

Document 1

What	Regular meeting with Creative Scotland (CS) to discuss their work.
Where	MS Teams
When	16:00- 16:45, Tuesday 13 June 2023
Key Message(s)	<ul style="list-style-type: none"> • Welcome opportunity for an initial meeting between the Minister and Creative Scotland • Would like to explore further CS' use of all funding available to them to support the sector at this time.
Who	<ul style="list-style-type: none"> • Robert Wilson, Chair, CS • Iain Munro, Chief Exec, CS
Why	<p>This is an opportunity to:</p> <ul style="list-style-type: none"> • Discuss the state of play in the culture sector • Discuss how CS and SG can work together to support the sector. • Further discuss with CS about their use of National Lottery Funding to support the sector.
Supporting officials	Attendees: Penelope Cooper [redacted] [redacted]
Briefing contents	<p>Annex A: Agenda and Summary of Meeting</p> <p>Annex B: Culture sector funding & lines to take</p> <p>Annex C: Fair Work First</p> <p>Annex D: Letter from CS Chair to Cabinet Secretary on use of National Lottery reserves</p>

AGENDA AND SUMMARY OF MEETING

AGENDA

- 1 Introductions – this will be the first meeting that Ms McKelvie will have had with CS.
- 2 Funding for the culture sector
- 3 State of the culture sector
- 4 Supporting the culture sector during this period of crisis – evidence of state of culture sector and how best to support the sector going forward.

SUMMARY OF MEETING

Purpose of Meeting

The Cabinet Secretary and Minister last met the Chair and Chief Executive of CS on 21 March. This meeting covered – budget context, support for the culture sector, cross portfolio working and the use of CS National Lottery Reserves.

Today's agenda gives the Cabinet Secretary and Minister the opportunity to discuss the state of play in the culture sector and the impact of the public spending constraints on CS' work and possible actions required, particularly public sector reform and to discuss how CS intend to use their national lottery reserves to support the sector.

2 Funding for the culture sector

CS in their evidence to the Constitution, Europe, External Affairs and Culture Committee noted that even with standstill funding for 2023/2024 a quarter to a third of their 120 Regularly Funded Organisations (RFOs) are at risk of collapse in the months ahead. They have estimated that if there is no increase in funding in future years no more than 60 out of the 120 RFOs will be funded.

This agenda item gives the Cabinet Secretary the opportunity to ask CS about their understanding of the state of the culture sector and request again further hard evidence of the funding required to support the culture sector.

At the previous two meetings the Cabinet Secretary asked for this information from CS. This information is still to be forthcoming – CS are indicating that they would require SG analytical resource to support this.

CS and SG officials have established a short life working group looking with the aim of supporting further operational reform in CS and demonstrating to Senior Civil Servants how CS is making efficiency savings. The first meeting of this group is scheduled to take place on 10 July.

3 Supporting the culture sector during this period of crisis

This agenda item allows the Cabinet Secretary and Minister the opportunity to explore with CS how they propose to use all the funding available to them, both National Lottery and grant in aid funding from SG to support the sector.

The Cabinet Secretary or Minister may wish to explore with CS why they consider the current proposed use of their National Lottery reserves is a project and how their proposals fit with the principles agreed between SG and CS on use of National Lottery Funding.

It also offers the opportunity to reiterate that CS and SG need to work together to support the sector whilst respecting CS' role in representing the sector.

The Cabinet Secretary was asked a supplementary question from Beatrice Wishart MSP on 17 May about how best can the Scottish Government work with local communities to ensure that rural and island areas continue to attract artists, productions and events to their areas. He answered that he would flag the concerns raised by Beatrice Wishart MSP to CS at the next meeting with CS.

CULTURE SECTOR FUNDING & LINES TO TAKE**BACKGROUND**

Officials have been open with CS about the Accountable Officer(AO) process for releasing funding. We provide £3.87m per year to CS for wages and salaries and a further £1.9m for core operating costs. We have released through the AO Process up to 17 May 2023:

- £35.762m for their Regularly Funded Organisations (RFOs) for 2023/2024. This includes £6.6m that was announced by the DFM at stage 3 of the Budget Bill on 21 February 2023;
- £9.5m for Youth Music Initiative;
- £1.8m for Expo;
- £0.5m for Festivals PLACE funding;
- £0.2m for Festivals Edinburgh core operating costs; and
- £7.25m for Screen Scotland

We have not released any funding for Culture Collective (£1.5m) and are holding back £0.5m of PLACE funding.

