

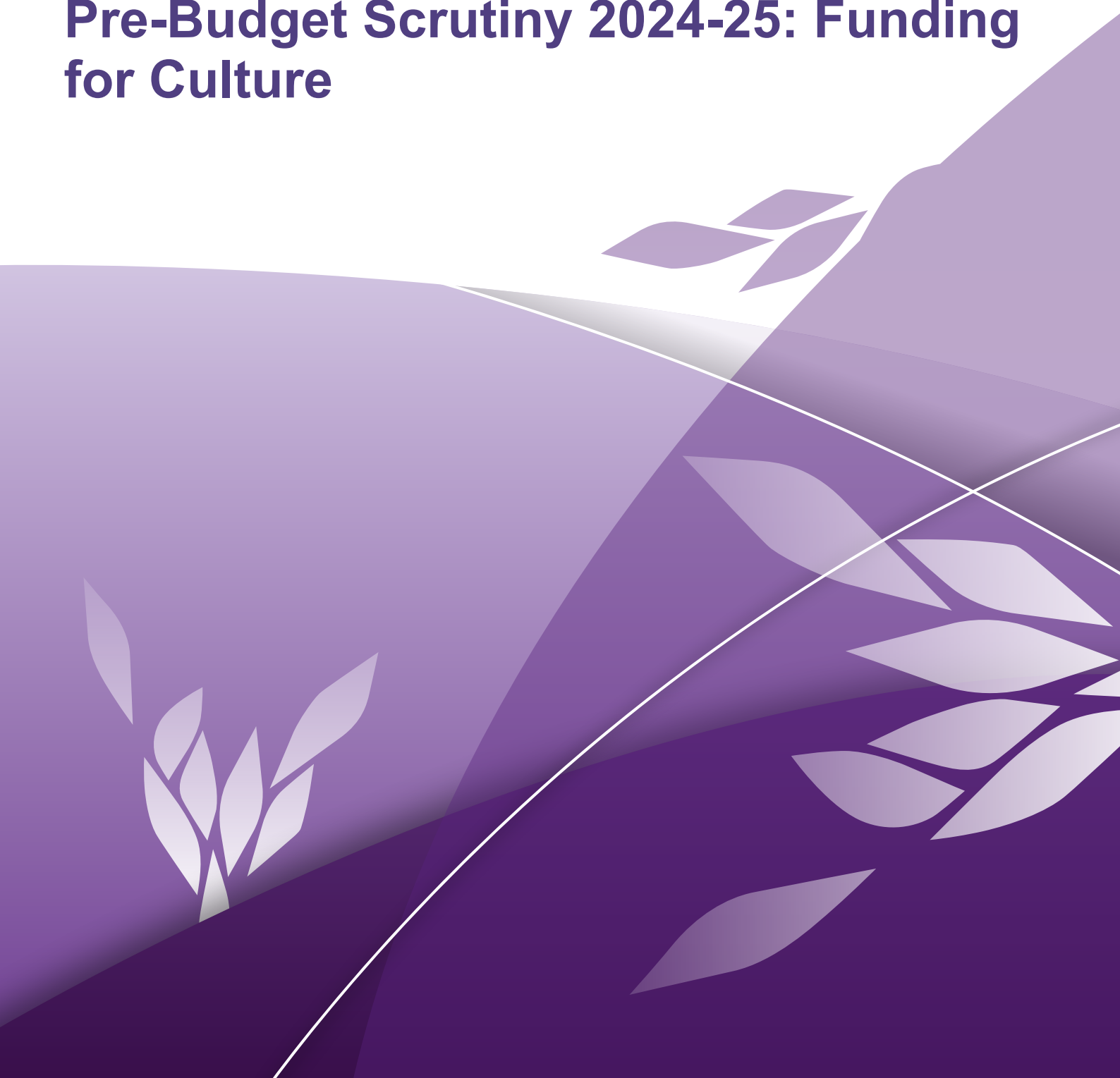


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Constitution, Europe, External Affairs and Culture Committee

Pre-Budget Scrutiny 2024-25: Funding for Culture



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Constitution, Europe, External Affairs and Culture Committee

"To consider and report on the following (and any additional matter added under Rule 6.1.5A)—

- (a) the Scottish Government's EU and external affairs policy;
- (b) policy in relation to the UK's exit from the EU;
- (c) the international activities of the Scottish Administration, including international development; and
- (d) any other matter falling within the responsibility of the Cabinet Secretary for the Constitution, External Affairs and Culture and any matter relating to inter-governmental relations within the responsibility of the Deputy First Minister.
- (e) matters falling within the responsibility of the Minister for Independence.



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Introduction

1. This report details the findings and recommendations of the Constitution, Europe, External Affairs and Culture Committee ('the Committee') following its pre-budget scrutiny of the culture portfolio ahead of Budget 2024-25.
2. As the Committee agreed to take a cumulative approach to budget scrutiny over Session 6, this inquiry followed on from the Committee's previous pre-budget scrutiny for [2022-23](#) and [2023-24](#).
3. Our scrutiny ahead of the Scottish Budget for 2024-25 also sits within the context of the Scottish Government's Medium Term Financial Strategy (MTFS) published in May 2023, which stated that "tough and decisive action" must be taken "to ensure the sustainability of public finances and that future budgets can be balanced". The MTFS set out that the Scottish Government would "not back away from tough choices and targeting", aiming to prioritise spending decisions on achieving its critical missions. ¹
4. A [call for views](#) was issued on 25 June 2023 and closed on 18 August 2023. It received 67 submissions, which have been published [online](#) and [summarised](#) by the Scottish Parliament Information Centre (SPICe). The Committee took evidence at its meetings on [21 September](#), [28 September](#), and [5 October](#). The Committee thanks all those who provided written and oral evidence.
5. The Committee notes that it received a further written update from Creative Scotland on [27 September](#), detailing that a proposed £6.6 million reduction to its grant-in-aid in the draft 2023-24 Budget, which was reversed at Stage 3 and was due to be transferred in-year, had been reinstated in the Autumn Budget Revision. The Committee took evidence from Creative Scotland and culture sector stakeholders on 28 September, and from the Cabinet Secretary for the Constitution, External Affairs and Culture, Angus Robertson MSP ('the Cabinet Secretary'), on 5 October. He explained that Regularly Funded Organisations would not receive a budget reduction during 2023-24 as Creative Scotland had agreed to use some of its National Lottery reserves to offset this reduction, and confirmed that it would receive this funding for the 2024-25 financial year. The Committee notes that the majority of evidence it received as part of its pre-budget scrutiny was provided before this announcement, and it has had limited opportunity to consider the impact of this decision on the culture sector as part of our pre-budget scrutiny.
6. The Cabinet Secretary wrote to the Committee on [17 October](#) with additional information following his appearance on 5 October.
7. We also note that the First Minister then made a commitment on 17 October that "over the next five years, we will more than double our investment in Scotland's arts and culture. This means that by the end of the five years, our investment will be £100 million higher than it is today." The Committee notes that all the evidence it received as part of its pre-budget scrutiny was provided before this announcement, and it has not had an opportunity to scrutinise this commitment, with details of the commitment not available until Budget 2024-25 is published. We will consider it further at that stage of the budget process.

8. **Within this rapidly changing context, and building upon our previous scrutiny work of the culture spending portfolio, this report considers—**
- **How the ‘perfect storm’ facing the culture sector has evolved over the last 12 months;**
 - **What progress has been made in the last 12 months on accelerating innovative solutions to budgetary pressures; and**
 - **The challenges facing the future of the culture sector and the need for a strategic approach to ensuring the sustainability of the sector.**

The current operating environment

9. The Committee concluded in our pre-budget scrutiny report last year that the budgetary challenges facing the culture sector had become “much more acute”, contributed to by a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs.¹ This came as the sector struggled to recover from the COVID-19 pandemic, compounded by the cost-of-living crisis, and following on from longer term budget pressures.²
10. The MTFs set out the Scottish Government’s view that—
 - ” “The financial situation is, amongst the most challenging since devolution. Following on from a decade defined by UK austerity, over the past three years Scotland has faced a succession of economic shocks, with the Covid pandemic, the war in Ukraine, and the recent period of high inflation all driving significant pressures on the economy, society and the public finances. While these are challenges that all countries are facing, it is clear that decisions made by the UK Government, not least Brexit, have made things much worse with the UK one of the worst performing economies in the G7.”¹
11. We consider how the operating environment of the culture sector has evolved over the last 12 months and the impact this has had below.

How has the 'perfect storm' evolved?

