1. **Scottish Government Budget 2021-22**: The Committee will take evidence on the Scottish Government's Budget 2021-22 from—

   Fiona Hyslop, Cabinet Secretary for Economy, Fair Work and Culture,
   David Seers, Head of Sponsorship and Funding, Culture and Historic Environment Division, and Jennifer Watson, Team Leader, Resource and Capital Investment, Scottish Government;

   Linda Sinclair, Director of Corporate Services and Accountable Officer, National Records of Scotland.

2. **EU-UK trade and co-operation agreement**: The Committee will take evidence from—

   Elspeth Macdonald, Chief Executive Officer, Scottish Fishermen’s Federation;

   Jimmy Buchan, Chief Executive Officer, Scottish Seafood Association.

3. **Consideration of evidence (in private)**: The Committee will consider the evidence heard earlier in the meeting.

4. **Work programme (in private)**: The Committee will consider its work programme.
The papers for this meeting are as follows—

**Agenda item 1**

Note by the Clerk
PRIVATE PAPER
CTEEA/S5/21/5/1
CTEEA/S5/21/5/2

**Agenda item 2**

Note by the Clerk
PRIVATE PAPER
CTEEA/S5/21/5/3
CTEEA/S5/21/5/4

**Agenda item 4**

PRIVATE PAPER
CTEEA/S5/21/5/5
Culture, Tourism, Europe and External Affairs Committee

5th Meeting (Session 5), Thursday 11 February 2021

Scottish Government Budget 2021-22: Culture

Note by the Clerk

Introduction

1. The draft Scottish Government's Budget 2021-22 was published on 28 January 2021. The Culture, Tourism, Europe and External Affairs Committee has responsibility for scrutinising the budget on issues within the remit of the Committee. The budget can be found here: https://www.gov.scot/publications/scottish-budget-2021-22/.

2. As part of the Committee’s ongoing scrutiny examining the impact of the COVID-19 pandemic on the culture and tourism sectors, the Committee has taken evidence from a range of stakeholders since April 2020. The Committee’s pre-budget scrutiny focused on the impact of COVID-19 on the culture and tourism sectors.

3. On 4 November 2020, the Committee wrote to the Cabinet Secretary for Economy, Fair Work and Culture to set out some of the key issues the Committee considered should be addressed with regard to the 2021-22 culture budget allocations. This letter is provided in Annexe A.

4. On 28 January 2021, the Cabinet Secretary responded to the Committee. The letter is provided in Annexe B.

Evidence session

5. The Committee will take evidence, via video conference, from—

- Fiona Hyslop MSP, Cabinet Secretary for Economy, Fair Work and Culture;
- David Seers, Head of Sponsorship and Funding, Scottish Government;
- Jennifer Watson, Team Leader, Resource and Capital Investment, Scottish Government, Scottish Government;
- Linda Sinclair, Director of Corporate Services and Accountable Officer, National Records of Scotland.

Supporting Information

6. At the last evidence session on the impact of COVID-19 on the Culture sector, on 28 January 2021, the Committee took evidence from representative
organisations and trade unions. The Official Report from that meeting is available at—

7. Further information on the Committee’s scrutiny of the impact of COVID-19 on the culture sector is available at—

8. Creative Scotland have provided a written submission to support the Committee’s budget scrutiny and is available in Annexe C.

9. A SPICE paper providing context to the evidence session is provided in Annexe D.

10. For information, SPICE briefings on the 2021-22 budget allocations for Europe and External Affairs and for Tourism are available in Annexe E.

Laetitia Jan
Assistant Clerk
Culture, Tourism, Europe and External Affairs Committee
8 February 2021
Correspondence from the Convener to the Cabinet Secretary for Economy, Fair Work and Culture of 4 November 2020

Dear Cabinet Secretary,

The Committee recognises that the public health emergency creates significant volatility and uncertainty in the public finances. In addition, the postponement of the UK Government’s Autumn Statement makes the process of budget setting and scrutiny more challenging. As you will be aware, the Committee adjusted its work programme to take into account the impact of the COVID19 pandemic on the culture and tourism sectors, launching an ongoing inquiry in April. As a consequence, the Committee has agreed to focus its pre-budget scrutiny on issues related to the pandemic.

This letter sets out some of the key issues identified in evidence from the culture sector which we believe should be factored into the setting of the 2020-21 Scottish budget. A summary of the oral evidence, and accompanying background information, taken by the Committee has been produced by SPICe and is provided in an annex to this letter.

Venues and arts spaces

On 27 August 2020, the Committee held an evidence session with representatives from some of Scotland’s venues and art spaces.

Audiences and re-opening

Witnesses highlighted the difficulties associated with re-opening at significantly reduced capacity. For example, Nick Stewart from the Music Venue Trust noted that a 100-person capacity venue could be restricted to as few as 12 customers under social distancing rules. The loss in income as a result of reduced capacity is further compounded by a hit to consumer confidence because of safety concerns. As Alex McGowan, Executive Director of the Citizens’ Theatre explained in evidence to the Committee—

“Even beyond the end of social distancing—let us imagine that it disappears at the start of the new financial year—it will take quite some time for audiences to have the confidence to return to venues, galleries and museums.”

The Committee has welcomed Scottish Government initiatives such as the Performing Arts Venues Relief Fund but we believe that a longer term approach is needed to help venues and art spaces through this difficult period. Furthermore, the Committee would also emphasise that many venues, particularly music venues, are commercial operations, whilst recognising the support that has been made available via Creative Scotland, nevertheless such venues remain in a precarious position. They

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1 CTEEA, Official Report, 27 August 2020, Col: 11
2 CTEEA, Official Report, 27 August 2020, Col: 13
nonetheless play an important role in supporting artists and emerging talent and the Committee recommends that further consideration be given to supporting venues in the 2021-22 budget.

As a consequence of Covid-19, many cultural activities will need to be adapted so they can be done safely. This has meant many activities moving online. The advantage of this approach is that it allows venues to make some additional revenue irrespective of reduced capacity. However, in evidence the Committee heard that these kinds of initiatives were not well supported. As Nick Stewart from the Music Venue Trust stated in his evidence to the Committee—

“One reason why live music streams have been so hard to sell is that quality has been so poor across the board. That reinforces the point that it is great to get back to live performances. “If there could be funding to ensure better production for digital performances, and it went directly to musicians and technicians, that would be fantastic.”

While the introduction of these kinds of initiatives will not necessarily save venues in Scotland from closure it does represent an innovative means by which venues can bring in some revenue and hopefully offset some of the financial impact of the pandemic.

For the reasons outlined above, the Committee would be interested to know how the 2021-22 budget will—

- Support venues and art spaces to continue to adapt to reductions in capacity;
- Encourage consumers to participate in cultural activities safely; and
- Support initiatives which will help venues generate income where lockdown restrictions make normal operating impossible.

Strategic long-term funding for the culture sector

In evidence with venues, the Committee explored the possibility for Covid to have long term damaging effects on the sector. Many of these concerns are reflected in the report of the Advisory Group on Economic Recovery which recommends the sector protect and adapt strategically important physical cultural infrastructure, with a strong link to skills.

With regards to the longer-term implications of the pandemic and economic recovery, the Committee discussed two key issues with cultural stakeholders. The first was in relation to the loss of human capital and the challenges associated with the loss of specialised professions that often play a key role within a supply chain. For example, within the festivals sector it was noted by witnesses that there are only one or two suppliers in the country that have the capability to do things such as rigging largescale outdoor arenas and sets.

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3 CTEEA, Official Report, 27 August 2020, Col: 29, 30
The second issue is the loss of venues. In evidence to the Committee, Nick Stewart from the Music Venues Trust commented that if grassroots music venues were to be lost, it would be unlikely that they would be re-opened as music venues.

In discussions with stakeholders, the Committee has explored a number of options for future funding for the culture sector, which would focus on longer term sustainability. Some stakeholders emphasised the need for more targeted funding which would be highly differentiated for specific areas. Others argue that a wider strategic approach to funding streams should be adopted whereby key players would be identified and supported to ensure the long-term health of the sector in specific areas. As Julia Amour from Festivals Edinburgh noted in her evidence to the Committee—

“We must think about how we might create a pipeline of creative content, production and participation to ensure that we have a core of cultural strength that will still be intact in 2021-22 when the sector tries to help society to emerge from the crisis. We have been advocating an open approach to allocating the funds, rather than having small pots that are dedicated to specific purposes, so that, when people make their applications and their cases for what part they play in the system, there can be portfolio decision making about how the funds, which will not be enough to save every job or every organisation, are used.”

One of the central themes of the Committee’s recent report into arts funding was the need to work across portfolios to secure a baseline target for national arts funding and a long-term strategy for protecting Creative Scotland’s budget from fluctuations in National Lottery income.

It is unfortunate that the implementation of the culture strategy has been disrupted because of the pandemic. However, the pandemic has brought many of the issues relating to the longer-term sustainability of the sector to the fore. While the Committee is not in a position to recommend what model of support should be introduced, it is clear that without a concerted intervention on the part of the Scottish Government the demand for support will continue to outstrip supply. The Committee notes, for example, the recent reports regarding support for live venues administered by Creative Scotland. We understand that 348 applications for support were made by venues totalling £22m but only £15m in funding was available.

With the extension of your portfolio, which now encompasses economy, fair work and culture, we would encourage the Scottish Government to consider how the Culture Strategy might be adapted to provide a more resilient, longer term package of support for the sector. By leveraging in support from Scotland’s enterprise agencies and taking a cross cutting approach, which considers the wider benefits of cultural activity, Scotland could mitigate damage to the sector and emerge more robust and sustainable.

As the report of the Advisory Group on Economic Recovery acknowledges:

“A significant proportion of the workforce are either freelance or gig economy workers, who will struggle to find or maintain jobs in the post-crisis period. Yet
the sector can play a big part in our recovery, attracting visitors and investment alike once the present restrictions are lifted, and helping to build both confidence and resilience for the future.”

The Committee remains optimistic about the future of the sector but also recognises the significant impact that the pandemic has had and is already resulting in a significant degree of realignment within the sector, for example, to delivery of culture via online platforms. The Committee considers that the cultural sector will have a significant role to play in society’s recovery from the pandemic. In order to facilitate that process, the Committee recommends that the Scottish Government should undertake a strategic assessment of the skills needs of the sector in a post-Covid-19 environment.

