

Culture and Communities Committee

10.00am, Thursday, 7 December 2023

Cultural Grants Funding 2018 - 23

Executive/routine
Wards

Routine
All

1. Recommendations

- 1.1 Culture and Communities Committee are asked to note this update on what the Council's third party cultural grants revenue budget would be if it had increased in line with inflation and the associated impacts on the city's cultural sector and on the impact of such an increase on the scope and sustainability of the city's key cultural infrastructure and deliverability of the Council's Business Plan and Cultural Strategy.

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Cultural Grants Budget 2018/23

2. Executive Summary

- 2.1 This report responds to a request from Committee on 5 October 2023 and includes a rough estimate of what impact such an increase would have on the scope and sustainability of the city's key cultural infrastructure and deliverability of the Councils Business Plan and Cultural Strategy.

3. Background

- 3.1 Edinburgh is a world leading cultural capital, and home to an eclectic mix of diverse narratives, art forms, and creative practice.
- 3.2 The Strategic Partnerships cultural funding programme is an important action of the [Citywide Culture Strategy 2023-2030](#) and aims to facilitate access to cultural activities and practice and deliver a significant contribution to the city's success as an exceptional and creative place to live and work.
- 3.3 On 5 October 2023, Committee approved an Addendum by the SNP Group which requested:
- 3.3.1 A short report ahead of the forthcoming budget setting to outline what Edinburgh Councils Third Party Cultural Grants revenue budget would be if it had increased in-line with inflation; and
- 3.3.2 A rough estimate of what impact such an increase would have on the scope and sustainability of the city's key cultural infrastructure and deliverability of the Councils Business Plan and Cultural Strategy.

4. Main report

Financial Context

- 4.1 The Council has set the annual budget for cultural grants and other services in the context of significant financial pressures resulting from increased demand for services, exceptional inflationary pressures, legislative reform and continuing financial impacts of the Coronavirus (COVID-19) pandemic.

- 4.2 Across the period 2018/19 to 2023/24, the Council's underlying like-for-like revenue budget allocation from the Scottish Government increased by a total of approximately 2.2%.
- 4.3 General inflationary pressures, based on the Consumer Price Index (CPI), were circa 24% over the same five-year period.

Cultural Grants Funding

- 4.4 The annual budget for cultural grants budget has changed slightly over the past five years with a budget of £4.589m approved for 2023/24. The allocation of funding in 2023/24 was [agreed](#) by the Culture and Communities Committee on 11 May 2023.
- 4.5 If the CPI inflationary pressure was applied to the annual cultural grants budget in each of the last five years, the increase in funding would have been c. £1.1m. This includes the exceptional inflationary pressures experienced during 2022/23 and 2023/24.

Impact on the sector

- 4.6 The sector has adapted and responded robustly to the pressures experienced over the last five years and has continued to deliver agreed programmes of work linked to the city's previous Culture Plan.
- 4.7 Had the budget kept up with inflation, the sector would have been able to sustain and invest in infrastructure and programmes; rebuild reserves and maintain a confident planning horizon.
- 4.8 However, venues currently face challenges of maintenance, equipment, and resource replacement; there are challenges for programmers and artistic directors in risk and development; and it is harder for new work and community engagement and partnerships to develop.

Future Funding

- 4.9 As reported to Committee in October 2023, a review of the Strategic Partnerships funding programme has been completed and the recommendations are now being implemented.
- 4.10 The current approach to funding for the Strategic Partnerships in the future assumes that there will be no increase in the budget for cultural grants. This is likely to present challenges for cultural organisations to continue to deliver activities and to impact on their reach across the city and will potentially impact on support for delivering the Council's Cultural Strategy and Business Plan.
- 4.11 An increase in funding would be welcomed by the sector, providing them with the opportunity to review, reinstate and, depending on the funding available, may increase the opportunities to deliver cultural activities in the city. This would also continue to demonstrate the Council's commitment to the sector.
- 4.12 The benefits of additional funding have recently been demonstrated by the festivals PlaCE programme, where additional funding has been shown to be transformative ([evaluation report](#)).

- 4.13 In a response in October this year to the Constitution, Europe, External Affairs and Culture Committee's scrutiny of the Scottish Government's culture budget for 2024-25, Culture Counts captures a clear overview of the parallel position nationally (this is attached in Appendix 1).
- 4.14 Subsequently, the Scottish Government has reintroduced original funding agreements, and recipients have delivered agreed activities and programmes whilst accommodating the substantial reduction in real value of the grants at the same time as facing the additional post-COVID global economic pressures.

5. Next Steps

- 5.1 Committee is asked to note the information provided in this report, in response to the addendum agreed by Committee on 5 October 2023.