12. Creative Scotland, the national body which supports the arts, screen, and creative industries across Scotland, concluded that the 'perfect storm' “is still in full effect” one year on. It summarised that challenges remain in relation to each of public funding, operating costs, and income generation—
 - ” “Scottish Government budgets for culture remain at standstill (at best) with no indication that they will increase in coming years. Operating costs for cultural organisations continue to rise, influenced by inflation, global economic conditions and by new statutory requirements such as necessary commitment to Fair Work. Alongside this, income generation for the culture sector through ticket sales, donations, and other grant funding, continues to get ever more challenging as the cost-of-living crisis bites across society.”³
13. Culture Counts, a network of arts, heritage, and creative industries organisations, considered that “at best, the position relative to 2023-24 has remained the same, but more often the position for organisations, cultural workers and artists has significantly worsened”, with the issues highlighted in the Committee’s report last year remaining “live and urgent”.⁴
14. The Edinburgh International Festival considered that the ‘perfect storm’ had indeed “worsened in the last 12 months”.⁵ Glasgow Life agreed that “the ‘perfect storm’

ⁱ Creative Scotland told the Committee in its written submission to that inquiry that the recovery of the culture sector is “fragile and gradual”, with the benefits delivered by the COVID-19 emergency support being “more than overtaken by a ‘perfect storm’ of factors.”

described last year by the Committee shows little sign of abating and is perhaps deepening”.⁶ Community Leisure considered that it had “undoubtedly increased in strength”, with its impacts “becoming more evident”.⁷

15. Scotland's six independent producing theatres—Citizens Theatre, Dundee Rep, Pitlochry Festival Theatre, Royal Lyceum Theatre Edinburgh, Traverse Theatre, and Tron Theatre—outlined their collective concerns that they are in a “precarious state due to decades of reductions in real-term funding, increases in stakeholder expectations of the work they will deliver, and rocketing costs”.⁸
16. The Committee heard that there were similar challenges being experienced by the culture sector elsewhere in the UK. For example, VOCAL Scotland noted that “the overall level of public funding” for museums “has declined by about the same amount” across the UK.⁹
17. The Edinburgh Festival Fringe Society considered that “many of the challenges remain insurmountable in the face of rising inflation, shortage of skilled workforce, reduced funding and private investment and a cost-of-living crisis that impacts audiences and artists alike.”¹⁰
18. National Theatre of Scotland said that “the situation has become even more challenging” over the last year, despite “a pleasing increase in audience numbers to near pre-pandemic levels”, with other pressures having “significantly increased”.¹¹ Prospect noted that visitor “numbers having recovered does not necessarily mean that income has recovered”.⁹
19. Examples were provided of a continued increase in operating costs. The Scottish Contemporary Art Network reported that in the last 12 months its members had experienced an increase in costs of an average 30%;¹² National Library of Scotland said that the annual energy cost for its whole estate had risen by over £300,000 on the previous year;¹³ and National Theatre of Scotland noted that the physical materials required to create sets and props for new productions and storage costs have seen an increase of 30%.¹¹
20. Prospect said that “cost pressures remain severe” and outlined that “while inflation is starting to come down, this is only a slowing in the rate of increase rather than a real decrease”.¹⁴
21. The Cabinet Secretary told the Committee that “the pressures that the Scottish Government bears in relation to its constrained income and constrained ability to do anything about it are matched by the constraints that the culture sector is feeling”, noting that “inflation is significantly higher in parts of the culture sector than in general.” He said this presented a “double whammy” where “the ability of Government to do everything that it would like to do is constrained, and the culture sector—cultural organisations, venues and everything else—has a significantly constrained budget”.¹⁵
22. The independent producing theatres also called on the Scottish Government to “acknowledge that Net Zero and Fair Work First priorities have a significant financial impact on our fragile business models and cannot be implemented without extra

- targeted support”.⁸
23. On achieving net zero, Museums Galleries Scotland agreed that “not only is the funding in Scotland insufficient to meet the scale of demands of the sector for basic repairs and modest energy efficiency measures, but it does not even allow for consideration of the kind of upfront investment that would be needed to meet net zero policy targets for the whole sector.”¹⁶
24. On pay, Community Leisure viewed that “there is a clear disconnect between the Scottish Government’s commitment to Fair Work and the ability of our members to deliver this commitment against the backdrop of reduced funding and investment”. It said that “pay inflation was the most common pressure referenced by members, along with recruitment and retention of staff”.⁷ The Scottish Artists Union agreed that “it is often impossible for pay rates to provide a meaningful income to creative workers, and freelancers in particular.”¹⁷
25. The staff for the national collections sit within the Scottish Government’s pay policy and the Scottish Government has provided additional funds to meet annual pay awards. However, the Committee heard that the collections still await clarity on funding to implement the pay policy for 2023-24. National Galleries of Scotland said that “the uncertainty around the pay award funding has meant that NGS remains under budget pressure”.¹⁸ National Museums Scotland considered that if it does not receive funding for the pay award, the “only solution” to balance its budget would be to cease some of its operations. It further noted that “a funding crisis this late in the financial year makes contingency planning impossible.”¹⁹
26. Prospect stated that “in public bodies and some of the larger charities, rates of pay for heritage staff in Scotland are slightly higher than they are in the rest of the UK” and noted that national collections staff in Scotland “are now better paid than staff in London”. It acknowledged that “that is in part because of work that the Scottish Government has done to insist on minimum standards around the living wage, and we have managed to replicate some of that in charities”.²⁰
27. In relation to the National Performing Companies, the Musicians Union highlighted that “the orchestra of Scottish Ballet are paid less than any other ballet orchestra, the orchestra of Scottish Opera are paid less than any other opera orchestra, and the RSNO has the lowest starting salary” in the UK.²¹

Impact on cultural provision

28. The Committee considered the impact of these ongoing challenges within the context of the ‘perfect storm’ on the operation of cultural organisations and service delivery, and heard examples of some organisations reducing provision. The Cabinet Secretary noted that the submissions to the Committee’s call for views “make sombre and extremely stark reading.”¹⁵
29. COSLA and CIPFA Directors of Finance Section outlined that “cracks have been starting to show in the culture and leisure sector in recent years, for example cutting back on exhibitions, learning and outreach programmes, reducing opening hours

- and introducing/increasing charges”. Furthermore, it said that “as a result of the 2023/24 Budget and increasing costs and inflation, even tougher decisions are having to be made, such as the closure of swimming pools, libraries and cultural venues”, with local authorities “also needing to consider job losses and the further reduction or withdrawal of services.”²²
30. VOCAL Scotland’s view was that “after 10 years of cuts, we have arrived at a point where the invisible reduction has gone.” It said that while previously local government culture services had been “able to take out back-of-house functions and reduce investment in maintenance...in order to maintain the level of public provision”, this was “no longer possible”, with “cuts in programming, workshops, and the quality of public provision” beginning to occur.⁹
 31. Scottish Library Information Council noted that it had seen “reductions in opening hours, closures of libraries in some places, reduction in staffing levels and a real hollowing out of support staff”.⁹ Fèisean nan Gàidheal said “to cope with rising energy, wage and freelance artists’ costs, as well as exorbitant charges for school lets”, it has had to reduce staffing, which would “have an adverse effect on the level of support available”.²³
 32. The Museums Association highlighted that some museums “have begun to use their reserves due to declining budgets and increased costs”, while others “are having to make cuts to their workforce or take other cost saving measures such as reducing opening hours or cutting back on community engagement and public programming.”²⁴ Prospect said that “we are losing and will continue to lose some of the less visible work, such as collection care and cataloguing”, and noted that “work around digitisation and conservation” was also “under pressure”.⁹
 33. Festivals Edinburgh cited “several high-profile examples of the ‘perfect storm’ of financial pressures damaging Scottish cultural organisations” such as “the shock fall into administration of the Centre for the Moving Image, parent charity of the Edinburgh International Film Festival; restructuring of the Edinburgh International Book Festival which experienced a 40% drop in ticket and book sales in 2022; and the announcement from Dancebase of the need to reduce classes and staff numbers due to soaring costs”.²⁵ Culture Aberdeen also noted the loss of the Belmont Filmhouse in Aberdeen.²⁶
 34. The Committee also heard that a contraction in funding for culture could impinge the ability of the sector to contribute to wider government outcomes. Edinburgh International Festival noted that it had seen a “retraction” of “the benefits that arts and culture give to wider social agendas such as health and wellbeing, education, and community building”, as organisations are “forced towards activities that bring in income”.²⁰ Creative Scotland warned that the sector would have “less ability to reach into other policy areas where we know that culture has an important role to play, such as health and education”.²⁰
 35. Furthermore, the Committee concluded in its recent report on *Culture in Communities* that “it is clear that funding constraints within the current financial environment poses a significant challenge to the successful delivery of place-based cultural policy, including with respect to the funding of community-based cultural organisations to deliver place-based projects and activities, of local government

cultural services, and of publicly owned community spaces where cultural activity can take place.”²⁷