Accordingly, the Committee requests information on how the 2021-22 budget will:

- Support the aspirations of the Culture Strategy, taking into account the impact of the pandemic;
- Work across portfolios and enterprise agencies to provide a more strategic package of support for the sector;
- Invest in human capital and skills; and
- Provide capital support to ensure artists and audience the means to engage in cultural activity.
- Support those within the industry to adjust to the impact of Covid-19.

Creative Scotland

Since March, the Committee has received regular updates from Creative Scotland and has been impressed with the steps taken by the public body to support Scotland’s culture sector during this difficult period. The Committee will continue to monitor progress and intends to take evidence from the organisation in due course. To support the Committee’s scrutiny in this area, we would appreciate further details regarding Creative Scotland’s budget for the 2021-22 financial year, including funding being provided to respond to the pandemic, and an overview of how the Scottish Government is working with Creative Scotland to help the sector survive and recover from the pandemic. The Committee recognises that Creative Scotland has been tasked with delivering new funding streams within extremely short timescales in response to the pandemic. The Committee requests details of what assessment has been made of the capacity to deliver this support and details of how the 2021-22 budget will support Creative Scotland in delivering these new areas of activity in response to the pandemic.

Screen Scotland

The Cabinet Secretary will be aware of the Committee’s longstanding interest in the screen industry, including the publication of our report: “Making Scotland a Screen Leader” in 2018. Despite the challenges facing the industry because of the pandemic, Scotland’s screen sector has shown steady growth in recent years, bolstered by the introduction of the new BBC Scotland channel and work of the national screen agency,
Screen Scotland. Scotland enjoys a wealth of on and offscreen talent and there remains huge potential for the industry to grow and becoming a real driver for the Scottish economy. If Scotland is to maintain this momentum however, the national screen agency will require sustained funding. **We therefore request details of the financial plans the Scottish Government has for Screen Scotland in the upcoming financial year and whether funding will be maintained at current levels.**

**Cultural Freelancers and Job retention**

In recent evidence to the Committee, representatives from Scottish production companies highlighted the role cultural freelancers play within the culture sector. In response to questions about the impact COVID19 is having on the sector, Claire Mundell, Director of Synchronicity Films, stated that—

"Covid has been devastating for the freelance community. There are many crew members who have not earned a penny for six months. That will change the shape of the talent base here—some people will leave the industry, because no one wants to be exposed to that level of risk again."

In evidence with venues, the Committee explored how freelancers have fared accessing funds. The UK Government’s Self-Employment Income Support Scheme and Scottish Government sector-specific funds could be accessed by freelancers, however the panel identified gaps in support. For example, Julia Amour, Director, Festivals Edinburgh, stated in evidence—

"There is a huge range of schemes that some people have been able to draw on. However, there are also significant gaps that have badly affected some people—particularly individuals who have a mixed economy of work, which is common in this sector and means that, for example, they have a slightly more than half-time position with a venue or a performing company and will make up the rest of their income through freelance work. They fall between the stools in terms of their ability to apply for the self-employed grant or the furlough assistance. That is a great worry to a lot of us in the system, because we cannot function without that pipeline working well."

*Given the vital role freelancers play within the creative industries in Scotland, it is imperative that some form of additional financial support be made available to this group to avoid lasting damage to the sector. The committee would therefore welcome any further sector specific support for culture in the 2021-22 budget which would help to safeguard jobs, particularly those of freelancers.***

**Youth Music Initiative**

The Committee’s letter of 19 October 2019, regarding the 2020-21 budget highlighted the importance of participation in cultural activity and the disparity in participation levels between certain demographics. Scotland’s Youth Music Initiative (YNI) is an

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5 Culture, Tourism, Europe and External Affairs Committee, OR, 8 October 2020, Col: 6
6 CTEEA, Official Report, 27 August 2020, Col: 11
excellent example of how to improve cultural participation by providing young people with the opportunity to access music. The Committee has welcomed the announcement of an additional £3m to support youth arts and ensure creative opportunities for children and young people across Scotland despite the COVID-19 pandemic. However, the Committee is aware of a steady reduction in funding over consecutive years. The YMI is particularly important for traditional music, as attested by the fact that half of Scotland’s local authorities support traditional music projects through the YMI Formula Fund.

Despite the additional funding allocated to supporting young people the Committee remains concerned that, even with this modest increase, this level of financial support will not be sustained in next year’s budget, and that the original ambition of the YMI to ensure that every school pupil in Scotland should receive a year of free music tuition before they leave primary school could be eroded. The Committee therefore encourages the Cabinet Secretary to consider if a portion of the 2021-22 budget could be ring fenced to adequately support this initiative.

Heritage

Support for the heritage sector

On 3 September 2020 the Committee took evidence from representatives of the heritage sector. Like many areas of the Scottish economy, the heritage sector has remained either closed or partially closed for much of 2020. Alex Paterson, Chief Executive of Historic Environment Scotland (HES) stated in evidence that over 60% of its annual budget is “self-generated” and that there was a “hole of around £53 million” in HES’ budget in 20-21 due to the pandemic. While HES have made every effort to save funds where possible, Mr Paterson explained that plans for the coming financial year remained uncertain and would very much depend on projections of visitor numbers.

In terms of smaller charities, the National Lottery Heritage Fund estimated in their evidence to the Committee that the sector had a “funding gap of between £24m and £29m in the remainder of this financial year”. Caroline Clark, Director, National Lottery Heritage Fund in Scotland stated in evidence that—

“If smaller independent heritage organisations throughout the country face very difficult times. The resource that we have been able to allocate will come to an end at a time when their visitor numbers would be at their lowest anyway. There are big challenges in the short term for the heritage and cultural sector.”

As Mr Paterson mentioned in his evidence to the Committee, a significant proportion of the heritage sectors income comes from tourism. Philip Long, Chief Executive of the National Trust for Scotland stated in evidence to the Committee—

7 CTEEA, Official Report, 3 September 2020, Col: 9
“International tourism is basically non-existent, and the proportion of it that is of particular commercial benefit is vital to our organisations. The return of our domestic visitors to our properties is wonderful to see but it does not have the same commercial benefit that comes from the international tourism audience.”

With regards to the current package of support available to heritage sector, the Committee welcomed the announcement at the end of August of an additional £21.3m to support HES’ operations and £5.9m for HES grants to other bodies. However, in evidence, it was highlighted to the Committee that certain organisations are still struggling to access support. As Caroline Clerk, Director, National Lottery Heritage Fund in Scotland pointed out in her evidence to the Committee—

“The built heritage sector and small independent sites that are not necessarily museums or cultural venues are, at the moment, potentially falling between the gaps, so it is important that we cross-reference and see where need still lies. Winter is coming and there is a challenging outlook for some of the organisations that do not fit into existing schemes.” (Col 27 & 28)

In evidence, the Committee explored the possibility of closures of smaller sites and the wider impact on local communities and Scotland’s built heritage more generally. It was noted in evidence that a more sustainable model for support would be required longer term to avoid permanent closures. Alex Paterson, Chief Executive, Historic Environment Scotland emphasised the need to think laterally about potential solutions and how different organisations can work together to find a sustainable solution. He stated—

“It will be challenging for every organisation and every asset to find a resilient and sustainable way forward. That brings us back to prioritisation and to the different models of how we work with trusts and organisations. We are exploring one or two models in which we might partner with local communities or with other organisations to look at how we can help properties move forward.”

Given the issues outlined above, the Committee seeks information regarding how the 2021-22 budget will—

- Continue to provide adequate financial support the heritage sector;
- Encourage domestic visitors to heritage sites; and
- Support smaller organisations who may have fallen through the ‘gaps’ in the support available.

**Skills**

In March 2019, a [Skills Investment Plan (SIP) for Scotland’s Historic Environment Sector was published](https://www.gov.scot/publications/skills-investment-plan-sipp-for-scotlands-historic-environment-sector/). The SIP noted that there is a continuing demand for various skills and an increasing demand in the sector for ICT/Digital skills, leadership, marketing, events and hospitality. As Alex Paterson, Chief Executive, Historic Environment Scotland explained in his evidence to the Committee—

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8 CTEEA, Official Report, 3 September 2020, Col: 14
9 CTEEA, Official Report, 3 September 2020, Col: 25
“There will be a need for skills, including traditional skills, and there will be job opportunities based on those. The historic environment portfolio in Scotland—houses, castles and everything else—needs constant reinvestment and skills.”

The sector is also heavily reliant on volunteers. This adds complications in how to manage the opening of sites in terms of supporting the volunteers to return safely. There is also a challenge demographically: volunteers tend to be in the older age brackets, which appears to increase risks to COVID19. In evidence, Caroline Clark, Director, National Lottery Heritage Fund in Scotland talked about the need to attract young people to volunteering roles. She said—

“We are going to have to look at how we can engage young people in the sector … by providing meaningful volunteering opportunities that result in qualifications that give them opportunities to carry on with employment in the sector as they move on in life.”

Given the important role volunteers play within the industry, the Committee requests information regarding how the 2021-22 budget will maintain the skills base and support volunteers and new entrants into the heritage sector.

The Committee appreciates the efforts made by the UK and Scottish Government to mitigate the effects of the pandemic on Scotland. In addition, we understand that the changing environment makes budgeting for the coming financial year incredibly challenging. However, we would again emphasise the role tourism plays within the Scottish economy and the disproportionate impact the pandemic has had on the industry. We therefore believe that it is critical that the budget allocation for tourism reflect this unique challenge and be focussed on responding to the pandemic and seek to build a sustainable industry which meets the longer-term aspirations of the tourism strategy.

Concluding Comments

The Committee appreciates the efforts made by the Scottish Government to mitigate the effects of the pandemic on Scotland. In addition, we understand that the changing environment makes budgeting for the coming financial year challenging. However, we would again emphasise the role culture plays within the Scottish economy and the disproportionate impact the pandemic has had on the industry. We therefore believe that it is critical that the budget allocation for culture reflect this challenge and be focussed on responding to the pandemic while seeking to build a sustainable industry which meets the longer-term aspirations of the culture strategy.

I look forward to hearing from you.