6. Financial impact

- 6.1 The annual budget for cultural grants budget has changed slightly over the past five years, from £4.642m in 2018/19 to £4.589m in 2023/24. The budget for Strategic Partners in the city is £4.259m in 2023/24.
- 6.2 This report focuses on the funding for cultural grants over the last five years. If the CPI inflationary pressure was applied to the annual cultural grants budget in each of the last five years, the increase in funding would have been c. £1.1m. This includes the exceptional inflationary pressures experienced during 2022/23 and 2023/24.

7. Equality and Poverty Impact

- 7.1 All organisations are expected to have relevant employment, equalities, rights and sustainability policies in place as set out in the Council Conditions of Grant.
- 7.2 All organisations must have a commitment to mainstream equalities and rights in accordance with the Equality Act 2010. Both in terms of its practices employing staff and volunteers and in providing services, they should be able to show how their organisation advances equality of opportunity; fosters good relations; and eliminates any unlawful discrimination, harassment and victimisation.
- 7.3 The funding relationship with the Strategic Partners also offers to engage the organisations in its Diversity Programme which better connects ethnically diverse artists to the associate organisations through communications platforms, networking events and funding opportunities hence contributing positively to shifting the culture of the organisations to better embed equality in their activities.
- 7.4 All Strategic Partners are expected to contribute to the annual Community Engagement Report which outlines the activities designed and developed for the benefit of groups and communities listed under the protected characteristics, including those affected by socio-economic disadvantages, per the Integrated

Impact Assessment guidelines. The report allows the Service to monitor, assess and share the positive impacts on individuals and communities engaged in those activities.

8. Climate and Nature Emergency Implications

8.1 As a public body, the Council has statutory duties relating to climate emissions and biodiversity. The Council

“must, in exercising its functions, act in the way best calculated to contribute to the delivery of emissions reduction targets”

(Climate Change (Emissions Reductions Targets) (Scotland) Act 2019), and

“in exercising any functions, to further the conservation of biodiversity so far as it is consistent with the proper exercise of those functions”

(Nature Conservation (Scotland) Act 2004)

8.2 The City of Edinburgh Council declared a Climate Emergency in 2019 and committed to work towards a target of net zero emissions by 2030 for both city and corporate emissions and embedded this as a core priority of the Council Business Plan 2023-27. The Council also declared a Nature Emergency in 2023.

Environmental Impacts

8.3 The Council’s funding agreement conditions include carbon impact reduction action and planning requirements. Progress reports are collected annually and shared with the Council’s Policy and Strategy Service for information, and potential inclusion in the Council’s public bodies reporting processes. This represents an additional financial implication for venues and partners.

9. Risk, policy, compliance, governance and community impact

9.1 The report provides a summary of citywide impacts and benefits for reference to further inform potential budget options affecting the culture sector.

10. Background reading/external references

10.1 None.

11. Appendices

11.1 Appendix 1 – Culture Counts: Response to the Constitution, Europe, External Affairs and Culture Committee’s scrutiny of the Scottish Government’s culture budget for 2024-25.



Culture Counts – Response to the Constitution, Europe, External Affairs and Culture Committee’s scrutiny of the Scottish Government’s culture budget for 2024-25.

Culture Counts is a network of over 70 arts, heritage and creative industries organisations. Our members are largely representative bodies, as well as some events and performing companies. We welcome the committee’s continued engagement on the issue of the future of funding for culture, which has never been more vital.

Our response builds upon our evidence and recommendations for the 23-24 inquiry ([Our evidence to the culture funding inquiry — Culture Counts](#)), as well as consulting with our Core Members and sector stakeholders for up to date evidence on the central issues (see appendix I), as well as consideration of relevant academic and industry research (see appendix II). We have received evidence from individual artists and organisations from museums and galleries, theatre, art, health care and access for disabled people, Local Authority and Local Authority Culture Trusts, libraries, playwrights, literature, music, voluntary arts, environmental, archives, skills and craft.

1. In our pre-budget report last year, the Committee described the operating environment of the culture sector as facing a “perfect storm” of long-term budget pressures, reduced income generation, and increased operating costs. How has this evolved over the last 12 months? What impact has the Budget for 2023-24 had on the culture sector?

Evidence and testimony from across the cultural sector are clear - 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.

When considering the present culture sector landscape, it’s clear that factors outlined in the CEEAC Committee report last year remain live and urgent. The overall economic picture is extremely challenging. High inflation and rising interest rates are acutely impacting the culture sector. The impacts of Brexit are ongoing, and the sector is still in recovery from the pandemic with audience numbers in most areas still to reach pre-pandemic levels and now exacerbated by the cost-of-living crisis. The effect of almost a decade of standstill investment in many parts of the Culture Portfolio is a deepening real terms cut. Recent [analysis by the Scottish Parliament’s Information Centre](#) demonstrates those trends.