36. However, the Committee also heard that cultural organisations were continuing to achieve success despite these challenges. Culture Counts acknowledged that “there is no doubt that we have an excellent reputation for our culture, both in what we export and what we offer internally”.²⁰ The success of the Edinburgh Festivals in 2023 was acknowledged by several witnesses. The value of the cultural and creative economy as a “growth sector” for Scotland was also recognised, with the latest Scottish Government Growth Sector Statistics showing that the Gross Value Added (GVA) of Scotland’s creative industries was £4.4 billion in 2020, representing a 62% increase in GVA since 2010.³ Screen Scotland noted that it has “a strong leverage effect”, working to a budget, “across grant-in-aid and lottery, of less than £20 million” but the screen sector worth “almost £650 million” in 2021 alone.²⁰

37. **The Committee recognises that the ‘perfect storm’ being faced by the culture sector has not abated over the last 12 months, with both external and public funding pressures maintaining, and the sector remaining under significant financial strain.**

38. **The evidence we received, including that which was received prior to the reinstated reduction to Creative Scotland’s grant-in-aid for 2023-24 being announced, painted a stark picture of the future of the culture sector, and it is clear from our cumulative scrutiny that the risks facing the sector have increased in severity in recent years, while the confidence of the sector has become negatively impacted as it becomes increasingly fragile. We acknowledge the warnings of Creative Scotland that, even with standstill funding, “we will see the decline of the sector in the months and years ahead unless the resourcing equation changes”.²⁰**

Impact of changes to Creative Scotland's grant-in-aid for 2023-24

39. As noted above, a considerable development which occurred during the course of our pre-budget scrutiny was the reinstatement of the £6.6 million reduction to Creative Scotland’s grant-in-aid for 2023-24 in the Autumn Budget Revision, and we consider the impact of this development below.

Draft Budget 2023-24

40. The resource budget for Creative Scotland and Other Arts set out in Draft Budget 2023-24 included a £6.6 million reduction to Creative Scotland’s grant-in-aid.

41. The Cabinet Secretary told the Committee in January 2023 after the publication of the draft Budget that, “over the past five years”, the Scottish Government has “provided Creative Scotland with more than £33 million as an additional element of funding in response to a downward trend” in National Lottery funding. He explained

that “at a time when we face incredibly difficult decisions about Government funding and with Creative Scotland able to draw on its accumulated lottery reserves”, the Scottish Government had “discontinued that element of funding”.²⁸ The Cabinet Secretary outlined then that he was “grateful” that Creative Scotland had taken the decision to “use lottery reserves to guarantee to its regularly funded organisations that their funding will remain the same for the next financial year.”²⁸

42. However, during the Stage 3 debate on the Budget (Scotland) (No. 2) Bill, the then Deputy First Minister (DFM) explained that “there had been “two changes to our funding position that have enabled me to take further steps to increase commitments that were made in the draft budget.” The increased funding position, largely from further Barnett consequentials, amounted to £146 million. The increased funding commitments included providing Creative Scotland “with an uplift of £6.6 million for 2023-24 to ensure that its reserve funding can supplement, rather than replace, grant funding.”²⁹ The then DFM explained that the “detail of the budget revisions will be reported to Parliament as part of the autumn budget revision.”²⁹
43. The Cabinet Secretary subsequently told the Committee that he expected Creative Scotland to “set out quickly for the culture sector how it will use these additional resources to support organisations and help protect culture sector jobs at this difficult time.”³⁰
44. A number of stakeholders highlighted the negative impact which the proposal in the draft budget to cut Creative Scotland’s grant-in-aid had on the culture sector.
45. Culture Counts considered that “the cut to Creative Scotland went against all evidence provided and was a moment of regression rather than progress”,⁴ while the Federation of Scottish Theatre said that it “felt like one of the most retrograde actions of recent times”.³¹ It considered that it would be “difficult to overstate the erosion of faith and trust” this had resulted in, with it leaving “people feeling less clear than they should have been about the vision under which we are all operating for the delivery of cultural services in Scotland”.⁹
46. Starcatchers, an arts and early years organisation, viewed that the “tension around the Budget process between December and February added to the stress and anxiety felt within the sector”.³² Fèisean nan Gàidheal agreed that the “proposals to cut YMI and Creative Scotland budgets”, “created uncertainty in the sector”.²³ Edinburgh International Festival considered that “the impact of the decisions leading up to the 2023-24 Budget, as well as the Budget itself, has added to the uncertainty and fragility of Scotland’s arts and culture sector in the short, medium and long term.”⁵
47. The Federation of Scottish Theatre noted that “reversing this cut was hugely welcomed, however it only came about after a significant and hard-fought campaigning from the culture sector and public” and noted that “in the year since, the real terms value of investment in many parts of the culture sector continues to fall.”³¹ Festivals Edinburgh echoed that it was “very disappointed that only a public campaign rolled back this further erosion in the value of public support for culture in Scotland”.²⁵

Autumn Budget Revision 2023-24

48. The Autumn Budget Revision (ABR) states that reprioritisation of budgets “have been necessary due to continued inflationary pressures, including on public sector pay, and to support priority areas, such as supporting Ukrainian displaced people.”³³
49. The ABR does not mention the commitment made at Stage 3 by the then DFM to “provide Creative Scotland with an uplift of £6.6 million for 2023-24 to ensure that its reserve funding can supplement, rather than replace, grant funding”²⁹ and no explanation is provided in the supporting document.
50. However, Creative Scotland wrote to the Committee on 27 September stating that it was “extremely disappointed to report that the £6.6m budget has not been included in the Autumn Budget Revisions, and the cut is being reinstated.”³⁴
51. The Cabinet Secretary told the Committee that “none of us is under any illusions about the challenges that are faced with our public finances” and illustrated this by noting that “in the 2023-24 pay round, an estimated additional £785 million will be spent on pay compared with our original central pay assumptions.” He added that in order to “enable enhanced pay deals, we have had to make difficult decisions in reprioritising existing allocations” and “it is with regret that I note that that includes not being able to top up Creative Scotland’s lottery funding shortfall for this year.”¹⁵
52. He also noted that “the Scottish Government has topped up lottery funding for five years, which is two years more than was originally agreed”.¹⁵
53. Creative Scotland told the Committee that the £6.6 million represents roughly 10 per cent of its budget, however that “the way in which our budgets work means that that reduction hits a very specific part of our budget, which is support for regularly funded organisations”, and that “therefore, proportionately, that would be a cut of around 20 per cent for a full 12-month period but, given that the reduction is coming halfway through the year, in effect, it would translate to a 40 per cent reduction that we would apply to our support for regularly funded organisations for the next two payments that we make in this financial year”.²⁰
54. Creative Scotland outlined that “clearly, that is enormous, given the fragility that already exists in the sector, and it would act as a tipping point—something that we have addressed in written submissions and spoken to the committee about before. There are risks of closure of organisations and the loss of employment, opportunities for artists and audiences, and provision and much more beyond.”²⁰

Use of National Lottery income reserves

55. The Board of Creative Scotland agreed at its meeting on 27 September to use £6.6 million of its National Lottery reserves to offset the cut and avoid any budget reduction for 2023-24 being passed on to the Regularly Funded Organisations in-year. The Cabinet Secretary informed the Board of Creative Scotland that the £6.6 million funding would be provided in the 2024-25 financial year, subject to the parliamentary budget process. Creative Scotland’s National Lottery Distribution Fund reserves from 2018 to 2022 are detailed at Table 1 below. It updated the Committee on 5 October 2023 that its reserves at that stage totalled £17 million.