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10 CTEEA, Official Report, 27 September 2020, Col: 4
11 CTEEA, Official Report, 27 September 2020, Col: 3
Yours sincerely,

Joan McAlpine MSP
Convener, Culture, Tourism, Europe and External Affairs Committee
Dear Joan

I am responding to your pre-budget scrutiny letter of 4 November 2020. The input of the Parliament’s committees is a valued part of the budget scrutiny process and I thank the Committee for the time and care in preparing the report.

In recognising the limited time the Scottish Parliament has to consider the Scottish Budget, I am providing this response to the Committee’s report today, on the day that the Scottish Budget is published, to help inform the Committee’s consideration.

I agree with the Committee’s initial observation that the pandemic emergency has created volatility and uncertainty in the public finances. Against this background and within the short term framework for a one year budget settlement, the 2021-22 Scottish Budget maintains our investment in Scotland’s diverse and resilient culture and heritage sector. This includes £63.2 million for Creative Scotland and other arts funding, £75.97 million for the national infrastructure in our cultural collections, and £75.9 million for Scotland’s heritage through Historic Environment Scotland. This funding supports jobs and skills in the culture and heritage sectors and the organisations receiving this funding will play a key part in recovery.

As you know, I have kept the Committee regularly informed of the range of actions we have taken in response to the impact of the pandemic on culture and heritage. As at 17 January, we have invested more than £125m on supporting culture and heritage including most recently support for grassroots music venues, independent museums, the events sector and key performing arts organisations. I will provide a further update to the Committee on these details in advance of the evidence session on 11 February.

Venues and Art Spaces

We continue to consider how best to support venues while they remain closed. For example, we have launched a second tranche of the Grassroots Music Venue Stabilisation Fund, worth £4m. We are also working across the culture sector – for example the music industry, theatre and events sectors - to consider how best to enable the reopening of live activity, and how to give the public confidence that there are safe environments. We know from the public performance activity that could take place in 2020, in areas that were in Level 1, but with limits on audience size, that venues can operate safely and in compliance with COVID safeguards. There are signs of considerable demand from audiences wishing to experience live performance again, equally there are broader public health factors in audience confidence that will take time to become clearer. The funding that we are able to continue for organisations in 2021-22, despite the current restrictions on live performance, will help with addressing these factors.

We have seen many performers and venues turn to digital performances. While these have largely been successful, we are aware that they are expensive to produce and
rely on robust connectivity. It can be difficult to monetise these performances, and the signs are that audiences remain largely reluctant to pay for streamed performances. There may also be some drop in audience interest after the initial flurry of activity in the early days of lockdown.

Nonetheless, we will continue to work with the sector to consider how to make the most of streaming performances. Creative Scotland’s Open Fund for Sustaining Creative Development enables individuals and organisations to explore new ways of working and to deliver their work in ways that respond to the current emergency. It is funded by National Lottery Income and was enhanced by £3.5 million Scottish Government grant in 2020-21.

We will keep the funding under review with Creative Scotland.

**Strategic long-term funding of the sector**

The Committee raises the important question of the longer term outlook for cultural support, but this is inevitably within the context of a one year budget and the ongoing uncertainties of the time the pandemic will continue to affect the culture and heritage sectors. The 2021-22 budget enables stability of funding for the coming financial year which will be an important part of recovery.

The Culture Strategy, as the Committee recognises, was launched just before the start of the pandemic emergency. Its aims, however, have been made more relevant still by the pandemic. These aims will continues to inform the design of specific support for the culture sector, some of which I detail below.

We have established the National Partnership for Culture and will continue to support it as a way of continuing the national culture conversation and developing expert recommendations on how to harness the transformational potential of culture to accelerate societal and economic recovery. Taking into account the impact of the pandemic, it will provide thought leadership this year on accelerating progress on fair work, wellbeing and culture in education.

We will continue to support the new Creative Communities and Arts Alive programmes, which despite the pandemic will continue to work hard to find safe ways to promote and support culture at community level and in schools respectively. In terms of widening access to culture. We will continue to support the strategic development of public libraries and to extend children and young people’s access to cultural experiences and education.

We will continue to support the new Culture Collective programme, which is beginning to work with communities, regional arts organisations and freelancers and which will provide vital evidence that can inform future work.

The relevance of culture to wellbeing and mental health is a theme that continues to be relevant across all cultural public spending, with initiatives such as the Arts, Culture, Wellbeing and Health Scotland network. Wellbeing will – along with fair work and education – be a feature of the work under the Culture Strategy to develop policies with other government portfolios. The importance of capacity-building and skills is also
a recurrent theme, for example through continued support to Museum Galleries Scotland’s Skills for Success programme.

Creative Scotland

The 2021-22 budget maintains the 2020-21 budget funding for Creative Scotland. We continue to assess with Creative Scotland its capacity to deliver emergency funding and I agree with the Committee that its response to the pandemic has been impressive, a tribute to its leadership and staff. We have increased Creative Scotland’s core budget to reflect some additional costs of public sector pay policy. As and when resources allow us in 2021-22 to make available additional resources for emergency funding, we will continue to work with Creative Scotland to ensure these are delivered quickly and efficiently.

Screen Scotland

The Committee mentions the challenges facing the screen sector from the pandemic. We have worked with Screen Scotland to protect those parts of the screen sector forced to close, for instance with the Cinema Resilience and Recovery fund of £3.5m. We recognise that independent cinemas are important in themselves but are also often the only cultural hub open to people in some parts of Scotland.

The film and TV production sector is one of the few sectors that has continued to operate under the Strategic Framework, recognising the strict safety protocols agreed with the industry. Despite restrictions, production in Scotland has continued to grow strongly with a number of high-profile and valuable productions slated to film both in studios and on location in Scotland in the coming months, with interest from international streaming companies and traditional broadcasters.

We see film and TV as a key driver of our creative economy and therefore plan to maintain funding to Screen Scotland in the 2021-22 budget at 2020-21 levels, recognising the impact of funding for production, development and facilities. There is a need and an opportunity for more skills and training programmes and this will be a key focus for Screen Scotland in 2021-22 as we seek to cement this progress by building a diverse and highly skilled local crew base.

Cultural Freelancers and Job retention

As the Committee has acknowledged, we recognised the devastating impact of the pandemic on freelancers, and have provided direct support through bursaries and £8 million in hardship funds, in support to both creative freelancers and those in the screen sector.

This has been in contrast with the approach taken by the UK Government which has primarily provided support to organisations rather than directly to freelancers. Our funding recognises that freelancers are a vital part of the infrastructure of the arts and culture in Scotland. Within the resources identified in the 2021-22 budget we are not yet proposing further hardship funding, but we are exploring how such resources could be made available at the earliest opportunity. With the 2021-22 budget continuing funding for cultural organisations and the screen sector, this does enable freelance
work to continue to be commissioned even while live performances are not possible. I recognise the larger scale impact of the pandemic on freelancers across the piece and will continue to explore ways of helping wherever possible.

Youth Music Initiative

I appreciate the Committee’s support for this Initiative. We remain committed to widening opportunities for young people to have access to high-quality music making opportunities.

The YMI Impact report (2018-19) confirmed that all local authorities met the target of all school pupils receiving a year’s free music tuition before leaving primary school in the 2018/19 school year. We recognise that this target is an important opportunity for many young people to gain access to music making opportunities and remain committed to it. The 2021-22 budget maintains annual funding at £9 million. We will work with Creative Scotland on how best to distribute YMI funding between the schools element of the programme and the wider opportunities that YMI supports for target groups to gain access to music making.

Heritage and Skills

As the evidence in your letter shows, the impact of the pandemic on commercial income for Historic Environment Scotland (HES) has, and continues to be, extensive. While HES responded in 2020-21 by reducing its operating costs where possible, we provided additional funding of £27.2 million to ensure it has continued playing its lead role in the heritage sector, maintained employment and provided additional emergency support to the heritage sector.

The 2021-22 budget provides total funding of £75.9 million for HES and thus continues to recognise the reduction in commercial income. This also includes allocation of £20 million from COVID-19 consequentials. I agree with the Committee that the Skills Investment Plan for the Historic Environment is an important piece of work, jointly developed by Historic Environment Scotland and Skills Development Scotland, which will continue to be implemented. We will be discussing further with Historic Environment Scotland its work plans for 2021-22 in the light of the Budget settlement and will review with them what further support might be made available to the heritage sector, as resources allow.

I note the Committee’s comments on the tourism budget and that you had the opportunity to discuss briefly with Fergus Ewing on 21 January his assessment of the outlook.

Concluding comments

I hope this is helpful to the Committee ahead of the evidence session on 11 February.

FIONA HYSLOP
ANNEXE C

Written Submission from Creative Scotland

Creative Scotland has been providing monthly updates to the Committee on our ongoing response to, and the impact of, the Covid-19 pandemic. For this, our update for January 2021, we also include a review of our Covid-19 response activity since the onset of the pandemic in March 2020 by way of a contribution to the Committee’s ongoing inquiry into the impact of Covid-19 on Scotland’s Culture and Tourism sectors.

All previous monthly updates to the Committee can be found here.

1. Creative Scotland response to Covid-19

Following the onset of the pandemic in March 2020 it was immediately clear that the art and creative sector would be severely impacted by the necessary restrictions put in place to protect public health. With the support of the Scottish Government and the National Lottery, we quickly adapted our operations and resources to prioritise the delivery of emergency funding to people and organisations in the sector. This adaptation also included, like all public bodies, internal adaptations in terms of moving to the situation where all staff are working from home and delivering Creative Scotland and Screen Scotland support remotely.

1.1 Timeline of Creative Scotland’s Covid-19 response

The timeline below provides an overview of the key actions, and outcomes, as regards Creative Scotland’s Covid-19 response. It should be noted, however, that alongside this our ongoing support for the art and creative sector continues through other non-Covid specific funding programmes (for example Regular Funding, Open Funding, and a range of smaller more targeted funding programmes) and through our ongoing advocacy for, and promotion of, the work of the sector.