[redacted]

LINES TO TAKE

- We appreciate that Ministers cannot direct how you spend your national lottery reserves but would want to continue to work closely with you in ensuring that all funding is best utilised to support the sector.
- We are keen to explore with you how your proposed use of your National Lottery reserves meets the principles which were agreed by CS and SG and are set out in the appendix to your National Lottery accounts on a yearly basis.
- We are concerned that your proposals for the National Lottery reserves would not fall within the definition of a project under section 34(2A) of the National Lottery etc Act 1993.
- How do your proposals fit in with the principle of additionality as set out in the directions agreed by CS and SG?

FAIR WORK FIRST

Background

- The Minister for Just Transition, Employment & Fair Work, and the Minister for Green Skills, Circular Economy and Biodiversity announced on 6 December 2022¹ that all grants awarded from 1 July 2023 will include conditionality requiring grant recipients to pay at least the real Living Wage (rLW), and provide appropriate channels for effective workers' voice, such as trade union recognition. This conditionality applies to:
 - all directly employed staff of the grant recipient
 - any workers who are not directly employed but are directly engaged in delivering the grant-funded activity, whether they be sub-contractors or agency staff
- Ministers or the relevant public body/agency may apply limited exceptions to provide funding to organisations who cannot pay the real living wage or who cannot offer effective voice in order that the measure is proportionate. SG has published guidance on the new requirements².

Implication of Fair Work First for CS

- CS are keen that Fair Work First requirements apply to all grants they administer whether this be using SG funding or National Lottery Funding to avoid confusion amongst grant recipients; however, have raised a number of concerns regarding the implementation of Fair Work First.
- [redacted]

[redacted]

- [redacted]
- [redacted]
- [redacted]

¹ Grants link to boost Fair Work - gov.scot (www.gov.scot)

²www.gov.scot/publications/fair-work-first-guidance-2/

**LETTER FROM CS TO CABINET SECRETARY RE USE OF NATIONAL
LOTTERY RESERVES**

Angus Robertson MSP
Cabinet Secretary for Constitution, External Affairs and Culture
The Scottish Parliament
Edinburgh
EH99 1SP

18 April 2023

Dear Cabinet Secretary

CREATIVE SCOTLAND NATIONAL LOTTERY RESERVES

Thank you for your recent letter. At the outset, I would like to extend my warm congratulations on your reappointment as Cabinet Secretary for the Constitution, External Affairs and Culture. The Creative Scotland team and I are delighted to know we will continue to work with you, along with our new Minister, Christina McKelvie, whom I look forward to meeting in due course.

I understand and agree with your desire to see culture and creativity properly supported in this challenging economic context. You are aware of Creative Scotland's ongoing work to support the sector, which includes important changes to our funding framework so that the model of support continues to reflect changes in the wider economic, policy and international contexts.

The use of National Lottery Distribution Fund (NLDF) Reserves has been fully discussed by the Creative Scotland Board within the framework of the strategic guidance you have set for us. We have deliberately built up those reserves over the last three years to enable us to deliver our refreshed funding framework, particularly the new Multi-Year (MY) funding model.

I want to explain why our National Lottery reserves have been earmarked to support the transition from the current "Regularly Funded Organisations" (RFO) model to the new Multi-Year model, whilst ensuring the ongoing financial sustainability of our operations.

We are immensely grateful that the restoration of our grant-in-aid budget for 2023-24 will enable us to maintain, in flat cash terms, the support we currently offer to our portfolio of Regularly Funded Organisations. However, the current and expected funding context means that in future we will not be able to support as many organisations sustainably on a multi-year basis as we do currently. As a result, the availability of funds to support organisations to transition out of current regular funding support will be essential if we are to minimise sectoral damage.

Whilst I appreciate that you are keen to see National Lottery reserves deployed now, it is my view and that of the Creative Scotland Board that to do this would not be responsible in the current context or in the longer term. This is especially true considering the ongoing uncertainty around certain aspects of Creative Scotland's budget from the Scottish Government.

I hope that this letter will serve to allay any concerns you may have by clearly explaining the timing and purpose of transition funds and the relationship between our NLDF Reserves and Grant in Aid budgets.

Timing of transition funding

Your letter suggests that our plan for the reserves means they will not be used for "at least the next two financial years". This is not the case. Commitment to transition support will begin later this year (from February) when the first stage of the new MY funding is complete and is likely to see some existing funded organisations informed that they will not benefit from the new funding programme. The financial profile of this will be determined by the outcome of the assessments and decisions made at that time.

The Board has therefore taken the necessary steps to allocate reserves to this priority as part of its 2023/24 budget planning, which will continue as part of 2024/25 when the second stage of Multi-Year decisions are taken, and further organisations require transition support. It is therefore already clear that allocating reserves to other spending right now would not leave sufficient time to replenish the funds required for transition, prior to them being needed.