Table 1: Creative Scotland National Lottery Distribution Fund reserves as per the published statutory accounts

	31/03/2018	31/03/2019	31/03/2020	31/03/2021	31/03/2022
	£m	£m	£m	£m	£m
CS NLDF	-3	0.7	7.6	20.7	24.1

56. Creative Scotland told the Committee that its “reserves position is built for a specific purpose; it is not intended to substitute for what should otherwise be Scottish Government funding” and that its “reserves position varies year on year; sometimes we have no reserves.”²⁰
57. The Cabinet Secretary outlined his view that “if reserves will make a material difference to the extreme situation that we are in, frankly, they should be used, and that is exactly what is happening”. He outlined that the Scottish Government “will be able to ensure that we can fund areas across the culture portfolio that would otherwise have been under threat and where there would not have been the opportunity to use reserves.”¹⁵
58. The Cabinet Secretary also noted that “zero cuts are being passed on to regularly funded organisations in the culture sector, because reserves that are being used now will be replenished in Creative Scotland’s budget next year”. He said: “it is absolutely my pledge that Creative Scotland will see the £6.6 million that it is now releasing from its reserves restored to it”. When asked if this was a “gold-plated commitment”, he responded affirmatively.¹⁵

Transitional funding

59. Creative Scotland had stated in written evidence that it had “a one-off reserve of £17m in National Lottery funds” which it had allocated “to support organisations who are currently in receipt of year-on-year funding from Creative Scotland, but who are unsuccessful in their application to the new Multi-Year Fund”.³
60. The Committee was told that “unless budgets from the Scottish Government increase over the coming years”, Creative Scotland “will not be able to support as many organisations” through its Multi-Year Funding Programme for 2025-28 as it currently does. Instead, its “aim will be to provide sustainable support to a smaller number”.³
61. Stakeholders expressed significant concerns regarding the impact that fewer organisations receiving regular funding would have on the culture sector. VOCAL Scotland considered that the subsequent “potential defunding of a significant number of organisations” could be “devastating to the organisations cut, their communities and to the wider sector”.³⁵ Scottish Contemporary Art Network judged that “current indications are that the forthcoming multi-year funding process at Creative Scotland will result in the loss of significant capacity, loss of workforce and closure of venues or organisations in the sector”.¹²
62. Creative Scotland concluded that “this means that many organisations currently operating will either need to adapt the scale and scope of what they do or, inevitably and unfortunately, cease operating.” It outlined that given “the significant number of organisations that we expect to need this transition support, it is vital that this

budget is protected specifically for this purpose.”³

63. The Cabinet Secretary was asked by the Committee what impact the use of £6.6 million of the reserves will have on transitional funding for those organisations who are unsuccessful in their applications for the new Multi-Year Funding Programme. He responded that “Creative Scotland will be introducing its multiannual payment system next year, so it would not be calling on its reserves right now within this financial year to deal with the change to the multiannual funding system, and it will receive the £6.6 million, which is an offset from lost income in relation to the National Lottery, so we are stepping in to help Creative Scotland.” He added that “on the key point of whether that will have an impact on Creative Scotland’s ability to introduce multiyear funding and to have the means at its disposal in the quantum that it was hoping for, it will make no difference. There will be zero detriment.”¹⁵
64. The Committee heard from Creative Scotland that using some of its reserves in 2023-24 “will limit our ability to smooth the transition to multiyear funding”. It outlined that “the less reserves we have, the less possible it is to give people the time and space to understand whether they should reconfigure the business into a different business model”, noting that for some organisations, “it will mean managed closure.”²⁰
65. Creative Scotland told us that “the transition funds that would have been resourced from the national lottery reserves have now been impacted” and “that transition activity has been significantly reduced. However, given that this £6.6 million is a one-off and that we are using our reserves to offset it, we are protecting the balance of the reserves position to enable transition support, as far as we reasonably can.”²⁰

66. **The Committee notes that the Regularly Funded Organisations will not receive a budget reduction during 2023-24 as a result of the £6.6 million cut to Creative Scotland being reinstated, with some of Creative Scotland’s National Lottery reserves having been allocated to offset this.**
67. **The Committee considers that there is a need for further clarity from Creative Scotland on the extent to which the use of reserves to offset this cut in 2023-24 has impacted on the funding that will be available to manage the transition to the Multi-Year Funding Programme and provide support for current RFOs who are unsuccessful in their applications.**
68. **The Committee also considers that there is a lack of clarity regarding Creative Scotland’s approach to the accumulation and use of its reserves. We invite Creative Scotland to set out its approach in detail to the Committee.**
69. **The Committee recognises the challenging fiscal environment which the Scottish Government faces including the impact of inflationary pressures, and notes that these pressures were evident when Budget 2023-24 was agreed by the Parliament. During the Stage 3 debate, the then DFM stated that—**

” “None of this is easy. This is by far the hardest budget process that I have led, with the effects of raging inflation being felt against the impact of more than a decade of austerity and Barnett funding having come down by 5 per cent in real terms since 2021-22. I have been open and transparent with Parliament on the budget challenges that we are managing for the current financial year and the forthcoming financial year.”²⁹

70. **The Committee notes that the decision by the Parliament to agree Budget 2023-24 included consideration of additional funding commitments made at Stage 3 of the Budget process. This included the commitment to reverse the proposed £6.6 million cut to Creative Scotland’s funding in the draft budget.**
71. **The Committee considers that there should have been an explanation within the ABR or its accompanying documents as to why the commitment made at Stage 3 of the Budget process, the detail of which was to be reported in the ABR, was then not included in the ABR. We will bring this matter to the attention of the Finance and Public Administration Committee.**
72. **It is clear from our evidence sessions with Creative Scotland and culture sector stakeholders on 28 September that there is a real concern within the sector about the decision to reinstate the £6.6 million cut. Notwithstanding that the Regularly Funded Organisations will not receive a budget reduction during 2023-24 due to the use of Creative Scotland’s National Lottery reserves, there has nevertheless been a considerable impact on the confidence of the culture sector as to whether it remains a priority for the Scottish Government moving forward. We note from the evidence we received that the sector’s confidence was already eroded by the initial decision to cut Creative Scotland’s funding in the draft budget 2023-24, which we heard had left “people feeling less clear than they should have been about the vision under which we are all operating for the delivery of cultural services in Scotland”.⁹**
73. **The Committee’s view is that the subsequent reinstatement of the £6.6 million cut has considerably damaged an already fragile confidence within the culture sector. At the same time, we welcome the commitment from the Cabinet Secretary that the £6.6 million annual funding to cover the shortfall in lottery funding will be reinstated in Budget 2024-25. We also note the First Minister’s announcement that “over the next five years, we will more than double our investment in Scotland’s arts and culture. This means that by the end of the five years, our investment will be £100 million higher than it is today.”**
74. **The Committee notes that the details of this announcement will be made available when Budget 2024-25 is published. As mentioned at paragraph 7, we will consider it further at that stage of the budget process.**

Progress on innovative funding solutions

75. The Committee concluded in its pre-budget scrutiny report last year that the significant financial challenges being experienced by the culture sector meant there was now “an increased urgency for the Scottish Government to accelerate consideration and implementation of an innovative approach to the funding of the culture sector.” This included additional sources of public and private investment, mainstreaming culture across portfolios, and multi-year funding.²
76. “Recognising the immediacy of the challenges facing the culture sector”, the Committee outlined its view in its recent report on *Culture in Communities* that “the Scottish Government should set out, in the context of Budget 2024-25 and the publication of the refreshed Culture Strategy Action Plan, how it will accelerate the implementation of innovative approaches to the funding of the culture sector.”²⁷
77. Below we consider what progress has been made in the last 12 months on—
- Multi-year funding;
 - Cross-portfolio funding; and
 - Additional public and private investment.

Multi-year funding

78. A central theme of the Committee’s budget scrutiny this session has concerned the need for multi-year funding for cultural institutions and organisations, which is considered to be crucial in providing stability and enabling longer-term planning. The Committee heard that “where budgets are squeezed, we have seen that long-term funding can make as much difference as increases to funding, enabling more meaningful collaboration, responsible forward planning, and more ambitious activity.”³⁶

Multi-year settlements for organisations funded directly by the Scottish Government

79. The Scottish Government outlined in the Programme for Government 2021-22 that it would “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.”³⁷ The Committee welcomed this commitment in its pre-budget report in November 2021.³⁸
80. The Cabinet Secretary told the Committee in December 2021 that the multi-year portfolio spending plans in the then forthcoming Resource Spending Review (RSR) “will provide the culture sector and others with greater certainty for future planning”.³⁹
81. However, there was a consistent view presented by organisations through our pre-budget scrutiny last year that there had been little progress made towards multi-year funding over the previous 12 months, with many of the view that the RSR had not helped provide greater certainty for future planning.² The RSR provided

indicative funding at only level 2 of the budget, which is above the detail of the funding for most of the organisations funded directly by the Scottish Government under the Cabinet Secretary's portfolio.