The following timeline focuses on key Covid-19 response actions only, in line with the scope of this update and the Committee’s inquiry:

2020

- **17 March**: Publication of Covid-19 advice to support and inform the art and creative sector.
- **20 March**: Update on Creative Scotland action and response to Covid-19 giving advance notice on forthcoming emergency funds.
- **27 March**: Announcement of £11m emergency support package through three funding programmes (Creative Scotland Bridging Bursary Fund, Screen Scotland Bridging Bursary Fund and re-purposed Open Fund).
- **20 April**: Announcement of a further £2m in emergency funding support for the Bridging Bursary Fund.
- **28 April**: Announcement of £600m National Lottery support to address the impact of Covid-19, including £10m repurposed funding through Creative Scotland’s Open Fund.
• **30 April**: Opening of a [£100m support package](#) for SMEs, including cultural businesses, to be delivered by the Enterprise Agencies and Creative Scotland.
• **19 May**: Update on the first 865 recipients of Bridging Bursary support.
• **19 June**: Announcement of £1.3m in repurposed funding through the Youth Music Initiative (YMI) to continue music access through Covid-19.
• **03 July**: [£10m emergency funding](#) announced for Scotland’s Performing Arts Venues.
• **08 July**: Further update on the 2,200 recipients of Bridging Bursary support.
• **29 July**: Performing Arts Venues Relief Fund opens, including an additional £2.5m taking the fund total to £12.5m.
• **05 August**: First recipients of the Performing Arts Venues Relief Fund are announced.
• **19 August**: the £2.2m emergency support fund for Grassroots Music Venues is announced.
• **28 August**: the £15m [Culture Organisation and Venues Relief Fund](#) is announced as part of a £59m Scottish Government package for culture and heritage.
• **03 September**: Screen Scotland launches a £3.5m emergency fund to support Independent Cinemas.
• **10 September**: the £15m [Culture Organisation and Venues Relief Fund](#) launches.
• **17 September**: £3m in emergency support for Youth Arts is announced.
• **12 September**: Screen Scotland announces £700k hardship fund for Screen freelancers.
• **22 September**: 68 recipients of the Grassroots Music Venue Stabilisation Fund are announced.
• **24 September**: A further 59 recipients of the Performing Arts Venues Relief Fund are announced.
• **01 October**: we published a comprehensive round up of Covid-19 emergency funds in order to keep the sector as informed as possible. This became a weekly update.
• **15 October**: Hardship Fund for Creative Freelancers announced, to be partially delivered through cultural sector partners.
• **03 November**: Recipients of the Independent Cinema Recovery Fund are announced.
• **04 November**: the £1.5m Culture Collective initiative is launched.
• **05 November**: the first tranche of recipients of the Culture Organisation and Venues Recovery Fund are announced.
• **12 November**: the first recipients of the £3m emergency funding for Youth Arts are announced.
• **19 November**: the second tranche of recipients of the Culture Organisation and Venues Recovery Fund are announced.
• **03 December**: Creative Scotland’s Covid-19 sector survey is opened, to assess the ongoing impact of the pandemic on the art and creative sector.
• **10 December**: New £600k Touring Fund for Theatre and Dance is opened, supported by the National Lottery.
• **15 December**: Further recipients of the £3m in emergency funding for Youth Arts are announced.
• 20 December: a further £4m is announced to support another round of the Grassroots Music Venues Sustainability Fund.

2021

• 13 January: we publish the findings from the second wave of our Covid-19 population survey, which seeks to understand public expectations and intentions as regards culture in the light of the pandemic.
• 18 January: £3m in additional support is announced for three pivotal performing arts organisations, Eden Court, Aberdeen Performing Arts and Capital Theatres.
• 20 January: the second, £4m round of the Grassroots Music Venues Stabilisation Fund opens.
• 27 January: Creative Digital Initiative announced. A £1m programme of development and support, coordinated by Creative Scotland and involving all the enterprise agencies.

1.2 Number and value of awards

In terms of the number and value of awards Creative Scotland has made through Covid-19 emergency funds in the financial year 2020/21 to date, these are:

• 6,464 Covid-19 emergency fund awards totalling £43,528,766 (421 to organisations and 6,043 to individuals, including 1,935 Hardship Funding awards made to individuals through partners).

In addition to this, through Creative Scotland’s normal, non-Covid funds (Regular Funding, Open Funding, YMI, etc.) the number and value in the financial year to date are:

• 913 funding awards totalling £63,005,280 (557 to organisations and 356 to individuals)

This equates to a total number of awards made so far in 2020/21 of 7,377 which is more than five times the number of awards that Creative Scotland would normally make each year, pre-Covid.

It’s worth noting that, by the end of the financial year 2020/21, Creative Scotland will have distributed £64m in emergency funds, which includes funds provided by the Scottish Government, the National Lottery, and £1m from the Freelands Foundation (for Bridging Bursaries).

1.3 Current Covid-19 response activity

Creative Scotland’s top priority continues to be the delivery of emergency funding to support the art and creative sector through the ongoing Covid-19 pandemic. Below is an update on the live emergency funds at 01 February:
• The £5m **Hardship Fund for Creative Freelancers** addresses the financial hardship being felt by creative freelancers in the creative sector. We were working with sector partners to deliver this fund and we **announced who those partners were** on 15 October and the fund opened for applications on 26 October. On 03 November, the Scottish Government announced an additional £3m, taking the total available for this fund to £8m, and, following a pause, we re-opened for a second round of applications on 10 November. The fund will close on 01 February.

• The £5m **Sustaining Creative Practice Fund** supports artists to continue developing new creative work that will make a significant contribution to Scotland’s recovery from COVID-19. There are two elements to this fund:
  
  o £1.5 million for the **Culture Collective** programme, supporting organisations employing freelance artists to work in and with communities across Scotland. Details of the Culture Collective programme were announced on **04 November** with a call out for notes of interest by 18 November. The Fund received 148 Expressions of Interest (EOIs) totalling £28million. 64 organisations, with proposals totalling £14million, have now been invited to make full applications. Awards will be announced at the beginning of February.
  
  o £3.5m which has been added to Creative Scotland’s existing open fund, available for applications from individuals now. The application threshold has been increased from £50,000 to £100,000 and we are progressing plans to simplify and streamline the process, starting with individuals and followed by that for organisations.

• On **10 December** we announced the Touring Fund for Theatre and Dance to support Covid-safe touring work from Spring 2021, supported by £600,000 National Lottery funding. The deadline for applications is 05 February 2021.

• On **12 November**, we announced that 18 Youth Music and Youth Arts organisations have received a total of £1,053,000 to help the recovery of Youth Arts across Scotland and ensure creative opportunities for children and young people continue despite the continued impact of Covid-19. On **03 December** we opened for expressions of interest for the Time to Shine, Nurturing Talent Fund and on **15 December** we announced the recipients of the £700,000 **Small Grants Scheme**. Further announcements will follow regarding recipients of at least £2m through the **Access to Youth Arts Fund**.

• **Creative Scotland Crowdfmatch** in collaboration with **Crowdfunder** - the UK’s largest crowdfunding platform - offering expert coaching and match funding, to support Scotland’s creatives to run successful crowdfunding campaigns with Creative Scotland contributing up to £75,000 of match funding from the National Lottery.

• **The Open Fund: Sustaining Creative Development**, has been open for applications since April 2020. It is a rolling fund, accepting applications on an ongoing basis throughout the year supported by funding from both the Scottish Government and the National Lottery. Up until week commencing 25 January
2021, the fund had received 817 applications from individuals with a total ask of £11m and 398 applications from organisations, with a total ask of £10.8m. So far, we have made 515 awards totaling £9.5m through this fund, 343 to individuals (£4.7m) and 172 to organisations (£4.8m). Awards through the fund are announced regularly through our communications channels, with the most recent announcement being on 27 January.

We also continue to issue regular weekly progress updates on these Covid-19 emergency funds and promote them widely through our digital, social and media channels. These are available to read on the News section of our website.

On that note, since the onset of the pandemic in March 2020, our website has experienced a 46% increase in the number of page views (against the same period in the previous year) and users spend 40% longer on the site. The top pages visited all relate to Funding, particularly the Hardship Fund for Creative Freelancers and the Bridging Bursary. All the top ten visited pages since March 2020 relate to Covid-19 emergency funds. Engagement with our social media channels has also increased by 51% across the same period. The same trends have been seen with Screen Scotland digital communications channels, demonstrating the important role that these digital comms channels play as part of our Covid-19 response.

In addition to the above, another vital part of our Covid-19 response is our Enquiries service. This service offers direct advice to those seeking funding, by phone or email, and it has seen an estimated 40% increase in volumes since the onset of the pandemic, specifically on the subject of emergency and hardship funding.

1.4 Covid-19 Research and Insight
We continue to conduct research amongst the general public with the aim of understanding attitudes towards engagement with cultural activity and how these are changing in the light of the COVID-19 pandemic. This research is being conducted in four waves and the results from the second wave have been published on our website with the summary report here. The survey provides valuable insight regarding how the Covid-19 pandemic has changed attitudes towards, and engagement with, cultural activity and also looks at public attitudes towards cultural participation in the future.

We are also, currently conducting a Covid-19 Sector Survey to understand the impact of the pandemic on Scotland’s culture sector and the ongoing issues it has created as we move into 2021. The survey closed to respondents on 08 January, the findings are currently being analysed and a report will be published in February. We received 606 survey responses from 181 organisations and 435 individuals.

In terms of top-line feedback from these surveys, they clearly demonstrate the importance of cultural activity to the people of Scotland, but also the significant impact of the pandemic on both audience intentions to return to the live experience and on the ability of the people and organisations working in the sector to recover.

Findings from both these extensive surveys are helping to shape our discussions with the Scottish Government and other partners on how best we continue to respond to
the ongoing pandemic and help the art and creative sector in the process of recovery and renewal.

2. Engagement with the Sector and future planning

On 27 November, our Chief Executive Ian Munro, wrote directly to all 121 Regularly Funded Organisations to provide an update on where we are with future planning and what we know in terms of budget timelines. This communication was also published on our website.

This update set out a number of key points, including:

1. The delivery of Covid-19 emergency funding and support remains our priority;
2. We are committed to a fourth year of Regular Funding for the 121 Regularly Funded Organisations through to March 2022, subject to confirmation of Scottish Government budgets;
3. The Scottish Government Budget will be published on 28 January, with Creative Scotland’s headline budget, including the fourth year of RFO funding, planned for discussion at the 24 February Creative Scotland Board meeting;
4. We are revisiting our work on future strategy and funding models and these will be communicated in early 2021.