Our evidence (Appendix 1) and others’ submission from across the culture sector will provide the sobering examples of the current position; the venue closures; the reduced cultural services; the losses and toll on the workforce and freelancers; and the precarity across the whole sector as income generation is exhausted and financial reserves are depleted. The sector remains in crisis with some predicting they may not be here in 24-25 and the post pandemic will to ‘build back better’ mostly forgotten.

The recommendations in the Committee's report last year were disappointingly not reflected in the Scottish Government's initial draft budget for 23-24, which most concerningly contained a proposed 10% cut to Creative Scotland (CS), with further cuts or standstill funding for other areas of the culture portfolio. The cut to Creative Scotland went against all evidence provided and was a moment of regression rather than progress. Reversing this cut was hugely welcomed, however it only came about after a significant and hard-fought campaigning from the culture sector and public. In the year since, the real terms value of investment in many parts of the culture sector continues to fall.

Scotland's cultural sector is world-class. However, spending on culture has not been a budget priority for the Scottish Government or Local Government in recent years. Last year, the Constitution, External Affairs and Culture (CEAC) portfolio was 0.58% of total Government spending ([Scottish Budget: 2023-24 \(www.gov.scot\)](#)). This was one of the lowest areas of Government investment (surpassed only by spending on the Deputy First Minister, Crown Office and Procurator Fiscal).

Spending remains miles from the recommendation in the [2019 CEEAC report, Putting Artists in the Picture](#), that culture should establish a baseline target for culture funding above 1% of the Scottish Government's overall budget, on a cross-portfolio basis. This remains the goal and would see a budget of £597mil (based on the 23/24 budget) providing an additional £250mil.

Within the CEAC portfolio, sustained investment in critical parts of Scotland's core cultural infrastructure have not been prioritised. Since 2015-2016, the majority of Creative Scotland's 120 Regular Funded Organisations have received standstill funding, meaning approximately 31% ([Bank of England Inflation Calculator](#)) of the value of the Government's investment in these organisations has disappeared.

Looking at Creative Scotland's income more widely, ignoring the very welcomed emergency covid funding, the total grant funding for Creative Scotland in 2021-22 was about 10% lower in real terms than in 2014-15. This is despite the Scottish Government providing additional money for Screen Scotland since 2018-19. Therefore, the real terms cuts to the areas of Creative Scotland since 2014-15, that are not screen related, are substantially more than 10% ([Scottish Parliament Information Centre Briefing](#)).

Artists, makers, and creatives are the heart of the sector and need to be paid fairly for all that they do and produce. The main source of Scotland's funding for individual artists stems from National Lottery income distributed by Creative Scotland. CS received £34.4m from the National Lottery in 2015-16, falling to £31.5m in 2022-23. ([Scottish Parliament Information Centre Briefing](#)). This is a real terms reduction of 30% in the value of support available to individual artists and one-off projects by cultural organisations. ([Bank of England Inflation Calculator](#)) Given the Scottish Government's commitment to individual artists and freelance practitioners, there is an inadequacy of the funding levels available to individual artists.

Short-term and annualised funding settlements are not conducive to forward planning, organisational and staff security and achieving long-term change. It puts the sector under significant pressure and creates an unproductive environment of uncertainty and competition when we should be encouraging strategic and sustainable planning and collaboration. The

late confirmation of budget levels compounds the challenges of forward planning and programming. Implementing Multi-year funding would enable long-term planning and is key to future proofing. Doing so will fulfil the Scottish Government manifesto commitment of delivering three-year funding settlements, which has yet to be delivered. Fast and responsive investment being made available for initiatives such as the Culture Collective was welcome and has been hugely successful, however the legacy of such investment initiatives needs to be considered at the outset as the long-term benefits are under threat with funding due to end and no continuation available.

Outwith the Creative Scotland ecosystem, the picture is no better. Funding for Scotland's National Performing Companies has remained flat in cash terms since 2016-17. This represents a real terms cut of over 20% in the past ten years ([Scottish Parliament Information Centre Briefing](#)). Six of Scotland's leading independent producing theatres have recently published a stark [report](#) outlining immediate risks to their sustainability. At a community level, 1mil Scots participate in local creative groups but these need the infrastructure of support organisations, without which would see a loss of opportunities to participate and increased social isolation. ([Creative Lives](#))

Where the picture is most bleak is in Local Authorities, where since 2015-16, the real terms value of investment in Libraries, Museums, Galleries, and other cultural heritage has fallen by nearly 40% ([Scottish Parliament Information Centre Briefing](#)). The majority of cultural facilities are free at the point of delivery (which must be protected), and therefore have limited opportunity to secure additional income to mitigate additional costs. Over half of Community Leisure UK members have reported that their services will be unsustainable within two years without further intervention or significantly restructuring service delivery. It is important to recognise any funding into public culture as an investment, supporting the health and wellbeing of communities, and not a cost.