82. However, the multi-year spending plans outlined in the RSR in May 2022 were recognised by the Finance and Public Administration Committee in January 2023 to be “out of date”, due to economic volatility and inflationary pressures.⁴⁰
83. In our pre-budget report last year, the Committee recognised that “multi-year funding has been a consistent ask from the culture sector”, and while “the current fiscal environment, including significant inflationary pressure, makes it challenging to provide certainty in relation to multi-year funding,” the Committee recommended that “indicative level 3 figures should be provided for the period of the Spending Review alongside Budget 2023-24”.²
84. The Cabinet Secretary responded that the budget announcement “only covered the budget for 2023/2024”. However, that “the need to have some sense of the planning horizon is absolutely understood” and that he remained “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”.⁴¹
85. Recognising that “adopting a multi-year outlook is key to achieving fiscal sustainability”, the Scottish Government committed in the MTFs to “publish refreshed multi-year spending envelopes for both resource and capital alongside the 2024-25 Budget, and extend the Capital Spending Review and Infrastructure Investment Plan period by one year, taking these to 2026-27”.¹
86. The Fraser of Allander Institute commented that “given everything that has changed since the Resource Spending Review was published in May 2022”, the commitment to provide multi-year spending envelopes alongside Budget 2024-25 “is to be welcomed – although given the difficulties overall it is unlikely to be good news for many areas”.⁴²
87. However, for 2023-24, as discussed above, Creative Scotland received an in-year reduction to its grant-in-aid, and the national collections are facing ongoing uncertainty around their settlement and funding to meet the Scottish Government's pay policy. There were therefore concerns raised about the progress being made towards multi-year funding when some organisations directly funded by the Scottish Government do not have budget certainty in-year.
88. In its written submission, National Museums Scotland commented that the Scottish Government had “taken a step backwards on multiyear funding”, given “it will be halfway through the current financial year” before it receives confirmation of its grant-in-aid for this year.¹⁹
89. Built Environment Forum Scotland acknowledged that “when failing to provide multi-year funding for agencies and NDPBs there is a trickle-down failure to provide security for the plethora of smaller organisations providing cultural-heritage services, experiences, and events”.⁴³
90. Museums Galleries Scotland said that “it is clear that, without the implementation of multi-year funding packages, as per the Committee's recommendation from last

year, there can be little progress in finding solutions to the current crisis”.¹⁶

91. Creative Scotland told the Committee that “we have to understand what the future will look like in order to be able to navigate with more confidence, whatever the final settlement picture looks like, so multiyear commitments are important for us and for others”.²⁰ It added: “whatever the level of budget settlement, the more of a long-term view we have, the better”.²⁰
92. Festivals Edinburgh set out that “if we are talking about the serious restructuring of Scottish culture... we would like a multiyear commitment to that, even if it needs to be reconfirmed every year.”²⁰
93. The Cabinet Secretary told the Committee in October 2023 that “we will continue to build the case for multiyear funding, and we will explore the extent to which that can be secured in unpredictable economic circumstances.”¹⁵

94. **The Committee considers that delivering multi-year funding settlements for the cultural organisations the Scottish Government directly funds is a crucial component in providing the culture sector with a longer-term view of how it will be supported, and therefore greater confidence for the future of the sector; noting Creative Scotland’s comments that “we have to understand what the future will look like in order to be able to navigate with more confidence, whatever the final settlement picture looks like”.²⁰**
95. **The Committee is concerned that there has been limited progress to date on the Scottish Government’s 2021 Programme for Government commitment 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”.³⁷**
96. **The Committee welcomes the Scottish Government’s commitment to provide multi-year spending envelopes alongside the 2024-25 Budget. However, given the evidence we received through our pre-budget scrutiny last year that the multi-year spending plans set out at level 2 in the Resource Spending Review did not provide many cultural organisations funded directly by the Scottish Government with greater certainty for future planning, the Committee’s view is that the multi-year spending envelopes due to be published alongside Budget 2024-25 should be provided to level 3.**

Mainstreaming culture: cross-portfolio funding

97. Another central theme of our scrutiny of the culture portfolio this session has been the need to mainstream culture across portfolios, including in budgetary terms. The Committee has recommended on several occasions—in our pre-budget reports ahead of Budget 2022-23 and Budget 2023-24, as well as in our report on the Resource Spending Review Framework, and in our report on our inquiry on Culture in Communities—that consideration should be given to investment in culture from

budget lines beyond the culture portfolio.

98. This was also considered by the Culture, Tourism, Europe and External Affairs Committee in Session 5 in its report on *Putting artists in the picture: A sustainable arts funding system for Scotland*, which recommended that “the Scottish Government articulate its spending plan for the [then] forthcoming culture strategy, including what funding will be earmarked for the arts from other portfolios to deliver the national outcome on culture in a cross-cutting way”, and “give serious consideration to the culture strategy being supported, on a cross-portfolio basis, by a baseline target for national arts funding above 1% of the Scottish Government’s overall budget.”⁴⁴
99. The Federation of Scottish Theatre said it was “exciting” that the Scottish Government “is committed to the wellbeing economy.” It considered that this “is about the cultural contribution to a massive transformation agenda, as we move towards net zero, that will place wellbeing and economic prosperity at the heart of that and bring up that sum total” and noted that this “is truly transformative, and it is not a UK-wide thing.”⁹
100. The Committee recommended in November 2021 that the RSR published in May 2022 “should include detailed consideration of how budgetary decisions can support the mainstreaming of culture across the Scottish Government including the impact on health and wellbeing.”³⁸
101. In responding to the Committee’s report, the Cabinet Secretary for Culture noted in December 2021 that he was “starting a series of conversations with fellow Cabinet Secretaries in the key complementary areas of education and skills; health and wellbeing; economic development; and net zero”.³⁹
102. The Cabinet Secretary said this would enable them to “identify areas of joint collaboration and action to inform our portfolios’ part in the multi-year Resource Spending Review” and “inform both the outcome of that spending review and a longer-term cultural recovery plan”.³⁹ However, SPICe stated that “it is not clear how these discussions were reflected in the RSR”.⁴⁵
103. In responding to our pre-budget report last year, the Cabinet Secretary said in December 2022 that “we have been working to develop closer cross-portfolio relationships, including with health and social care services. We will continue to prioritise that.”⁴¹
104. In March 2023, the Cabinet Secretary stated that “whilst the landscape has changed since the Culture Strategy’s publication, we remain entirely committed to its guiding vision and ambitions”, which “sets out our ambition to place culture as a central consideration across Government portfolios.”³⁰
105. He also assured the Committee that the Scottish Government’s “refreshed set of actions” would include “a renewed commitment to demonstrate and advocate for the social and economic value of culture”³⁰ and that the forthcoming refreshed culture strategy action plan would provide more information on the work of a “short life working group with health colleagues” which the Committee had asked for updates on the progress of.⁴¹

106. The Cabinet Secretary committed that by 2026, working alongside his Cabinet colleagues, he will have “clearly demonstrated the integral part that the Scottish cultural sector plays in the lives of people across Scotland and how it contributes to the wider work of government”.⁴⁶
107. The Cabinet Secretary then told the Committee in June 2023 that while “culture is agreed to be a priority across government because of what it can offer to the outcomes for which various government departments are responsible”, the Scottish Government is still “in the foothills” of making the process of cross-portfolio funding work.⁴⁷ In its recent report on *Culture in Communities*, the Committee outlined its view that “the Scottish Government should now set out how it will accelerate this work.”²⁷
108. Elsewhere in the Constitution, External Affairs and Culture Portfolio, the Cabinet Secretary updated the Committee that while prior to the completion of the UCI World Cycling Championships, “Scottish Government funding was delivered through our major events budget”, “following the event’s conclusion, any additional funding that might be required will be managed centrally by the Scottish Government.” He considered that “the Scottish Government is recognising that when there are major events and the potential for additional associated costs, those should be borne across Government” which “is a really good result for culture.”¹⁵
109. The Committee has heard some individual examples of where budgets outwith the culture portfolio are supporting cultural activities, however respondents were also clear that overall progress towards implementing a whole-system approach with cross-portfolio funding for culture has been limited.
110. Glasgow Life commented that “despite the scale of evidence regarding the potential contribution of culture towards health, education and wider community-cohesion policy outcomes the focus of expenditure remains on traditional approaches focusing on immediate need rather than prevention”.⁶
111. COSLA said that “we are not yet seeing the transformational change needed in terms of a crosscutting approach and increased budgetary support for culture across Scottish Government spending profiles”,²² while Museums Galleries Scotland said that although it had recognised “an increase in conversations that favour a dialogue and intent to work cross-departmentally”, it had not seen “the impact of this in practice”.¹⁶
112. The Committee was told by Aberdeen City Council that the refreshed Culture Strategy Action Plan, discussed further below, provides “an opportunity for the Scottish Government to take a more strategic approach to cross policy working”.⁴⁸
113. The Federation of Scottish Theatre told the Committee that the refreshed action plan provides “an opportunity to move from a reactive to a strategic position” in relation to cross-portfolio working. It suggested that there should be a commitment to “mass prototyping of interventions across portfolios that build on the extraordinary work that has already gone on there and ring fence some money for that.”⁹
114. National Museums Scotland suggested that “the refreshing of the Action Plan is an