We also continue to meet regularly with the Sector Development Bodies\(^\text{12}\) and the Scottish Government to map the ongoing impacts being felt due to the pandemic, to discuss the needs of the sector to help manage the challenges, and to look to a process of recovery and renewal for Scotland’s art and creative sector.

We are also working collaboratively with the sector bodies to develop a collective approach to cultural advocacy, to use our collective communications to raise awareness, appreciation and understanding of the value of participation in creativity and culture, also underlining the social, economic and value that creativity and culture deliver to us as individuals and as a society. A Programme Board, consisting of representatives from the culture sector, continues to meet to discuss this work, and we intend to roll out our new approach to advocacy from February.

Included as part of this, we are developing a series of sector led events with the aim of contributing to future policy, holding visible and open debate, and increasing understanding of the challenges faced by the sector amongst policymakers. These events are in the latter stages of development and will be held in February and March.


\(^{12}\) Arts and Business Scotland, Craft Scotland, Cultural Alliance, Culture Counts, Federation of Scottish Theatre, Festivals Edinburgh, Literature Alliance, Publishing Scotland, SCAN, Scottish Music Industry Association and TRACS
The Scottish Government announced its draft budget for 2021/22 on 28 January. At the same time Creative Scotland was informed of our Grant-in-aid budget for the coming year which will remain broadly stable at £60m, including a stable budget for Screen Scotland of £8.5m.

We issued a statement in response the same afternoon stating that we welcome the fact that our budget from the Scottish Government will remain at the same levels as for the previous year, particularly in the context of the ongoing pandemic and the severe economic pressures that it is bringing to bear.

However, as outlined above, we must also recognise the significant levels of additional funding that the Scottish Government has made available, beyond Creative Scotland’s Grant-in-aid award, in the form of emergency funds to directly address the impacts of Covid-19. This has both been vital and hugely welcome.

Following confirmation of Creative Scotland’s budget settlement, the proposed breakdown of this budget for 2021/22 will be discussed at our 24 February Creative Scotland Board meeting and published as soon as possible after that.

4. Future strategy and funding approach

At the beginning of 2020, the Creative Scotland Board agreed on the high-level recommendations from our Funding Review and a refresh of our Strategy, work which had been conducted through much of 2019. Our intention had been to proceed with sharing these recommendations and to begin to implement the recommendations from Spring 2020 onwards. The unexpected and unprecedented impact of the Covid-19 pandemic required us to delay these plans and to prioritise securing and subsequently delivering emergency funds to support the sector.

However, we are now revisiting this work, in light of the new context, and considering how we use funding in the future. This will include consideration of how we will move on from the current Regular Funding programme, from 2022/23 and beyond. This work will align with ongoing developments in our approach to supporting individuals.

All of the above will be brought together into a draft action plan which will set out our priorities and future funding models. We are working to have this framework and action plan in place for 2021/22, with an update on our thinking to be shared publicly and tested with the art and creative sector in Spring 2021.

5. Screen Scotland response to Covid-19 and Update

In addition to the above, please find below a summary of Screen Scotland’s response to the COVID-19 pandemic, as well as an update on the progress made by Screen Scotland across the film and television sectors during 2020/21 (to date).

5.1 Hardship, Development and Resilience Support

From March 2020, Screen Scotland worked to deliver – alongside Creative Scotland – the Screen Bridging Bursary Fund as well as two new development funding routes under the Broadcast Content Fund and Film Development and Production Fund.
The Screen Bridging Bursary opened for applications on 30 March and provided support to those working in the sector who had lost work as a result of the pandemic.

Film and TV production activity was not possible in the early months of the pandemic, however, Screen Scotland created Single Project development routes in order to support Scotland’s independent production companies to develop creative and ambitious projects, across film and television, in scripted and unscripted genres, for live-action and animation during this period.

As the year progressed, the halt in production continued and as the impact on the cinema sector became acute Screen Scotland worked with the Scottish Government and colleagues in Creative Scotland to deliver the Independent Cinema Recovery and Resilience Fund and three rounds of further hardship support.

As Covid-19 and resultant restrictions on movement/work continued into the summer of 2020, £1.5m funding was provided by the Scottish Government to further support freelance screen practitioners working in all parts of Scotland’s screen sector who were experiencing ongoing financial hardship due to the loss of income as a result of the pandemic. Applicants to the Screen Hardship Fund were able to apply for a hardship bursary of up to £2,000 plus additional support for those needing it to cover access costs.

5.2 Support for Festivals

Screen Scotland honoured its 2020/21 Regular Funding commitments, including where planned activity could no longer take place, due to Covid-19. This included film festival, distribution and exhibition activity. The festival sector was swift to embrace new ways of working. For example, Alchemy Film & Moving Image Festival in April 2020 delivered an online format that reflected the personality of the festival, delivered real success and Glasgow Film Festival took the decision to move its Feb/March 21 edition from hybrid to online only.

5.3 Covid-19 Safe Working Guidelines

Screen Scotland and the Screen Commission were also directly involved – working alongside the BFI, the British Screen Commission, colleagues across the TV sector and the Scottish Government – in the development and agreement of two parallel sets of safe working guidelines. These ultimately enabled screen production to recommence from July 2020. One set of guidelines applied to Film and High-End TV Production (published, and updated, by the British Film Commission (BFC), while a second was applicable to more routine television production activity across unscripted genres and routine daily production activity. This second set of guidelines was organised by the broadcasters, with STV taking a lead role in coordination with Screen Scotland and the Scottish Government (again these are regularly updated in consultation with Screen Scotland and the Scottish Government).

The swift adoption of these guidelines enabled production to recommence safely as soon as the Scottish Government’s overall Covid-19 guidance and route-map permitted. This helped many in the screen production sector to return to work and remain in work across the remainder of 2020/21.
5.4 Film Education during COVID-19

The closure of schools, libraries, workshops, cinemas and festivals has prevented face-to-face film education in those contexts, but Screen Scotland has continued to provide professional development in film education online, and to produce and provide new resources to support educators and learners. We are engaging with increasing numbers of teachers via the schools’ intranet GLOW; and in March, our new Masters level module in Film Education for teachers and film educators will commence online at Queen Margaret University. As the use of digital tools becomes more prevalent, there are major opportunities to expand the reach of film education, and Screen Scotland will continue to exploit these opportunities thoroughly.

5.5 Other Screen Scotland developments through 2020/21

While delivering the Covid-19 related support detailed above Screen Scotland has also continued to deliver on its remit to be the dedicated agency for screen in Scotland, working with Creative Scotland’s partner agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council to deliver enhanced support to companies and practitioners across all elements of film and TV and to foster sustainable growth within the Scottish screen sector.

Key recent milestones include:

5.5.1 Studios

In March 2020, First Stage Studios Limited were announced as the operators of the studio facility at Bath Road in Leith. Works continued across the summer. In November 2020 it was confirmed that the first project to film in the new studio will be The Rig, a super-natural thriller filmed exclusively in Scotland by Wild Mercury Productions for Amazon Studios. It will provide a significant number of jobs for the Scotland-based crew and is being supported by Screen Scotland to expand the number of Screen NETS (New Entrant Training Scheme) trainees recruited across 2021.

Working with colleagues in Glasgow City Council (GCC) and the Scottish Government, Screen Scotland supported GCC’s bid to redevelop areas within the Kelvin Hall as a television studio and drama production space. The new facility secured £11.9m of funding in January 2021 and the first drama production will shortly commence filming in the Kelvin Hall.

These facilities complement existing studio and build spaces across Scotland, such as Wardpark Studios and the Pyramids Business Park. Combined with Screen Scotland’s focus on skills and talent development, arm-in-arm with the sector, this increased infrastructural footprint alongside investment in work-based skills and talent development initiatives should enable the screen sector to play a significant part in Scotland’s economic and cultural recovery across 2021.
5.5.2 Skills & Talent Development

Following extensive consultation with the sector, broadcasters, training providers and public partners Screen Scotland will publish its Skills Strategy in April of 2021. This strategy will be open-ended and provide for the delivery of flexible tactical interventions devised and delivered with industry through the establishment of a series of outcome-focused working groups.

In parallel with the finalisation of the Skills Strategy and the work around new production infrastructure, Screen Scotland is working with partners to deliver a number of significant new interventions designed to develop writers, producers and directors including Short Circuit, an ambitious new film talent initiative for Scotland delivered by Film City Futures in partnership with Glasgow Film, and funded by Screen Scotland and BFI NETWORK and Little Pictures, an intensive programme of filmmaking training workshops to support the development of projects with mentors, in partnership with GMAC.

5.5.3 Business & Market Development

Following the appointment of the Head of Business and Market Development in late spring 2020, and as a direct response to the impacts of Covid-19 on broadcasters’ commissioning budgets, Screen Scotland has initiated a number of market building initiatives with broadcasters and other partners, including:

- With BBC Three, and under the BBC/Screen Scotland MOU, we initiated the “factual format” development initiative in June of 2020.

- In October of 2020 Screen Scotland and Channel 4’s Glasgow Hub launched the Channel 4 Daytime initiative.

- Subsequent market-building initiatives have been launched with Channel 4’s Factual team for the prime-time 9pm slot on the channel, and with Sky Documentaries. Sky Documentaries and Screen Scotland will contribute £50,000 each towards the joint initiative to increase Scottish content on the network.

- Most recently Screen Scotland worked with VisitScotland, EventScotland, Historic Environment Scotland, NatureScot and the National Trust for Scotland to deliver Access:Scotland, a new initiative launched in January 2021 aimed at showcasing Scotland’s rich heritage on television screens around the world.

5.5.4 Film/High End TV Production in Scotland

After Covid-19 essentially brought a halt to all but a few TV productions – and all drama production from March through to summer 2020, film and drama production recommenced in earnest in the final months of 2020. The Screen Commission anticipates that production spend totals will inevitably be below those achieved in recent years but remains optimistic that full year 2020/21 figures will be significantly better than we might have anticipated at the mid-point of 2020.
Due to confidentiality requirements, not all films and High-End TV produced in Scotland this year are listed here but so far in 2020/21 we can confirm *The Origin*, the debut feature of Scottish director Andrew Cumming which wrapped its Covid-19 compliant shoot in Wester Ross in December 2020 and *My Son*, from Ken Loach’s Sixteen Films, starring James McAvoy and Claire Foy, which filmed in and around Lochaber in the late autumn. Returning TV dramas *Guilt*, *Shetland* and *Outlander* have all recommenced production and while new shows *Annika* (Black Camel for UK TV) and *The Rig* (Wild Mercury for Amazon Studios) are either filming or in the early stages of pre-production. Netflix has returned to Edinburgh and the Lothians for the threequel, *Princess Switch 3: Romancing the Star*, and *Peaky Blinders* are due to film in Aberdeenshire in the coming weeks.