Despite efforts to develop investment through philanthropy and business sponsorship cuts of 33% were made to the Culture & Business Fund Scotland in 2022 and maintained for 2023/24. In 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. Reductions to the scheme do not help to develop the philanthropic business sector that we need.

The sector has welcomed the Scottish Government support and collaboration with the UK Government to secure cultural tax breaks including Exhibition Tax Relief, Theatre Tax Relief, Orchestra Relief, energy bills relief scheme, etc. This has provided a lifeline for many organisations without which their financial situation would be much bleaker. We would urge the Scottish Government to work to maintain these commitments and collaborate further with the UK Government on future investment opportunities, however, these alone, are not enough to rebalance the gap in investment that the sector has experienced or provide the sustainability the sector needs.

2. Our report also concluded that this crisis provides an opportunity to accelerate innovative solutions to the budgetary pressures within the sector. What progress has been made on this in the last 12 months? And at a time of limited resources,

what other innovative approaches could the Scottish Government take forward to support the culture sector.

The Creative Industries contribute more than £5 billion to the Scottish economy every year. They comprise of over 15,000 businesses employing more 70,000 people and make a vital contribution to the national wealth and international reputation. Despite this there has been a lack of progress in the development of existing and new forms of cultural investment and businesses and jobs are now at stake. Culture Counts has seen little progress against the recommendations outlined in the CEEAC Committee's report, or in the Government's own commitments. While past recommendations made by the Committee and Culture Counts ([12 recommendations for culture funding — Culture Counts](#)) remain relevant, they no longer go far enough. To secure the future of Scotland's cultural sector, urgent and transformative action is needed.

The culture sector is inherently innovative and creative across all that it does including in diversifying its income, which is why it has survived in recent years. It has, however exhausted cost cutting initiatives and innovative schemes for diversifying income at an organisational level. Fundraising is increasingly challenging with funders experiencing increased demand, many are moving to support different priorities and success rates are plummeting. The sector reports that it is at capacity without significantly compromising its core services and mission. Further change and adaptation is of course possible, but additional budgets and interventions are urgently needed at a government level.

Increased Investment

Scotland's spend on culture as a percentage of GDP is still one of the lowest in Europe lying 28th out of the 34 nations ([Statistics | Eurostat \(europa.eu\)](#) 2021 and [Country and regional analysis: 2022 - GOV.UK \(www.gov.uk\)](#)). If Scotland aspires to set an international example as a progressive nation and lead the way in its cultural investment, then the current budget levels need to significantly improve to realise this and meet the ambitions proposed within the cultural strategies.

Creative Scotland has recently [announced the demand for its new multi-year funding programme](#) is £113m annually from 500 organisations. The RFO network (predecessor to the multi-year funding programme) had a budget of £32.7mil in 2023-24 ([Creative Scotland Annual Plan 23-24](#)) This provides a clear indication of the scale of ambition, the impacts of rising costs and need that exists across Scotland's culture and creative sector. However, this picture is from only one strand of Creative Scotland's funding portfolio and does not reflect the need from their other programmes or from the rest of the sector outwith Creative Scotland's remit.

- **Budget increase:** Culture Counts is recommending an increase to the Constitution, External Affairs and Culture Portfolio budget for 24-25 at **30%** of the 23-24 budget
 - The value of a 30% uplift would be **£104mil**
 - Based on the 2023-24 Budget, the portfolio would represent **0.76%** of total Scottish Government spending.
 - The proposed uplift would represent an increase of **0.16%** of total Scottish Government spending

This investment would go a long way to securing the future of Scotland's world leading cultural sector, and position us to deliver shared strategic priorities, but increased investment alone is not enough. In addition to the above we are recommending the following actions be taken, to ensure that this approach is protected in the longer-term:

- **Establishing a baseline:** the 24-25 Culture funding level is recognised as a baseline level of investment.
- **NPF indicator:** Government investment in Culture is included as an indicator in the National Performance Framework. In future years:
 - investment falling below the 24-25 baseline is recognised as performance worsening.
 - the 24-25 level + inflation is performance maintaining.
 - additional investment is performance improving.
- **Multi-year funding settlements:** Using the newly established baseline outlined above, that the Scottish Government fulfils its manifesto commitment of delivering three-year funding settlements to the culture sector.
- **Future investment decisions** should be taken in a way which prioritises the long-term health of the culture sector.