- opportunity for Scottish Government to engage across its directorates to recognise current barriers to cross-departmental working and to answer the question of how cross-portfolio working is funded in practice.”¹⁹ Artlink’s view was that “a refreshed action plan should include firm cross departmental commitments to establish a clear framework for greater and longer-term investment.”⁴⁹
115. COSLA considered that “it may take a number of years to demonstrate the effectiveness of preventative work and this needs to be accepted within planning and budgeting if progress is to be made”, noting that “this is clearly not a one-year budget solution, as improvements to outcomes will not be evident for some years”.²²
116. The Federation of Scottish Theatre also acknowledged that a cross-portfolio approach “will probably not be achieved in one budget round”, however it was clear that “we need an active pathway to it over the rest of the current parliamentary session”.⁹
117. The Scottish Government recently committed in the Programme for Government 2023-24 to “renew” its “focus on engaging across government to harness the transformational power of culture as it contributes to the achievement of key policy priorities”, “prioritising working across both health and education portfolios to achieve mutually beneficial outcomes through culture while continuing to work across government to agree future areas for priority engagement.”⁵⁰
118. The First Minister’s mandate letter to the Cabinet Secretary which accompanied the Programme for Government also set out that he should “collaborate with Ministerial colleagues across Government to mainstream culture in policy making” which would “recognise the transformational power of culture as a medium to contribute to the achievement of the Government’s key priorities.”⁵¹
119. The First Minister detailed that he had asked the Cabinet Secretary to “consider what structures need to be put in place with fellow Cabinet Secretaries and Ministers in order for them to equally understand the importance of mainstreaming culture in their portfolios” and that the Cabinet Secretary was “in the first instance, taking forward a number of bilaterals” with the vast majority of Cabinet Secretaries around mainstreaming culture. The First Minister said that “it is now a case of putting in place the appropriate structures to ensure this is understood and delivered on”.⁵²
120. The Cabinet Secretary told the Committee that “the conversation” on mainstreaming culture is “live and on-going” and “will continue ad infinitum as long as the Government is committed to mainstreaming culture and realising across Government the full potential benefits of the culture and the arts sector.”¹⁵
121. However, he acknowledged that the Scottish Government has “not fully understood the potential of some aspects of that”. He said, “across Government, we need to understand that this is not only something that potentially has a cost but something that brings savings” and that he “look[s] forward to working with my colleagues on helping people to understand that mainstreaming culture not only has a cost but brings a benefit that offsets existing outgoings.”¹⁵

122. **The Committee is concerned that there has been no indication of progress made by the Scottish Government on our recommendations on mainstreaming culture across portfolios and developing cross-portfolio funding for culture. The Cabinet Secretary told us in December 2021 that he was progressing this work by “starting a series of conversations with fellow Cabinet Secretaries”,³⁹ while almost two years later in September 2023, the First Minister told Conveners Group that the Cabinet Secretary was now progressing this work by “in the first instance, taking forward a number of bilaterals” with fellow Cabinet Secretaries.⁵²**
123. **In our view, there is a need for much greater urgency from the Scottish Government to make substantive progress towards cross-portfolio funding for culture. We agree with stakeholders who suggested that we need to see an “active pathway” towards this, and we strongly urge the Scottish Government to set out detailed plans for the steps it will take to achieve tangible year-on-year progress on cross-portfolio funding models when it publishes its refreshed Culture Strategy Action Plan later this year.**

Additional public and private investment

124. 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”.⁵³ Culture and Business Scotland told the Committee that there has been “no development around how this should happen”.⁵⁴ We consider progress made on some of our previous recommendations on additional investment below.

Percentage for the Arts

125. The Programme for Government 2021-22 stated that the Scottish Government would “begin work on establishing a ‘Percentage for the Arts’ scheme to require that a small percentage of spending on all new public buildings and spaces is channelled into support for culture and community art commissions.”³⁷
126. In response to a written question in April 2022 on progress in establishing a Percentage for the Arts scheme, the Cabinet Secretary said the Scottish Government was “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.”⁵⁵
127. In our pre-budget report last year, the Committee outlined its view that, “given the ‘perfect storm’ facing the culture sector, there is an increased urgency to progressing additional revenue streams such as the Percentage for the Arts scheme” and it urged the Cabinet Secretary “to provide an update as soon as practical on progress in establishing the Percentage for the Arts scheme”.²

128. In December 2022, the Cabinet Secretary responded that the Scottish Government was “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.”⁴¹
129. Festivals Edinburgh said it had seen “no public update on progress in the past 12 months”²⁵ while the Federation of Scottish Theatre noted that its members would welcome the scheme “being progressed more quickly”.³¹
130. **The Committee is concerned that there has been no indication of progress made by the Scottish Government on its 2021 Programme for Government commitment to “begin work on establishing a ‘Percentage for the Arts’ scheme.”³⁷ The Committee calls upon the Scottish Government to provide a substantive update on its progress towards developing the scheme, with a clear indication of timescales for development and implementation within this parliamentary session.**

Transient Visitor Levy

131. Last year, the Committee asked the Cabinet Secretary to “provide greater clarity in relation to how the proposed Transient Visitor Levy scheme might support the culture sector at a local level”, recommending that “if such a scheme is introduced then, given the benefits which the culture sector provide in attracting visitors, consideration should be given to how the sector could benefit from the levy.”²
132. In responding, the Cabinet Secretary stated that “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”, noting that “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.”⁴¹ The [Visitor Levy \(Scotland\) Bill](#) was later introduced to the Scottish Parliament on 24 May 2023.
133. COSLA considered that while “this is a positive step, it is important to note that this is not the answer to pressures in the culture and leisure sector”, making clear that “the use of any additional revenue raised through the Visitor Levy would be at the discretion of each local authority and in some cases will generate little or no additional revenue for Councils.”²²
134. Fèisean nan Gàidheal said it had seen “no suggestion” from local authorities “that funds raised would be applied towards arts and cultural activities”, noting that “if left entirely in the hands of local authorities, there is a risk funds raised will go towards meeting the costs of initiatives other than culture which does not, unfortunately, appear to be a priority for local authorities.”²³ Edinburgh International Festival was “not so hopeful about what will come out of the visitor levy”, despite its “potential to do something very positive for culture”.²⁰

135. Festivals Edinburgh recommended “a strengthening of the requirement in the Bill that revenues should not be spent on core services, but reinvested in measures to support the local authority and its residents to enjoy the benefits of strong and sustainable visitor economies including vibrant local cultural scenes.”²⁵ The Federation of Scottish Theatre also said it would welcome the scheme “emphasising non-statutory priorities like culture which continue to reel from the heaviest cuts since 2010, despite being a leading driver of visitors to tourist destinations.”³¹
136. The Museums Association outlined that cultural stakeholders need to be “in the room when the decisions are being made about where the money should go, to ensure that it is reinvested into the museums and the cultural organisations that make Scotland an attractive and vibrant place to visit.”⁹
137. Glasgow Life agreed that it seems “unlikely” that the visitor levy, “on its own, will drive the strategic change suggested in the previous Committee report”, given “the scale of revenue this will generate remains unclear” and that “only a few local authorities seem likely to gain significant yield from this.”⁶
138. In COSLA’s view, “there are other options for revenue raising that Local Government could be empowered to use to enable greater investment in communities”, with the creation of a new Fiscal Framework committed to in the Verity House Agreement “key to opening further avenues for local revenue raising”.²²

139. The Committee reaffirms our view that “given the benefits which the culture sector provide in attracting visitors, consideration should be given to how the sector could benefit from the levy”.² We recognise that how revenues from the visitor levy are invested will be at the discretion of individual local authorities, however, we consider that it is important for local cultural bodies to be represented when such decisions are being made.