National Lottery Reserves and Grant in Aid budgets

Our NLDF reserves are not the result of additional Scottish Government funding during the pandemic. In fact, Creative Scotland made use of some of those National Lottery reserves to supplement COVID-19 funding support, through boosting the Bridging Bursaries Funds for example, and enhancing our Targeted Funds. Neither have the most recent budget decisions by the Scottish Government led to an increase in reserves. The announced reversal of the originally proposed reduction in Grant-in-Aid for 2023-24 has enabled reserves levels to be maintained.

From the outset, we have been planning to use NLDF reserves to support the transition to the new funding framework. The need to allocate reserves to Multi-Year transition has been made more acute by the lack of budget certainty from the Scottish Government, particularly beyond the 2023/24 budget year. The plans for the new Multi-Year programme, which have been developed directly in response to sector feedback, and reflect the Scottish Government's strategic priorities, have already been modified in the context of a continued standstill GiA position from the Scottish Government (which represents a significant real-terms cut), with future cuts to this funding a continuing possibility.

In addition, the current Scottish Government approach to release of 2023/24 budgets, with our full allocation for the year not likely to be known before September at the earliest, negatively impacts the most effective delivery and adds further uncertainty and risk.

In this funding and operating environment, the Board firmly believes it is prudent and responsible to maintain the current position regarding National Lottery reserves allocation.

Purpose of transition funds

National Lottery reserves are being allocated to support organisations unsuccessful in their applications to the new Multi-Year funding programme. They are intended to help organisations which need to exit completely from current regular funding support. This would be a significant and potentially irrecoverable financial shock to many organisations if no transition arrangements were provided. The support will enable them to consider restructuring to more sustainable business models, and expect that this may result in merger, downsizing or, in some cases, closure and reduced public benefit.

Transition funding also supports our strategic priorities. The original intention of the new Multi-Year programme was to diversify and bring more organisations into receipt of regular and sustainable funding. It intends to support organisations that have strong plans to deliver against our strategic priorities of International, Fair Work, Sustainability and the Environment, and Equality, Diversity, and Inclusion. We anticipate applications requesting up to £60m annually and are facing a current best-case scenario of standstill grant-in-aid funding of £34m. Transition funding financed by NLDF reserves is therefore necessary to enable us to respond to the negative outcomes and impacts of this and maximise opportunities for strategic development.

Conclusion

Finally, I return to the principles, including additionality, upon which our decisions relating to National Lottery funding must be based. Our allocation of NLDF Reserves is in line with those principles. We appreciate the pressures on public finances but have no indication that the Scottish Government will provide what we view as essential funding in support of an orderly transition or closure for those no longer able to be supported through sustained Grant-in-Aid. That being the case, we have concluded that the National Lottery reserves should continue to be allocated to this priority. At the same time, the Creative Scotland Board will continue to keenly observe the wider environment and keep our current plans under review so that we can take well informed decisions.

I hope you have found this letter helpful in further setting out our approach and rationale for the use of our National Lottery reserves.

Yours sincerely



Robert Wilson
Chair

Document 2

From: [redacted]

Sent: 06 June 2023 16:11

To: 'cabsecforceac@gov.scot' <CabSecforCEAC@gov.scot>; Minister for Culture, Europe & International Development <MinisterforCEID@gov.scot>

Cc: [redacted] <[redacted]@gov.scot>; Director of Culture and Major Events <Directorofcultureandmajorevents@gov.scot>; Baird L (Lisa) <Lisa.Baird@gov.scot>; [redacted] <[redacted]@gov.scot>

Subject: Briefing: Cab Sec & Minister Quarterly Meeting with Creative Scotland - 13 June

Good afternoon,

Please see attached the briefing for the Cab Sec & Minister's quarterly meeting with Creative Scotland on 13 June.

Creative Scotland 2023 - Briefing - Cab Sec & Min meet Chair & CEO - 13 June
2023 details - Objective ECM

Kind regards,

[redacted]

[redacted] | Policy Officer [redacted] | Sponsorship and Funding Branch | Culture and Historic Environment Division | Scottish Government



Document 3

Note of Meeting: Creative Scotland Quarterly Meeting with Cabinet Secretary and Minister – Virtual – 13 June 2023 16:00-16:55

ATTENDEES:

Creative Scotland (CS):

- Robert Wilson - Creative Scotland Chair
- Iain Munro - Creative Scotland CEO

Scottish Government (SG):

- Angus Robertson - Cabinet Secretary for the Constitution, External Affairs and Culture (Chair)
- Christina McKelvie - Minister for Culture, Europe and International Development
- Penelope Cooper - Director of Culture and Major Events
- [redacted]
- [redacted]
- [redacted]
- [redacted] (Minutes)

ACTIONS:

1. CS to keep SG updated on instances of culture organisations at risk and evidence of what is needed to avoid them.
2. Officials to work with CS to finalise the international comparators paper.
3. CS/Screen Scotland to work with officials on scoping promotional opportunities in US.