Government investment is only one part of Scotland's cultural ecosystem. It is also essential that the **Scottish Government works with COSLA and Local Government**, building on the newly established Verity Agreement to mitigate and reverse the hollowing out of Local Authority cultural services, which have sustained a 39% real-terms cut since 2015-16. ([Scottish Parliament Information Centre Briefing](#), [Bank of England Inflation Calculator](#)).

3. The Committee called for the forthcoming refreshed Culture Strategy Action Plan to provide a clear and strategic sense of how the Scottish Government is working to ensure a more sustainable future for the sector. How should the refreshed Culture Strategy Action Plan help to inform future budgetary decisions within the culture sector?

At the time of this consultation, a refreshed Cultural Strategy Action Plan has not yet been published which makes identifying ways it can inform future budgetary decisions difficult. The sector would welcome an Action Plan which puts audiences and artists at its centre and provides a forward-looking long term strategic approach to cultural activity, leadership, delivery and funding and integrates thinking from the strategic cultural work under development including the International Culture Strategy. We would additionally urgently call for a Strategy for the Creative Industries and for clarity on where leadership on the creative economy currently lies. As things stand, strategic ambitions do not match with need and the resource available and there is a real risk that the sector will be too lean to change and respond to the refreshed Action Plan without significant investment.

A strategic approach to Cross Policy Working is urgently needed with identified leadership that understands the intrinsic value of culture of and in itself and that cultural participation has wider benefits that support our wellbeing and builds wealth in our communities. Cross-portfolio working is implemented most successfully from the ground up. Across the culture

sector there are multiple examples of collaborative models with the public and third sectors to deliver activity which supports early intervention and prevention which consequently reduce demand of higher tariff public community, social care and health services. Investment, a strategic approach and commitment across Government departments is now required to work towards transferring public investment through procurement and collaborative solutions to deliver change at a transformative level. Some work has already begun to map out where arts, heritage and creative industries can deliver on outcomes across Justice; Social Security; Health; Education and Economy. Further work is required to identify ways to secure cross-portfolio investment and understanding of the benefits of culture, particularly with the increased demand for social prescribing and creative therapies to support mental health and well-being. Initiatives such as the introduction of a % for culture scheme from all Scottish Government infrastructure projects could further this approach. This scheme was an SNP manifesto commitment and should be realised as a matter of urgency.

Transparent and inclusive strategies, processes and cross-party commitments are vital to the sector's development but without a shift in investment the sector will continue to decline. An increased budget must be passed on to those who have been on standstill funding or have not received support over the last decade to make up for the real terms loss and to provide security and sustainability to achieve the ambitions and to meet the requirements in the areas of carbon reduction and moving to net zero, fair work and equality, diversity, and inclusion.

The lack of available money to invest in the sector argument made by Government prevents meaningful engagement and discussion. The barriers to providing appropriate investment and a multi-year settlement are unclear given that the culture budget has represented such a low percentage of the overall budget, the risks to committing for at least three years are relatively low compared to the benefits this would deliver.

Furthermore, significant changes to the Fiscal Framework were agreed last month, which doubled Scotland's borrowing capability (to £600mil), removed the withdrawal limit from the Scotland Reserve and ensures that borrowing and reserve limits will now grow with inflation. These changes allow the Scottish Government significantly greater flexibility in accommodating the budgetary need and addressing barriers to delivering the multi-year funding settlement manifesto commitment.

The recently released Government Expenditure and Review (GERS) figures were described by the Wellbeing Economy Secretary Neil Gray, as demonstrating that "Scotland's finances are improving at a faster rate than the UK as a whole, with revenue driven by Scotland's progressive approach to income tax and our vibrant energy sector." ([BBC News](#)) The figures estimated Scottish public sector revenue at £85.7bn and total spending for the benefit of Scotland at £106.6bn.

In the context of these figures, the amount needed to provide much-needed stability and secure the future of the culture sector is tiny. In 2023-24, the overall value of the Scottish Government's budget was £59.8bn ([Scottish Government Budget 23-24](#)). The 30% uplift in investment that the sector so desperately needs, would represent Scottish Government directing 0.16% more of their overall spending to Culture.

By taking decisive action on culture change and investment, Scottish Government would halt the decline and go some way towards securing Scotland's place as a cultural world leader and unlock enormous benefits for Scotland's society and economy.