Private investment

140. The Committee also considered the role of philanthropy and sponsorship as a source of additional private investment in culture, however heard that this should supplement rather than substitute core public funding.
141. The Cabinet Secretary told the Committee that “we must acknowledge the tremendous benefit that we derive from philanthropy” and “we need to work in partnership to ensure that we provide the maximum resource”. He said that “if it is possible to secure additional support from philanthropy, we need to ensure that that is done”, with the Scottish Government “focused on making absolutely sure” that it “provides the maximum funding that we are able to secure”.¹⁵
142. National Theatre of Scotland told the Committee that while “as a percentage of our turnover, investment from the Scottish Government is going down”, its “income from philanthropy, the box office and coproduction is going up”.²⁰ Edinburgh

International Festivalsaid that “although we have seen a 41 per cent drop in public subsidy, our level of philanthropy and corporate sponsorship has grown by 200 per cent”.²⁰

143. Scottish Contemporary Art Network noted that “discussion with Scottish Government increasingly places emphasis on reliance on philanthropy and sponsorship.” However, it commented that the Scottish Government is “at risk of misunderstanding the nature of, and availability of, philanthropic investment in culture”, as “trusts and foundations rarely provide support through a motivation to replace core funding, or substitute for government investment, but are more likely to build targeted and strategic initiatives with clear aims, and short to medium term focus”.¹²
144. Fruitmarket, a contemporary art gallery in Edinburgh, commented: “philanthropists have told us that they are happy to support organisations at this time of crisis but don’t want to see their support as a replacement for or even a long-term supplement to proper government funding”.⁵⁶
145. National Museums Scotland said it had been successful in securing private investment “in the delivery of large capital projects” and “for ‘added value’ projects”. However, it was clear that “adequate Scottish Government funding is a pre-requisite of leveraging both public (from non-government sources) and private support into culture and heritage”. It said that “the crisis is in our core funding, which private investors are not motivated to support”.¹⁹
146. Festivals Edinburgh also shared that its private donors “are not interested in becoming a funder of last resort if the Government and other public funders pull out” but are instead “interested in a long-term strategic approach”.²⁰ Edinburgh International Festival agreed that its donors “will not subsidise the Government” and “want a partnership and confidence that a long-term strategy is in place that they can support and play their part in.”²⁰ National Theatre of Scotland considered that “having that foundation of Scottish Government investment over the long term” means that “commercial investors will have confidence that we will be around to deliver”.²⁰
147. The Committee also heard from Glasgow Life that accessing funding from grant-making organisations is “highly competitive”. It said, “the sources of funding available to local cultural organisations remain fairly limited, and are subject to increased demand”.⁶ National Theatre of Scotland echoed that “trust and foundation income, so important to much of the culture sector, has tightened with many major foundations making a marked a shift away from culture towards poverty alleviation.”¹¹
148. Edinburgh International Festival considered that “further work on policy coherence within government would also support improvements to the financial environment”, noting as an example that, “historically it has been difficult to engage with business and enterprise agencies due to their focus on and expertise in other industries”, with “the links between culture and creative industries and the economy/ exporting” “not as fully understood or prioritised as in other traditional sectors.”⁵

Culture and Business Scotland Fund

149. One example of a scheme which utilises public funding to generate private investment in culture is the Culture and Business Scotland Fund (C&BS Fund), administered by Culture and Business Scotland and funded by the Scottish Government. Culture and Business Scotland told the Committee that “since 2017, the fund has match funded cultural activity and business sponsorship in all the country’s 32 local authority areas”, with £2.5 million investment in 148 projects, of which “about £1.4m comes from business”. It considered this was an “effective way of leveraging and generating new investment in culture” and was therefore concerned about its reduction in Scottish Government funding.²⁰
150. Last year, the Committee asked the Cabinet Secretary to explain the rationale for the 33% cut in funding for the C&BS Fund for 2022-23.² The Cabinet Secretary responded that “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.”⁴¹ This cut was maintained for the 2023-24 financial year.
151. Culture and Business Scotland said that “the reduction in budget from the Scottish Government for the C&BS Fund has meant that for the last two years, the funds available have been exhausted well before the end of the financial year”. It suggested that “additional investment would leverage further business investment in culture, alleviating some pressure on the public purse, and deliver multiple cultural experiences that support broader social and economic aspirations.”⁵⁴
152. Culture Counts’ view was that at “a time where funding is decreasing, sponsorship provides an alternative and vital revenue stream” and the C&BS Fund “can act as a key incentive tool to achieve sponsorship.” Therefore, “reductions to the scheme do not help to develop the philanthropic business sector that we need”.⁴
153. **The Committee recognises the important role of private investment in providing additional resource for the culture sector, however we also note the views of witnesses that public funding supported by a long-term strategic approach is an important underpinning to be able to leverage this investment from donors and sponsors. It is also clear that the need to restore the confidence of the culture sector extends to donors and sponsors, who need to have confidence in the future of Scotland’s culture sector and that organisations will “be around to deliver” on any investment in the short, medium, and long term.**
154. **The Committee considers that the C&BS Fund, which utilises public funding to leverage private investment in culture, has an important role to play in the Scottish Government’s response to the challenges facing the culture sector, by maximising the impact of limited resources. The Committee notes its concern that the 33% cut to the C&BS Fund for 2022-23 was maintained into 2023-24.**
155. **The Committee asks the Scottish Government whether it has examined the approach of comparable devolved administrations to supporting culture funding with a view to learning from innovative ways of increasing funding.**

The future of the culture sector

156. Looking ahead, Creative Scotland told the Committee that “we will see the decline of the sector in the months and years ahead unless the resourcing equation changes”.²⁰ It estimated that, with standstill budgets, “at least a third of the current regularly funded organisations are so financially fragile as to be at risk over the next six-month period”, which it analysed “could have a consequential effect on around 900 jobs, employment opportunities for 12,000 artists and a loss of audiences totalling 1.4 million.” It warned that these risks would be “amplified” should reductions to its budget continue into next year.²⁰
157. The Federation of Scottish Theatre stated, prior to the ABR, that “there is no space closer to the edge to move to”³¹ and characterised the sector as being at a “tipping point” coming into this budget round.⁹ It considered that, moving forward, “if the budget stands still—or, in the worst case, if there is a cut—” there will be a “regression” which “will have an impact on the ability of the culture sector” to “deliver for the next decade or more”.⁹
158. VOCAL Scotland considered that a “period of stability” was necessary. It said the sector was in “a rapid process of decline, which is soaking up all of the capacity” and therefore it did not have a “breathing space and opportunity to reimagine and restructure” services to meet the Scottish Government’s priorities.⁹
159. The Committee heard that there was a need to reset the Scottish Government’s approach to supporting the culture sector.
160. Edinburgh International Festival said that “we are at a stage where arts and culture organisations are either balancing on the edge of viability or have sadly been unable to continue in the face of over a decade of stagnated public investment.” It considered that “the past year has only underlined the need for a fundamental reset in how government, at all levels, supports the arts and culture sector to ensure we have a strong foundation and a collective vision for supporting recovery and growth.”⁵
161. The Federation of Scottish Theatre concluded that “we are at a point at which we need to make a choice about what we want our culture sector to look like in the next decade.”⁹

A strategic approach

162. The Scottish Government published its culture strategy, *'A Culture Strategy for Scotland'*, in February 2020. Given the changing landscape since the original strategy was published, the Scottish Government intended to publish a refreshed Culture Strategy Action Plan by summer 2022. However, the most recent commitment is that this will be published by the end of 2023.
163. The Committee recommended earlier this year that the action plan should provide “a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector”.⁵⁷ The evidence outlined above on the current operating environment for the culture sector, and the characterisation of the

culture sector as being at a 'tipping point' ahead of Budget 2024-25 suggests that a focus on sustainability is now even more necessary.