Covid-19 has also seen Scotland’s thriving animation sector hard at work, many from home. Again, confidentiality undertakings are in place that prevent details of some productions but one of the largest projects completed in Scotland’s animation sector in 2020/21 is *The Brilliant World of Tom Gates*, produced by TG Entertainment (a joint venture between Scotland based production companies Black Camel and Wild Child) for Sky Kids. *Tom Gates* was supported by Screen Scotland’s Broadcast Content Fund through development and into production. It was recommissioned for a second series ahead of its premiere in January 2021.

**In conclusion**

Finally, both Creative Scotland and Screen Scotland want to recognise the resilience, adaptability, and invention that Scotland’s art and creative sector has shown through this pandemic and continues to show as Covid-19 maintains its grip. This has been helped enormously by the emergency funding support provided by the Scottish Government and the National Lottery, in addition to stable ongoing core funding. That continued commitment is both acknowledged and valued.

Across all parts of the culture sector and across all art forms, amongst individual creative practitioners and larger organisations, we have seen people adapt to these unprecedented circumstances, to continue to create and to continue to reach audiences.

This has been a lifeline for many through challenging times and serves to underline the vital contribution that art and creativity in all its forms makes to life in Scotland and the crucial role it can play in our national recovery and renewal.

29.01.21
INTRODUCTION

The Committee has invited the Cabinet Secretary to give evidence on two interrelated topics. The 2021-22 Budget and the Scottish Government’s response to the impact of the pandemic on the culture sector.

The Scottish Government published its [Budget on Thursday 28 January 2021](https://www.gov.scot/publications/scottish-budget-2021-22/). The Committee received a response to its pre-budget letter on 28 January 2021. The first part of this paper highlights some of the budget lines under culture. The second part of this paper reflects the evidence and themes from the Committee’s work on the response to the pandemic.

BUDGET 2021-22

OVERALL BUDGET


On 27 January, the Finance and Constitution Committee wrote to the Cabinet Secretary for Finance and proposed the following timetable for the Budget Bill stages:

- Stage 1 – 25 February
- Stage 2 – 8 March
- Stage 3 – 9 March

Comparisons

The pandemic has made comparisons between this year and previous years’ budgets difficult. The budget for 2020/21 did not include the subsequent consequentials and additional spending in response to the pandemic. The budget for 2021/22 assumes
£500m of Barnett consequentials, derived from UK Government expenditure decisions, will be allocated to the Scottish Government in the course of the next financial year. In addition, SPICe would normally present figures in “real terms” – that is taking account of inflation. Public spending is normally deflated using HM Treasury’s GDP deflator. The pandemic has led to an unusual level of inflation in 20-21 and predicts deflation (negative inflation) in 21-22.\textsuperscript{13} To avoid both distortion and confusion, SPICe is only presenting figures in cash terms. The downside of this is that it makes meaningful multi-year comparisons of the budget difficult. This paper mainly focuses on this year and last year’s budgets.

**Local Government**

A concern over the past 10 months has been how local authorities would support culture within their areas. Local authorities will make their own decisions about how to allocate their budgets for 2021-22. In terms of the overall package, the SPICe Budget Briefing stated—

“This combined Budget document figure for [the Scottish Government’s General Revenue Grant to local authorities and the Non-domestic Rates Income] only (i.e. the amount of money to deliver services over which local authorities have control) increases by 1.9% in cash terms, or £185.8 million.

Once specific, ring fenced resource grants are included, then the combined figure for the resource budget increases by 2.5% in cash terms, or by £252.2 million. With the additional £259 million announced for the allocation of COVID-19 consequentials added to this, the additional funding increases to £511.2 million.

To get the £594.6 million figure quoted in the Cabinet Secretary’s statement to the Parliament, the figure for “Total revenue within other Portfolios” is added to this combined sum.” (p43)

The Budget allocates £90 million which is available to local authorities that choose to freeze Council Tax, which the Government states is equivalent to around a 3% increase in council tax revenue. COSLA had previously called for local authorities to have the freedom to set their own rates, but it is likely that local authorities, especially in the tough current economic climate, will take up this deal rather than impose Council Tax increases larger than 3%.

COSLA welcomed the additional funding but also stated “overall this budget falls short of what we would consider a fair settlement for Local Government”.

**Outcomes**

The National Performance Framework (NPF) sets out outcomes which underpin the Scottish Government’s delivery of its agenda. The NPF also includes indicators to measure progress against these outcomes. In December 2020, the Scottish

\textsuperscript{13} There is a useful SPICe blog setting this out here: https://spice-spotlight.scot/2021/01/14/unreal-terms/
Government, together with COSLA, published *Scotland’s Wellbeing: The Impact of COVID-19*, which aimed “to report openly and transparently on how COVID-19 has affected progress towards Scotland’s National Outcomes.” This report stated that “the pandemic is likely to have significant and wide-ranging impacts, right across the National Outcomes”. Specifically, in relation to the Committee’s remit, the report stated—

“The pandemic has had significant negative impacts on tourism, hospitality and culture, entertainment and recreation businesses. This includes workforces in the entertainment and creative industries, and on cultural participation and attendance. Physical audiences are not likely to return to pre-COVID levels in the medium term, due to ongoing restrictions coupled with potential safety concerns. While there has been a turn to online cultural activity, few people anticipate paying for online cultural activities in the future. Many businesses in the sector are struggling and some are expected to close permanently. This may increase inequalities among those who participate in cultural, entertainment and recreation activities.”

The Medium Term Financial Strategy (MTFS) provides more detail on the Government’s broad priorities of:

- new, good and green jobs;
- promoting lifelong health and wellbeing;
- promoting equality and helping our young people fulfil their potential; and
- a just transition to a green economy.

The MTFS stated—

“We need to make smart spending decisions. To do this effectively, we need the ability to set a bold and radical new approach on how to aid the recovery, providing opportunities to deliver a fairer and greener economy and driving sustainable public finances in a way that puts wellbeing at their core.” (p6)

In terms of recovering from the pandemic, the Scottish Government established the Advisory Group on Economic Recovery in April 2020. That group reported in June 2020 and suggested a focus on supporting and creating “four capitals” encompassing: the natural world; the skills and knowledge of our people; the social capital of networks and societal norms; and financial, intellectual and physical assets.

**PORTFOLIO SPENDING PLANS**

The Cabinet Secretary’s portfolio includes areas that go beyond the remit of the Committee. In addition, the Committee’s remit includes areas that are not in the Cabinet Secretary’s portfolio. Separate SPIe briefings, on the Europe and External Affairs and Tourism spending plans, have been provided with the Committee papers for this meeting.

In introducing the spending plans within the Cabinet Secretary’s portfolio, the Scottish Government’s budget stated—
“Our plans for economic recovery include our commitment to protect existing jobs, to support workers to upskill and reskill and to create good-quality jobs for the future. As our Programme for Government sets out we have adopted a national mission to create new jobs, good jobs and green jobs …

The portfolio also ensures our diverse and evolving cultural heritage thrives and is celebrated, and that our historic environment, world-class collections and performing companies are cared for and enjoyed by new and diverse audiences as well as future generations right across Scotland. It protects and provides access to our historic environment, promotes the delivery of high-quality places and buildings to support communities contributing principally to the culture national outcomes. Our Major Events budget continues to support a strong and inspirational programme of events and festivals each year that generates business, creates jobs and boosts the economy whilst delivering benefits to communities across Scotland.” (p86)

Cross-portfolio culture spend

One of the National Outcomes for Scotland is “we are creative and our vibrant and diverse cultures are expressed and enjoyed widely”. The Cabinet Secretary has told the Committee in the past that she sees other portfolios having a key role to play in supporting the cultural sector. In September 2019, the Cabinet Secretary said—

“Those of us who believe that culture is not a silo and that it touches every part of life should encourage other portfolios within Government or other committees to look at this issue.” (Cols 5-6)

The Culture Strategy for Scotland also highlighted the desire to take a cross-portfolio approach to support culture in Scotland. It said—

“The full potential of culture to transform the lives of individuals and communities as well as contribute to the overall wellbeing of the nation is not yet realised. There is a need to forge better connections across government and improve links between culture and areas such as health, education, tourism, energy, community development, international relations, and the economy. Links between national and local government policy and approaches and links to the private sector are also critical if culture is to play the positive role that evidence demonstrates it can.” (p31)

The Budget document provides a high-level view of spending plans and therefore it is not possible to identify specific areas of spend in other portfolios which will contribute to the cultural life of Scotland. However, each section on each portfolio identifies the national outcomes the expenditure contributes to, listing the primary and secondary national outcomes. The Rural Economy and Tourism portfolio identifies Culture as a primary national outcome its spending plans contribute to. The Constitution, Europe and External Affairs portfolio identifies Culture as a secondary national outcome it contributes to. The Budget document refers readers to Annex A of the Equality and
Fairer Scotland Budget Statement for more information; however, it is not explicit how those other portfolios are intended to support the culture national outcome.

Economy, Fair Work and Culture

This section looks at the Cabinet Secretary’s portfolio as a whole with a focus on the culture aspects. The subsequent sections look at the budget lines concerned with culture in more detail.

Taking the Economy, Fair Work and Culture portfolios as a whole, the 2021-22 Budget totals £1,035.6m, compared to the 2020-21 budget of £936.3m. This is a cash-terms increase of £99m or 11%; however it includes expected Covid related consequentials of £147m. Removing those expected consequentials from the budget would leave a reduction in cash terms of £48m or 5%. The table below shows the changes in the level 2 spending plans under the Cabinet Secretary’s portfolio.

