

CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE

ARTS FUNDING INQUIRY

SUBMISSION FROM CREATIVE SCOTLAND – APRIL 2019

Introduction

This written submission from Creative Scotland provides the Culture Tourism Europe and External Affairs Committee with information to support their inquiry on the future of funding for the arts in Scotland. The submission is structured around the key issues highlighted in the Committee's call for views.

Creative Scotland is the public body that supports the development of the arts, screen and creative industries across all parts of Scotland on behalf of everyone who lives, works or visits here.

As a Non-Departmental Public Body, we work within the parameters of the Scottish Government's Programme for Government, the National Performance Framework and are cognisant of the draft National Cultural Strategy for Scotland.

Creative Scotland is working to a 10-year plan "Unlocking Potential, Embracing Ambition", published in 2014, within which we articulate our key contributions:

- **Funding** support for individuals and organisations working in the arts, screen and creative industries.
- **Advocacy** on behalf of these sectors, both nationally and internationally.
- **Development** support for these sectors so that they can continue to grow and thrive.
- **Influencing** others to understand the value that the arts, screen and creative industries deliver.

We recognise that funding is a crucial factor in an overall approach to development across the arts, screen and creative industries which in turn bring huge cultural, social and economic benefits to Scotland. We are one part of the funding landscape for the arts in Scotland and an overview of that landscape as we understand it is contained in Appendix 1.

We distribute funding from the Scottish Government and The National Lottery. Creative Scotland's 2018/19 budget was £92m, approximately two thirds from Scottish Government (Grant-in-Aid) and one third from The National Lottery.

We distribute this funding through [three funding routes](#): Regular Funding for up to three years for organisations; Open Project Funding for individuals and organisations for programmes of work for up to two years; and Targeted Funding to support specific sectors, projects and initiatives (including film & TV production).

What are the major threats to sustainable funding of the arts in Scotland?

The increasing pressures on the public purse appear to be impacting across all policy areas at many levels, with more demand for financial support than can be met through public funding under the current arrangements.

For example, in the 2018 round of Creative Scotland's Regular Funding, 184 applications were received requesting £154m across the three years of the programme. In total we were able to award just under £102m to 121 organisations.

In Open Project Funding in 2018/19 we received 1,177 applications requesting £23.7m and were able to award £10.7m to 493 applicants. Of these, 201 awards (41%) were made to individual artists and practitioners and 292 (59%) to organisations, who in turn support many hundreds of artists through their projects.

Similar pressures are at work in Scotland's thirty-two local authorities which play a central role in local cultural provision. Here we have seen a decrease in net revenue expenditure on non-statutory services, including arts and culture. In 2017/18, net revenue expenditure on culture and related services was reported as £561m which represents a decrease of £16m (3%) on 2016-17. In 2018/19, local authorities set a revenue expenditure budget for Culture and Related Services of £548m (4.6% of total local authority budgets). This represents a further decrease of £13m (2%) from the 2017-18 budget.¹

Maintaining provision year on year with standstill or reducing budgets, whilst inflation rises, is placing increased pressures on both individuals and organisations and their ability to deliver their work. In turn this is leading to a significant reduction in the cultural offer for the people of Scotland.

This context for cultural organisations, individual artists and practitioners also throws into sharp relief any expectation that Creative Scotland, as the national development organisation, will be able to compensate for that in some way, shape or form.

To help find a way forward, we are planning to undertake a programme of activity this year which will explore potential models of collaboration between local authorities and Creative Scotland which can better support the sustainability of organisations and institutions that provide artists with the opportunities necessary to grow their careers.

In the first instance, we will research the current position of arts and culture within local authorities and Arms Length External Organisations (ALEOs) to improve our understanding of the challenges and opportunities that exist, then explore options for future collaboration.

At the same time, we will also be hosting related discussions with local partners, the first of which will be around the findings and recommendations from the recently published Cultural Cities Enquiry² which highlighted how strategic investment in culture can drive inclusive growth in cities.

¹ <https://www2.gov.scot/Topics/Statistics/Browse/Local-Government-Finance>

² <https://www.corecities.com/cultural-cities-enquiry/news/core-cities-uk-helps-launch-ground-breaking-report-future-culture>

Another significant funding source for the arts, screen and creative industries, The National Lottery, will be 25 years old this November. It continues to play a significant role in helping deliver activity across the whole of Scotland and the UK. To date there has been investment of nearly £40bn across all sectors supporting over half a million projects in the UK. This includes over £3bn in Scotland and just under 64,000 awards. For arts and screen in particular, this has included £432m made through 14,200 grants³.