NOTE OF MEETING:

Introductions: Robert Wilson welcomed the Minister to her new role and looked forward to working with her.

General Update

By way of introduction, Iain Munro summarised his concerns for the culture sector and Creative Scotland which he also outlined at the Culture Committee on Budget Scrutiny on 18 January 2023. Points included the cost crisis, energy crisis, reserves and multi-year funding Trusts and foundations are also in a difficult financial position, although many have reaffirmed their position that they wish to help.

Local Authorities

Iain Munro also set out the pressures coming from local authorities (LAs), leading to an erosion of a local culture strategy particularly where there is no capacity in local cultural officers. Some LAs are pulling back from culture funding, for example Howden Park Centre in West Lothian. CS were due to publish an analysis of their

relationship with LAs before the pandemic. This was delayed and CS are looking to update and refresh their analysis.

Cab Sec agreed that there are signs of some LAs walking away from cultural responsibilities and then waiting for SG to step in, noting Sistema as an example.

Multi Year Funding

CS emphasised the importance of multi-year funding arrangements and are looking to help organisations through the transition for the new funding regime, starting at the end of July 2023 and all the way through to 2024 with the new regime beginning in April 2025. CS will however be funding fewer organisations because of inflationary cost increases. CS understand the SG concerns regarding national lottery **reserves**, and plan to use them to help with current challenges.

Comparison Spending

Draft analysis has been sent to SG officials showing European neighbours are funding much more than in the UK.

Social Prescribing

The Minister has had discussions about the value of culture with the Wellbeing Board and will be continuing with the culture and convenors meeting soon. The Minister would be happy to raise the concerns CS has in these discussions with COSLA.

Screen

Iain Munro flagged up the success and potential of the screen sector, supported by the funding released for the current financial year.

International

CS is hosting a number of international delegations over the coming months. A delegation from Norway is coming in August and separately Baltic and Nordic delegations are attending Celtic Connections as part of a UK-wide conversation on culture.

Cab Sec emphasised the importance of screen connections to the US, making the most of well-known Scots to showcase and advocate for Scotland's thriving film sector.

END

Next Meeting: TBC

Date of Minutes: 16.06.2023

Document 4

From: [redacted] <[redacted]@gov.scot> **On Behalf Of** Minister for Culture, Europe & International Development
Sent: 28 June 2023 18:06
To: [redacted] <[redacted]@gov.scot>; Cabinet Secretary for Constitution, External Affairs & Culture <CabSecforCEAC@gov.scot>; Minister for Culture, Europe & International Development <MinisterforCEID@gov.scot>
Cc: [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; Lisa Baird <Lisa.Baird@gov.scot>; Director of Culture and Major Events <Directorofcultureandmajorevents@gov.scot>
Subject: RE: Note of Meeting: Creative Scotland - Cab Sec - Minister - Quarterly Catch Up - 13 June

This email is for the official record and confirms a Ministerial Decision. This email must be placed in the official record (eRDM) by your team in line with SG records management policy.

Hi [redacted]

Ms McKelvie is content with the readout for her interests.

Many thanks

[redacted]

[redacted] | Private Secretary,
Office of Minister for Culture, Europe and International Development, Christina McKelvie

[redacted] | www.gov.scot | [redacted]

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From: [redacted] <[redacted]@gov.scot>
Sent: Friday, June 23, 2023 1:22 PM
To: Cabinet Secretary for Constitution, External Affairs & Culture <CabSecforCEAC@gov.scot>; Minister for Culture, Europe & International Development <MinisterforCEID@gov.scot>
Cc: [redacted] <[redacted]@gov.scot>; [redacted] <[redacted]@gov.scot>; Lisa Baird

<Lisa.Baird@gov.scot>; Director of Culture and Major Events

<Directorofcultureandmajorevents@gov.scot>

Subject: Note of Meeting: Creative Scotland - Cab Sec - Minister - Quarterly Catch Up - 13 June

Good afternoon,

Apologies for the delay, please see attached the note from the Cabinet Secretary and Minister's quarterly catch up meeting with Creative Scotland on 13 June.

Creative Scotland 2023: Note of Meeting - CS Quarterly meeting with Cab Sec and Minister 13 June details - Objective ECM

Kind regards,

[redacted]

[redacted] | Policy Officer [redacted] | Sponsorship and Funding Branch | Culture and Historic Environment Division | Scottish Government