<table>
<thead>
<tr>
<th>Level 2 Spending Plans</th>
<th>2019-20 Budget</th>
<th>2020-21 Budget</th>
<th>2021-22 Budget</th>
<th>Change 20-21 to 21-22 (£m)</th>
<th>Change 20-21 to 21-22 (%)</th>
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<td>Enterprise, Trade and Investment</td>
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<td>334.3</td>
<td>311.3</td>
<td>-23.0</td>
<td>-7%</td>
</tr>
<tr>
<td>Economic Advice</td>
<td>11.0</td>
<td>12.7</td>
<td>12.7</td>
<td>0.0</td>
<td>0%</td>
</tr>
<tr>
<td>Scottish National Investment Bank</td>
<td>130.9</td>
<td>241.1</td>
<td>205.0</td>
<td>-36.1</td>
<td>-15%</td>
</tr>
<tr>
<td>Accountant in Bankruptcy</td>
<td>3.3</td>
<td>2.2</td>
<td>2.5</td>
<td>0.3</td>
<td>14%</td>
</tr>
<tr>
<td>Culture and Major Events</td>
<td>184.6</td>
<td>180.4</td>
<td>174.7</td>
<td>-5.7</td>
<td>-3%</td>
</tr>
<tr>
<td>Historic Environment Scotland</td>
<td>39.8</td>
<td>42.8</td>
<td>55.9</td>
<td>13.1</td>
<td>31%</td>
</tr>
<tr>
<td>National Records of Scotland</td>
<td>37.4</td>
<td>65.3</td>
<td>63.3</td>
<td>-2.0</td>
<td>-3%</td>
</tr>
<tr>
<td>Allocation of COVID Consequential</td>
<td>-</td>
<td>-</td>
<td>147.0</td>
<td>147.0</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>847.1</td>
<td>936.3</td>
<td>1035.6</td>
<td>99.3</td>
<td>11%</td>
</tr>
</tbody>
</table>

Italicised lines not within the remit of the Committee.

Putting to one side the potential covid consequentials, the spending plans for those areas within the Committee’s remit show a small cash increase of £5.4m compared to the budget in 2020-21. This is due to extra allocation of funds for Historic Environment Scotland, which in turn is driven by an expected loss of income for HES.

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The totals above include resource (money for day-to-day expenditure), non-cash (nominal spend on e.g. depreciation), capital (spend on assets), and Financial Transactions (“FTs”). FTs can only be used to make loans to or equity investments in private sector entities. The funds must ultimately be repaid by the Scottish Government to the UK Government. The table below sets out the change in these categories for items under the Cabinet Secretary’s current portfolio. FTs are presented in net terms, i.e. the outlay less the forecast Financial Transactions income, the gross outlay of FTs in 2021-22 is expected to be £244.3m. All of this outlay is under the Cabinet Secretary’s Economy and Fair Work remit, the majority (£204m) is through the Scottish National Investment Bank.

### Spending plans by type of funding

<table>
<thead>
<tr>
<th></th>
<th>2019-20 Budget</th>
<th>2020-21 Budget</th>
<th>2021-22 Budget</th>
<th>Change 20-21 to 21-22 (£m)</th>
<th>Change 20-21 to 21-22 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resource</td>
<td>479.6</td>
<td>508.2</td>
<td>679.6</td>
<td>171.4</td>
<td>34%</td>
</tr>
<tr>
<td>Non-Cash</td>
<td>25.8</td>
<td>24.9</td>
<td>25.5</td>
<td>0.6</td>
<td>2%</td>
</tr>
<tr>
<td>Capital</td>
<td>86.7</td>
<td>103.5</td>
<td>130.6</td>
<td>27.1</td>
<td>26%</td>
</tr>
<tr>
<td>Financial Transactions (net)</td>
<td>255.0</td>
<td>299.7</td>
<td>200.0</td>
<td>-99.7</td>
<td>-33%</td>
</tr>
</tbody>
</table>

The table above shows that overall planned portfolio spend on resource is set to increase, even if all the expected Covid-19 consequentials were not included. The only type of funding that reduced, year on year, was FTs.

The remainder of this section focuses on the more detailed spending plans under several areas of the Cabinet Secretary’s portfolio.

### Allocation of COVID Consequential

This allocation has been held separate to the other lines of expenditure. This means that for the sections below, looking at the culture-specific areas of spend, the data presented are without taking account of any expected Covid Consequentials. The £147m of Covid-19 consequentials will not all go to the culture sector. The Level 4 budget spreadsheet provides some details of how this money may be spent as follows—

“Additional investment to support the Young Person’s Guarantee, Employability and Skills provision. This will continue delivery of the Young Person’s Guarantee which will ensure that within two years, every person aged between 16 and 24 will have the opportunity to study; take up an apprenticeship, job or work experience; or participate in formal volunteering. It will also deliver investment in wider training and skills opportunities, including the National Transition Training Fund and the Flexible Workforce Development Fund, and provide new investment to support those who are long term unemployed.”
Support will also be provided to Historic Environment Scotland and to our Culture collections impacted by Covid-19."

At present, it is not known what proportion of the £147m in consequentials will support culture aside from the £20m that has been allocated to support Historic Environment Scotland.

**Culture and Major Events**

The two table below show the level 3 spending plans under the ‘Culture and Major Events’ budget line. The first table refers to the budget in 2020-21 and the second table, 2021-22.

### Level 3: 2020-21 Culture and Major Events

<table>
<thead>
<tr>
<th></th>
<th>Budget 2020-21</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Resource</td>
</tr>
<tr>
<td>Creative Scotland and Other Arts</td>
<td>66.03</td>
</tr>
<tr>
<td>Cultural Collections</td>
<td>56.98</td>
</tr>
<tr>
<td>Major Events</td>
<td>6.56</td>
</tr>
<tr>
<td>Advice and Policy</td>
<td>4.65</td>
</tr>
<tr>
<td>National Performing Companies</td>
<td>22.86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>157.08</strong></td>
</tr>
</tbody>
</table>
Level 3: 2021-22 Culture and Major Events

<table>
<thead>
<tr>
<th>Budget 2021-22</th>
<th>Resource</th>
<th>Non-cash</th>
<th>Capital</th>
<th>FTs</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Scotland and Other Arts</td>
<td>62.93</td>
<td>0.22</td>
<td>-</td>
<td>-</td>
<td>63.15</td>
</tr>
<tr>
<td>Cultural Collections</td>
<td>58.16</td>
<td>9.30</td>
<td>8.20</td>
<td>-</td>
<td>75.66</td>
</tr>
<tr>
<td>Major Events</td>
<td>8.25</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.25</td>
</tr>
<tr>
<td>Advice and Policy</td>
<td>4.73</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4.73</td>
</tr>
<tr>
<td>National Performing Companies</td>
<td>22.86</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22.86</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>156.94</td>
<td>9.52</td>
<td>8.20</td>
<td>-</td>
<td>174.66</td>
</tr>
</tbody>
</table>

Overall the budget has reduced by 3.3% in cash terms from £180.6m in the 2020-21 budget to £174.7m in the 2021-22 budget. However, the resource budget for these areas of spend has remained broadly stable in cash terms. The reduction has come from the capital side, both the Capital budgets and FTs.

**Creative Scotland and Other Arts**

Examining the level 4 data shows that there are two main changes compared to last year’s budget under Creative Scotland and Other Arts. Firstly, no provision has been made for FTs. The level 4 spreadsheet stated that there was no requirement for FTs to be administered by Creative Scotland. The second change is in relation to the ‘Other Arts’ line where revenue funding fell by £3.17m year on year. SPICe explored this with Scottish Government Officials, who explained—

“Despite the presentational decrease, we have maintained all existing funding commitments. Other Arts budget continues to maintain support for important ongoing commitments such as Scottish Screen, the Youth Music Initiative, and our major Festivals. The decrease of £3.1 million is due to a technical change agreed with Creative Scotland, where we have moved £3.1 million of grant funding into 2020-21 from 2021-22. This enables them to carry over the National Lottery funding in to 2021-22, therefore over the two years we are maintaining funding. Creative Scotland confirmed in a statement on 28 January that they will honour their Regularly Funded Organisations commitment to 2021-22. “

The table below details the resource budgets at Level 4 for Creative Scotland and Other Arts for 2021-22 and 2020-21 and also highlights the net FTs.
### Level 4

<table>
<thead>
<tr>
<th></th>
<th>2020-21</th>
<th>2021-22</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creative Scotland</td>
<td>32.51</td>
<td>32.58</td>
<td>0.07</td>
</tr>
<tr>
<td>Other Arts</td>
<td>33.52</td>
<td>30.35</td>
<td>-3.17</td>
</tr>
<tr>
<td><strong>Total Resource</strong></td>
<td><strong>66.03</strong></td>
<td><strong>62.93</strong></td>
<td><strong>-3.10</strong></td>
</tr>
<tr>
<td>FTs (net)</td>
<td>1.09</td>
<td>0.00</td>
<td>-1.09</td>
</tr>
</tbody>
</table>

### Cultural collections

To support the public sector pay settlement, there were small cash increases in the revenue budgets for the National Gallery of Scotland, National Library of Scotland, and National Museums of Scotland. Capital funding showed decreases “due to changing spend profiles of development projects”. The table below shows the capital and resource budgets under the ‘Cultural Collections’ budget line.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>National Museums of Scotland (NMS)</td>
<td>22.79</td>
<td>-</td>
<td>23.27</td>
<td>-</td>
<td>0.48</td>
<td>-</td>
</tr>
<tr>
<td>NMS Capital</td>
<td>-</td>
<td>2.00</td>
<td>-</td>
<td>1.70</td>
<td>-</td>
<td>-0.30</td>
</tr>
<tr>
<td>National Galleries of Scotland (NGS)</td>
<td>15.45</td>
<td>-</td>
<td>15.90</td>
<td>-</td>
<td>0.45</td>
<td>-</td>
</tr>
<tr>
<td>NGS Capital</td>
<td>-</td>
<td>5.20</td>
<td>-</td>
<td>4.15</td>
<td>-</td>
<td>-1.05</td>
</tr>
<tr>
<td>National Library of Scotland (NLS)</td>
<td>14.63</td>
<td>-</td>
<td>14.88</td>
<td>-</td>
<td>0.25</td>
<td>-</td>
</tr>
<tr>
<td>NLS Capital</td>
<td>-</td>
<td>1.75</td>
<td>-</td>
<td>1.75</td>
<td>-</td>
<td>0.00</td>
</tr>
<tr>
<td>Non National Museums</td>
<td>3.45</td>
<td>0.30</td>
<td>3.45</td>
<td>0.30</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>Non National Libraries</td>
<td>0.67</td>
<td>-</td>
<td>0.67</td>
<td>-</td>
<td>0.00</td>
<td>-</td>
</tr>
<tr>
<td>Other Cultural Capital</td>
<td>-</td>
<td>3.70</td>
<td>-</td>
<td>0.30</td>
<td>-</td>
<td>-3.40</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>56.98</strong></td>
<td><strong>12.95</strong></td>
<td><strong>58.16</strong></td>
<td><strong>8.20</strong></td>
<td><strong>1.18</strong></td>
<td><strong>-4.75</strong></td>
</tr>
</tbody>
</table>

The table above does not show the non-cash budgets, i.e. depreciation. Including non-cash, the budget identifies spending plans of £75.66m in 2021-22 under Cultural...
collections. The Cabinet Secretary’s response to the Committee’s pre-budget letter identified spending “£75.97 million for the national infrastructure in our cultural collections.” It is not clear why there is a difference of around £300,000 between the figure in the budget and the Cabinet Secretary’s letter.