The National Lottery has recently been under challenge from competition from other lotteries, particularly Society Lotteries. This has led to fluctuations and volatility in the income being generated and subsequently distributed. The recent impact on Creative Scotland has been a fall in income from The National Lottery of some £6million.

This is a significant issue. With approximately 86% of Creative Scotland's core unrestricted Grant-in-Aid funding allocated to the current Regularly Funded Organisations, the two remaining funding routes we offer (Open Project Funding and Targeted Funding) are largely only possible through The National Lottery.

There are concerted efforts being made by all National Lottery Distributors, with the operator Camelot, the Department of Digital, Culture, Media and Sport (DCMS) and the Gambling Commission, to address the challenges, uphold the principle of additionality at the heart of The National Lottery since its inception and ensure that The National Lottery can continue to enable brilliant things to happen in communities right across Scotland and the UK more widely.

European Union (EU) funding support to creativity is also likely to be impacted in the coming months and years. Following the EU referendum, Creative Scotland commissioned a report identifying EU funding for projects which were focused on, or linked to, the arts, screen and creative industries in Scotland across a ten-year period 2007 to 2016.

The report identified that a minimum of £23m of EU funding had been invested in Scotland's creative sectors in that period with 65% of the £23m coming from non-cultural programmes. The proposed UK Shared Prosperity fund, or an equivalent programme, will be needed to support development of the creative sectors if significant investment is not to be lost. This will be particularly felt by rural areas of Scotland where EU funding has been critical.

What are the main challenges for artists and cultural freelancers in obtaining funding in Scotland?

Most artists and cultural freelancers aim to be self-sufficient. The challenge is in earning a sustainable living and being able to grow careers within an environment that does not always make that easy.

³ [Source DCMS website https://www.lottery.culture.gov.uk/](https://www.lottery.culture.gov.uk/)

Public funding can be part of that equation and it is worth noting that nearly 5,500 jobs are supported through the Creative Scotland Regularly Funded Organisations network, most of which are employment opportunities for individual artists.

Many more opportunities are also supported through Targeted Funding (for example the [Youth Music Initiative](#) and the [Touring Fund for Theatre and Dance](#)), and through Open Project Funding (201 awards were made to individual artists and practitioners in 2018/19 and 292 awards to organisations, which in turn support many hundreds of artists through their projects).

However, Creative Scotland recognises that there are particular circumstances for individual artists and cultural freelancers and we will consider further how to simplify the application processes for them in order to reduce the barriers they face when attempting to access funding.

More generally, we are also looking to embrace digital solutions in helping simplify application processes for all applicants. For example, the use of online applications will not only help make it easier for many compared to current paper based systems but also support policy development and decision making through better capture and use of data, and greater transparency about where funding support is being delivered.

One key additional concern for individual artists and creative practitioners is their engagement with the tax and welfare systems. Within Scotland it was recently estimated that approximately 80% of artists earn less than £10,000 per annum through their artistic output, two thirds earning less than £5,000 and only 2% able to generate earnings over £20,000⁴ (far below the median wage for Scotland, which was £28,354 in 2017⁵).

The inevitable outcome of this is that artists require to make a living wage through alternative or part-time work. This can give rise to the often ambiguous employment status of artists, who can be simultaneously employed and self-employed, making it difficult for them to fit into both tax and social security legislation.

What measures could the Scottish Government take to ensure a sustainable level of funding for the arts?

We are encouraged by the direction of the draft Culture Strategy and its ambition to place culture as a central consideration across all policy areas. This will open up the understanding of culture and creativity as a contributor across society including health and wellbeing, the economy, education and reducing inequality.

It would also be helpful, given the contracting public purse, if there was greater clarity around local authorities' obligations in relation to funding for the arts. Local authorities are currently required to make 'adequate provision', however it is unclear what is expected in practice. If this provision was statutory then it would provide a firmer foundation for

⁴ https://www.creativescotland.com/_data/assets/pdf_file/0005/35672/Creative-Scotland-Arts-Strategy-2016-17.pdf

⁵ <https://sp-bpr-en-prod-cdnep.azureedge.net/published/2017/11/21/Earnings-in-Scotland--2017/SB%2017-80.pdf>

collaboration between local authorities and their creative and cultural partners, including Creative Scotland.