164. The Cabinet Secretary responded that the refreshed action plan would “set out the actions the Scottish Government will take in response to current and ongoing issues” as well as how it “will deliver on the long-term ambitions and vision of the Culture Strategy”.³⁰ He also commented that the later publication date of the refreshed action plan, which at that stage had been timetabled for spring 2023, enabled a series of “Resilience Roundtables” with the sector to be concluded, and “allows us to fully set out our response to the 2023-24 budget settlement”.⁴¹ Earlier this year, the Cabinet Secretary committed that by 2026 he will have “supported and promoted the culture sector and those who work in it”, with “a specific focus on measures to increase its sustainability and resilience”.⁴⁶
165. The First Minister’s mandate letter to the Cabinet Secretary which accompanied the Programme for Government for 2023-24 set out that he should “publish our Culture Action Plan Refresh which will set out the next steps in delivering the aims and ambitions of the 2020 Culture Strategy, and complete initial actions to mitigate the impacts of Covid, Brexit and the rising costs of living and operating that have, in combination, created significant challenges for the sector”.⁵¹
166. The Committee heard that while the ambitions of the culture strategy were laudable, it was not clear how these ambitions could be achieved within the level of resource provided to the sector.
167. Starcatchers told the Committee that while the guiding principles of the culture strategy are “inspirational and aspirational”, “there is a need for recognition that in order to achieve this that appropriate budgetary investment is necessary.”³² University Museums in Scotland said that “the Scottish Government’s Cultural Strategy sets out an ambitious vision for the cultural sector in Scotland – one which acknowledges the scope and impact that cultural activities can have across society and policy areas – but this isn’t being borne out by investment.”⁵⁸
168. Creative Scotland said there is “confusion” in relation to the “very clear and bold statements about the value of and support for the cultural sector compared with the reality of the resource that is available to support its sustenance, development and growth, and the contribution that it can confidently make to culture, society and the economy”.²⁰
169. Edinburgh International Festival agreed that “we have a strategy that talks about enabling our sector to grow, thrive and recover, and then actions that are not consistent with that strategy. Those things cannot both be true—you cannot have a strategy that says, ‘We’re going to enable you to grow,’ and then say, ‘We’re going to cut you in year’... That leads to a gap in credibility and confidence.”²⁰
170. The Federation of Scottish Theatre told the Committee: “When I talk to theatre and dance colleagues south of border, consistently over many years one of the things that they have said is, ‘You have a Government that gets this.’ I do not think that is what they say about the UK Government in universal terms. We need to think about how we turn that ambition into reality.”²⁰

171. Many stakeholders were of the view that there needed to be greater alignment between the ambitions set out in the refreshed action plan and the financial resource provided by the Scottish Government. Creative Scotland said that the action plan should be “fully costed” and “where future levels of investment match the ambitions set out in the plan”.³ ArtFund said that “a framework for how the actions are sustainably funded is essential”.⁵⁹
172. Museums Galleries Scotland recommended “that due diligence is given to ensure that the refreshed actions for the culture strategy can be meaningfully delivered by developing an associated framework of investment, allocation of resource and governance against the key objectives of the strategy.”¹⁶
173. COSLA outlined its view that “although publication of the Culture Strategy was welcomed, it is not very clear on how the ambitions would be achieved or how the strategy may inform budgetary decisions.” It called on the action plan to “set out clear, realistic actions”.²² Edinburgh International Festival said that the action plan must “set out actions to ensure financial stability before asking the sector to deliver additional benefits.”⁵
174. Stakeholders recognised that if sufficient additional financial resource could not be made available to meet the Scottish Government’s current ambitions for culture, then there was a need to take a strategic approach to identifying realistic outcomes for the sector and prioritising spend accordingly.
175. As outlined in the Committee’s letter to the Cabinet Secretary following its consideration of Budget 2023-24, witnesses suggested then “that if there are to be cuts, how this is managed should be done strategically, rather than through a process of attrition or managed decline.”⁵⁷
176. Festivals Edinburgh concluded that “the Committee has heard that the cards are going to fall, and that the system is going to fall” and asked, “is the Scottish Government simply going to let the cards fall where they will, or is it going to build for the future?” It considered that even if resourcing levels for culture are “at the bottom of the European league tables in future years, there is a responsibility to manage that and to support restructuring with multiyear targeted investment.”²⁰
177. Festivals Edinburgh acknowledged “the intense pressure on public funding”, however it was clear that “if there is no closure of the gap of around a third between the EU average level of investment in culture, and the percentage of government spending allocated in the UK and Scotland, there must be a realistic rebasing of expectations.”²⁵
178. The Federation of Scottish Theatre outlined to the Committee that the Scottish Government must either “robustly invest in the sector and allow it to achieve its potential”, or “with less funds, have a practical strategy which outlines the clear and difficult prioritising of what the culture sector will look like in future, and what realistic outcomes it will be able to deliver”.³¹

179. The Committee reiterates our view that that the Culture Strategy Action

Plan should provide “a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector”.
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180. **The Committee acknowledges the views of stakeholders in their evidence to the Committee that there is a misalignment between the Scottish Government’s ambitions for the sector set out in its culture strategy and the funding it provides to support the sector, and that there has not been a clear sense of how the culture strategy informs budgetary decisions. The Committee notes the announcement to increase the Scottish Government’s funding for arts and culture by £100 million over the next five years. The Committee invites the Cabinet Secretary to set out the impact which this additional funding will have on the culture strategy.**

Conclusions

181. Throughout the Committee's cumulative scrutiny of the culture spending portfolio across Session 6, we have heard a consistent narrative around the ongoing financial challenges being experienced by the culture sector. Last year, we assessed that the existing budgetary challenges facing the culture sector had become "much more acute", contributed to by a "perfect storm" of long-term budget pressures, reduced income generation, and increased operating costs. Twelve months on, we have concluded that this 'perfect storm' has not abated, with external and public funding pressures maintaining, and the culture sector remaining under significant financial strain and the risks to its future becoming more severe. We also recognise that the Scottish Government continues to face a challenging fiscal environment.
182. We further recognise that the Regularly Funded Organisations will not receive a budget reduction during 2023-24 due to the use of National Lottery reserves. Nevertheless, it is clear that both the initial cut to Creative Scotland's grant-in-aid for 2023-24 in the draft Budget and, after it had been reversed, the reinstatement of that cut in the Autumn Budget Revision have damaged an already fragile confidence within the culture sector.
183. In addition, through our cumulative approach to scrutiny, it has been clear that very limited progress has been made by the Scottish Government in recent years on implementing models such as cross-portfolio funding and multi-year funding. In our view, there is a need for much greater urgency and a clear pathway to make tangible progress on these innovative funding solutions.
184. Within this context of increasing challenges and limited progress in responding to these challenges, it is clear there was an urgent need for the Scottish Government to restore the confidence of the culture sector. The Committee therefore notes the commitment made by the First Minister in response, to increase the Scottish Government's investment in arts and culture by £100 million over the next five years. We await the detail of this funding commitment, and will continue our scrutiny as the draft Budget for 2024-25 and Culture Strategy Action Plan are published later this year.
185. The Committee notes that there have been two significant funding announcements made in relation to the culture portfolio during the course of our pre-budget scrutiny. We have had limited opportunity to consider the impact of these announcements.

Annexe A: Minutes

Constitution, Europe, External Affairs and Culture Committee - Meeting Minutes - 25th Meeting, 2023 - Thursday 21 September 2023

1. Pre-Budget Scrutiny 2024-25: The Committee took evidence from—

- Duncan Dornan, Executive Committee Member, VOCAL Scotland;
- Pamela Tulloch, Chief Executive, Scottish Library and Information Council;
- India Divers, Policy and Campaigns Officer, Museums Association;
- David Avery, Negotiations Officer, Prospect;
- Kara Christine, Senior Programme Producer, Artlink;
- Liam Sinclair, Co-Chair, Federation of Scottish Theatre.

Constitution, Europe, External Affairs and Culture Committee - Meeting Minutes - 26th Meeting, 2023 - Thursday 28 September 2023

1. Pre-Budget Scrutiny 2024-25: The Committee took evidence from—

- Iain Munro, Chief Executive and Isabel Davis, Executive Director - Screen, Creative Scotland ;

and then from—

- Lori Anderson, Director, Culture Counts;
- Julia Amour, Director, Festivals Edinburgh;
- David Watt, Chief Executive, Culture and Business Scotland;
- Chris Breward, Director, National Museums Scotland;
- Brenna Hobson, Executive Director, National Theatre of Scotland;
- Francesca Hegyi OBE, Chief Executive, Edinburgh International Festival.

Constitution, Europe, External Affairs and Culture Committee - Meeting Minutes - 27th Meeting, 2023 - Thursday 5 October 2023

1. Decision on taking business in private: The Committee agreed to consider a draft report on Pre-Budget Scrutiny 2024-25 in private at future meetings.

2. Pre-Budget Scrutiny 2024-25: The Committee took evidence from—

- Angus Robertson, Cabinet Secretary for the Constitution, External Affairs and Culture and Penelope Cooper, Director of Culture and Major Events, Scottish Government.

Annexe B: Evidence

Oral evidence

- [21 September 2023](#)
- [28 September 2023](#)
- [5 October 2023](#)

Written evidence

The written submissions received to the Committee's call for views are available [here](#).

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