to establish the financial viability of the organisation and the impact that the requested funding would have on the applicant organisation in their assessment of funding applications. MGS consider that an organisation that has built up significant reserves struggle to make a case for urgent funding. MGS acknowledge the frustration this can cause for organisations that have worked hard to build up reserves. However, they feel that public funding must be prioritised to where it will make the biggest difference.

**Percentage for the Arts**

I will now turn to the first of the recommendations in the Committee's report to provide an update on progress in establishing the Percentage for the Arts scheme.

We are currently in the initial stages of scoping this commitment, which requires us to take into account analytical, regulatory and legislative considerations. We expect to be able to share more information on this work in the coming months.

**Transient Visitor Levy scheme**

The Committee in their report asked for greater clarity in relation to how the proposed Transient Visitor Levy scheme might support the culture sector at a local level.

The Scottish Government are committed to introducing the Local Visitor Levy Bill during the 2022-23 Parliamentary year. If passed by Parliament we would expect the provisions to come into force as soon as is practicable and reasonable to do so. Taking into account the expected time for Parliamentary scrutiny, and the need for consultation and engagement by a local authority before introducing the levy, it is likely that no visitor levy could be charged until 2026. This is about putting in place measures now that can deliver sustained investment in tourism in the future.

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Money raised from the local visitor levy will be required to be spent on the visitor economy, such as visitor related infrastructure, or promoting and improving the visitor offer in a local authority's area. Before it could introduce a local visitor levy a local authority would be required to consult and publish its plan on how it planned to use any funds raised through the levy.

**Culture & Business Fund Scotland**

The Committee asked for an explanation for the reduction in the Culture & Business Fund Scotland for 2022/2023. Arts & Business Scotland receive funding from Scottish Government for their Culture & Business Fund.

This money is transferred to Creative Scotland and is ring fenced for them to allocate to Arts & Business Scotland for the Culture & Business Fund. The Scottish Government recognises the important role that Arts & Business Scotland play in funding cultural and heritage projects. However, given the difficult public expenditure environment and the ongoing economic challenges arising from COVID-19 at the start of the 2022/2023 budget year, there were pressures on funding. The Scottish Government currently provides significant support to the culture and heritage sectors including £33.87 million through Creative Scotland to regularly funded cultural organisations. Creative Scotland's Open Fund is available for individuals and organisations who have projects involving the arts, screen and creative industries.

The Culture & Business Fund falls within the other Arts line at level 4 of the Scottish Government budget. I can confirm that the other Arts line will be £31.349m for 2023/2024. My officials will work with Arts & Business Scotland on the finalising the Culture & Business Fund for 2023/2024.

**Preventative spend towards health and wellbeing and embedding culture in the well being economy**

The Committee recommended that within the spending review there needs to be a reappraisal of health spending recognising the important role that culture can play in health and wellbeing. Culture is something that all parts of Government have a stake in. As I have said in my previous evidence session to this Committee, we have been working to develop closer cross-portfolio relationships, including with health and social care services. We will continue to prioritise that.

The Committee also asked for an update on the short life working group with health colleagues. This group includes colleagues with expertise and policy interests regarding social prescribing, but it is designed to have a broader remit covering a range of areas of policy crossover. The group have met in recent weeks and committed to working on joint actions. We will provide more information on the work of this group in our Culture Strategy Action Plan Refresh.

**Multi year funding**

The Committee asked about indicative level 3 figures for the remaining period of the spending review being published alongside the budget for 2023/2024. The budget announcements on 15 December only covered the budget for 2023/2024.

As I said in my evidence to the Committee on 6 October the need to have some sense of the planning horizon is absolutely understood. I remain keen to conclude some work on multiyear funding, even if economic uncertainty means that the figures for later years can be at most only

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indicative. The outlook, following the recent Autumn Statement by the UK Government, is even more challenging for the later years of the Resource Spending Review period. Nevertheless, I know that multiyear figures would help the sector to plan ahead.

I look forward to discussing further with the Committee at the planned session in January.

Angus Robertson