Further, we have observed that consideration of arts and culture across Community Planning Partnerships and related Local Outcome Improvement Plans remains comparatively limited. We would advocate that a stronger positioning for arts, culture and creativity within Community Planning would allow the cultural, social and economic benefits of funding to be more actively considered across localities. This would support the development of local cultural priorities; increase cross-policy working; and ultimately allow for a more holistic view on the importance of arts funding to be taken locally.

At a national level, we are grateful for the current level of Scottish Government support and investment through Creative Scotland. We have a unique position, combining development support for the arts, screen and creative industries and this is looked on positively by many arts organisations across the globe. But there is always more that could be achieved.

There are significant benefits being delivered with just under 0.2% of the Scottish Government budget.

The latest data from Regularly Funded Organisations (RFOs) and other sources for 2017/18 illustrates some of the impact from current investment:

- total audiences reached by RFOs of 8.8 million people
- nearly 5,500 jobs supported, most of which were employment opportunities for individual artists
- Creative Scotland investment helped leverage partnership income of some £275 million, and
- nearly ¼ million young people involved in Youth Music Activity.

Other examples of the economic benefits of creative activity are significant. For example, in a 2015 study of the Edinburgh Festivals, the economic impact was measured at £280m in Edinburgh and £313m in Scotland, representing a 19% and 24% increase on the figures reported in 2010⁶.

In a further report in 2018, it was reported that the Edinburgh Festivals spent £14.4m with Scottish based individuals and organisations on event production and creative talent during 2016-17, representing 46% of the Festivals' collective total expenditure.⁷

In a 2017 report, *Growing the Value for Music Tourism in Glasgow: Research Report and Promotional Plan*, it was estimated that the total value contributed by live music attendance in Glasgow was £159.7m in 2015 and that this was sustaining 1,141 full time jobs from 449,000 music tourists⁸.

⁶ https://www.edinburghfestivalcity.com/assets/000/001/964/Edinburgh_Festivals_-_2015_Impact_Study_Final_Report_original.pdf?1469537463

⁷ <https://www.edinburghfestivalcity.com/about/edinburgh-festivals-2018-research>

⁸ http://www.innerear.co.uk/wp-content/uploads/2018/06/Growing_the_Value_for_Music_Tourism_in_Glasgow_Report_and_Plan_by_Inner_Ear.pdf

We recognise the significant support that Creative Scotland receives through the Scottish Government. We also recognise that budgets will always be constrained. But we know that so much more quality and ambition could be supported were greater investment available through an uplift in Grant-in-Aid funding. This could unlock not only greater support for artists, but also for creativity across the whole of Scotland, generating long term cultural, social and economic value for the country.

How could Scotland be innovative in attracting greater funding for the arts?

How should public money be made available to support artists and cultural freelancers in Scotland, including any relevant international examples of best practice? (Combined response to both questions)

Given the increasing pressures on public funding, there is also a need to investigate new, additional, methods of funding support for arts and creativity such as crowdfunding, credit unions, social enterprise support and others. Creative Scotland is exploring the potential of these additional avenues and will promote good practice and opportunities which could further help artists and cultural freelancers in Scotland.

As outlined in previous evidence to the Committee, we are also currently reviewing our own approach to funding. We have planned engagement with stakeholders and the public about to take place through a number of events taking place across the country. There will also be an online opportunity to contribute for those who are unable to attend these events. We will be publishing details on how people can contribute shortly with the aim of finalising any new approach to future funding by the end of the year.

To help inform those discussions, we have commissioned research into international models of cultural funding and investment, reviewed previous consultations on the needs of the creative and cultural sectors, and analysed data on previous investment across the arts, screen and creative industries.

Summaries of the findings of this research will be published shortly ahead of the public events and online engagement.

The research has highlighted that the funding model that has served agencies in many countries and the sectors they represent reasonably well over the last seventy years is now struggling to accommodate and reflect the scale, complexity and diversity of our contemporary cultural ecology, its audiences and methods of cultural consumption. Each country is responding to the unique policy context and the skills and resources of its own cultural landscape.

Another key factor the research has highlighted is a wider worldwide technological context that funding approaches increasingly need to respond to. In particular:

- the significant current and future impact of technology on cultural production and consumption
- the resulting unprecedented changes in relation to population behaviour, workforce patterns and use of technology
- the impact of technology on the population's talent and skills, and
- the need for all cultural funding to respond to those changes to keep in step with both the current world, and where audiences will be, in 5-10 years.

Through this research, we are also aware of examples of international practice which include: a funding model from Brazil which is based on a 1.5 percent payroll-tax levied on Brazilian tertiary sector firms (and every employee and their family is offered a free subscription to the regional arts and social centre); an example from Canada where the British Columbian local government pledged to double the budget for arts and culture in order to help respond to the major shifts in digital technologies; a Norwegian approach which offers a basic income for artists guaranteed for 10 years, and in some cases for life; an approach in the Republic of Ireland where there is a tax exemption that allows the profits made from the sale of artistic work to be exempt from income tax subject to a maximum permitted amount of Euro 50,000; and an approach in Sweden and Denmark that ensures the number of cultural venues is linked to population numbers.

We will be exploring these ideas further to gain a better understanding and assess their potential for development here.

What factors should be considered and how should decisions be made about which artists or cultural freelancers should obtain public funding in Scotland?

As mentioned earlier in this response, in reviewing and refreshing approaches to funding (and the factors used in decision making) we recognise the importance of engaging, and taking into account, the views of stakeholders and the public.

In addition, public funding programmes for creativity in Scotland should also respond to the National Performance Framework, the national priorities of the draft Culture Strategy, and the strategic direction taken by each funding organisation.

There are inevitable tensions between demand, quality and available funding and these are not particular to Scotland but are similarly felt worldwide. Without a significant increase in the resources available, there are no easy international solutions to resolving that tension that would be simple to adopt in Scotland. However, involving people in process design and delivery of funding programmes and engaging peer review in decision making, seem key components in a funding approach which is delivered in a fair, consistent and transparent way.

Appendix 1: Overview of the landscape for arts funding in Scotland

Traditionally funding for the arts comes from three primary sources – namely public grant funding; self-generated income; and more general fundraising/philanthropy. In Scotland, this includes:

Public funding through national and local Government

- Scottish Government directly fund agencies responsible for preserving and promoting Scotland's arts, culture and heritage (Creative Scotland; Historic Environment Scotland; the four agencies making up the National Collections of Scotland (National Galleries of Scotland, National Museums Scotland, National Library of Scotland and National Records of Scotland) the five National Performing Companies (National Theatre of Scotland, the Royal Scottish National Orchestra, Scottish Ballet, the Scottish Chamber Orchestra and the Scottish Opera) and the Scottish Library and Information Council; and Museums Galleries Scotland.
- Creative Scotland distributes Scottish Government (and The National Lottery) funding to the arts, screen and creative industries.
- Other public agencies (including some of those listed above) in turn operate funds for specific activity – i.e. Museums Galleries Scotland operate funds for their community; National Museums Scotland operate the National Acquisitions Fund; Historic Environment Scotland also operate funding programmes.
- Additionally, the Scottish Government directly funds activities of key strategic priority – including the Festivals EXPO Fund, and Youth Arts (the Youth Music Initiative; CashBack for Creativity; Time to Shine; Sistema) and other specific projects which are handled directly.
- Local authorities also fund the arts and cultural provision at a local level.
- Other public agency funding – for example skills agencies offering activity which supports those working in the creative sector wishing to develop their skills; other public sector partners working in related sectors (education, tourism, environment)

Public funding through the National Lottery

In addition to Creative Scotland National Lottery funding for the arts, screen and creative industries, National Lottery funding through other distributors includes some grants for community focussed arts/cultural activity coming through the National Lottery Community Fund (formerly the Big Lottery Fund) and heritage/culture (through the National Lottery Heritage Fund). Other lottery providers (such as the People's Postcode Lottery) have also entered the market and offer some support for arts/cultural activity. However, this has also brought fresh competition to the income from players for the good causes The National Lottery supports.

Self-generated Income and business sponsorship

Sources include:

- Self-generated income from general business operations (i.e. sales of products; ticket sales; venue hire; bar, catering and retail)
- Business/private sector sponsorship – noting that Scottish Government match funding scheme for business sponsorship is on offer through the Culture and Business Fund managed by Arts and Business Scotland.

General fundraising and philanthropy

Sources include

- More general fundraising, philanthropy and development initiatives
- Funding from charitable trusts and foundations
- Crowdfunding