**Major Events**

The major events budget line supports a range of major events and the national Themed Years programme. It increased from £6.56m in the 2020-21 budget to £8.25m in the 2021-22 budget. In 2021/22 it will support the Scottish Open and Ladies Scottish Open, as well as preparation for the UCI Cycling World Championships. It also supports Scotland’s winter festivals programme and the delivery of the delayed Year of Coasts and Waters.

It should be noted the major events budget line trend is sporadic in nature depending on the profile of events hosted in Scotland. The increase in the Major Events 2021-22 budget was due the “spend profile of 2023 UCI Cycling World Championships”.

**Advice and policy and National Performing Companies**

There was little or no change in these budgets.

**Historic Environment Scotland**

HES’ budgets are heavily affected by the income HES is expected to generate. The level 2 budget in the table, provided earlier in this briefing, is the expected Scottish Government support which will increase by £13.1m to a total of £55.9m (including £3m of non-cash). The table below sets this out in more detail (not including non-cash lines).

<table>
<thead>
<tr>
<th>Level 4</th>
<th>2020-21</th>
<th>2021-22</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Resource</td>
<td>Capital</td>
<td>Resource</td>
</tr>
<tr>
<td>HES-Running Costs</td>
<td>97.10</td>
<td>-</td>
<td>88.30</td>
</tr>
<tr>
<td>HES Direct Capital</td>
<td>-</td>
<td>6.00</td>
<td>-</td>
</tr>
<tr>
<td>Less Income</td>
<td>-63.30</td>
<td>-</td>
<td>-41.40</td>
</tr>
<tr>
<td>Total</td>
<td>33.80</td>
<td>6.00</td>
<td>46.90</td>
</tr>
</tbody>
</table>

The total running costs of HES are expected to be £88.3m, which is down from the expected £97.1m in last year’s budget. The level 4 spreadsheet explains there are two factors to this; there is some upward pressure due to the public pay policy, but also that “HES have implemented savings measures as a result of reduced income as result of Covid-19 pandemic” which has resulted in lower anticipated resource requirements.
Income is shown as negative in the table above. The expected income in 2020-21 was £63.3m, although clearly the outturn will be considerably lower. The expected income in 2021-22 is £41.4m; the level 4 spreadsheet states the "change in forecast income levels [is due to the] Covid-19 pandemic". The forecast revenue is £21.9m (34.6%) lower than was forecast for 2020-21 without the effect of the pandemic. HES' recent submission to the Committee said—

"With the likelihood of continuing restrictions for at least part of 2021 resulting in further site closures or reduced site capacity, we anticipate that we will continue to face financial challenges in 2021/22. With the forecast economic impacts and continued lower international travel as a result, we are not anticipating pre-COVID visitor levels to return for some time. This will necessitate difficult decisions on how we utilise our resources in 2021/22 and beyond."

Plans for direct Scottish Government capital funding for 2021-22, of £6m, is the same in cash terms as the previous year.

While the budget shows that the Scottish Government's support to HES is planned to total £55.9m in 2021-22, the Cabinet Secretary’s response to the Committee’s pre-budget letter quotes a higher figure of £75.9m, including an "allocation of £20 million from COVID-19 consequentials".

**National Records of Scotland (NRS)**

The budget for the NRS increased by around £18m between 2019-20 (two budgets ago) to £65.3m in 2020-21. That increase in the budget has been mostly maintained into 2021-22 (£63.3m). The level 4 spreadsheet stated—

"Budget for Census 2022 programme has been reprofiled to reflect the delay of the Census date to March 2022."

This does not appear to mean that budgets have been shifted between years, rather that there there will be additional funds to support the delayed census. The Cabinet Secretary wrote to the Committee on 22 January 2020 and said—

"Scotland’s Census was moved to 2022 to ensure that it could deliver the benefits required by the people of Scotland. The impact of an extra year was expected to add to the programme lifecycle cost, with the major financial implications of the move to 2022 considered as:

- The cost of extending suppliers contracts
- The programme’s headcount would be maintained for an extra year
- Any major additional activities identified through the re-plan.

The re-planning exercise undertaken by NRS included significant engagement with the multiple census suppliers, with initial and final repricing exercises, interrogation of costs and an extensive resource planning exercise. This work assessed an additional cost of £21.6m for the delivery of Scotland’s Census in 2022, bringing the lifetime cost of the programme to £138.6m. The additional
cost has been primarily driven by the financial impacts predicted, with some additional costs driven by improving the robustness of operational and IT testing.”

**RESPONSE TO THE PANDEMIC**

The second half of this paper examines the ongoing response to the pandemic. In 2020-21 some of the most significant decisions about public expenditure on the cultural sectors have been in relation the disbursal of emergency funds rather than the funds specified in the budget. The other key source of funding for the cultural sectors has been the economy-wide emergency funding from the Scottish and UK Governments.

Arguably policy makers and national agencies are in a better place to deal with the pandemic in 2021-22 than in the current financial year. In terms of “normal” funding, there is time to plan where best to direct resource. The experience of the past 10 months should have developed relationships within the sectors to be able to identify need and how to address it, with planned or emergency funds.

There are, however, significant uncertainties. These include: the duration of the various impacts of the pandemic; the availability of economy-wide financial support; the level of emergency funding to continue to support the sector. There are potentially some very difficult policy decisions in the coming year in relation to how the Scottish Government supports the cultural sectors through the pandemic and helps prepare it for the medium and longer term.

These are some of the issues the Committee has explored in its scrutiny of the pandemic in the past 10 months. The remainder of this paper sets out some of the issues and themes that have been raised in evidence with the Committee. The Committee most recently took evidence from two panels of witnesses on 28 January 2021. The Committee has also received 21 submissions since the start of 2021, all of which can be accessed at—https://www.parliament.scot/parliamentarybusiness/CurrentCommittees/115079.aspx

This evidence gathered by the Committee also contributed significantly to the Committee’s pre-budget letter to the Cabinet Secretary issued in November. The Cabinet Secretary responded on 28 January 2021.

**EMERGENCY SECTOR SPECIFIC FINANCIAL SUPPORT**

As noted above, public sector funding for the arts and culture in the current financial year might be thought of in three ways: the planned funding for the arts which was either repurposed or conditions of grant relaxed (i.e. the agreed outputs were no longer required); the economy-wide financial support to businesses or individuals; and the sector-specific emergency funding.

Economy wide financial support such as business grants and rates relief for organisations and furlough and the Self-Employment Income Support Scheme for individuals have been identified as very important financial supports for the sector. However, the nature of work in the arts means that some workers in the sector have
a mixed economy of work (PAYE and Self-employed) and have not met criteria to support their income through these UK Government schemes. In part, the specific schemes Scottish Government schemes were aimed at covering these gaps.

In the immediate period after the initial lockdown, Creative Scotland and Screen Scotland created “bridging bursaries” for individuals. On 5 July 2020, the UK government announced a £1.57bn package of measures to support the cultural sectors in the UK. This led to £97m of consequentials to the Scottish Government in the current financial year. Just before this announcement, the Scottish Government announced a £10m Performing Arts Venues Relief Fund (which was then topped up to £12.5m). The total funding package from the summer for cultural-specific funds is around £107m.

In December, the Cabinet Secretary provided an update on the financial support provided to the cultural sectors to the Committee. Since that letter, in January, the Scottish Government announced £3m of extra funds for a number of theatres. The Cabinet Secretary’s response to the Committee’s prebudget letter stated—

“As at 17 January, we have invested more than £125m on supporting culture and heritage including most recently support for grassroots music venues, independent museums, the events sector and key performing arts organisations. I will provide a further update to the Committee on these details in advance of the evidence session on 11 February.”

Creative Scotland’s submission provides a useful timeline of its work supporting the arts sectors through the pandemic. It said that it would, by the end of the current financial year, have distributed £64m in emergency funds. This includes funds provided by the Scottish Government, the National Lottery, and £1m from the Frelands Foundation. Creative Scotland’s submission also noted that Regular Funding for the 121 Regularly Funded Organisations is committed through to March 2022 (subject to Scottish Government budgets).

Witnesses who gave evidence on 28 January were broadly appreciative of what has been put in place to support the sector. Lucy Mason of the Federation of Scottish Theatre (FST) told the Committee on 28 January—

“The support from the Scottish Government that has come through Creative Scotland has been greatly welcomed, and we absolutely recognise the amount of work that has gone into that via the team at Creative Scotland, who have worked extremely hard to get repeated tranches of emergency funding out the door. What is really starting to become apparent is—perhaps understandably—a real lack of strategy of what comes next. Even now, it is not clear what is really going to happen after the end of this financial year. That is very soon, and for a lot of companies—and, therefore, a lot of individuals, given that individuals make up all the workforce, whether they work on their own or within an organisation—that lack of certainty is alarming. It is very alarming now.” (Col 2)

Ms Mason also stated that the impact of the emergency investment was welcome in short term but that those that received money in the middle of 2020 will very soon
require more to continue. (Col 8) Paul McManus from BECTU explained that the situation in terms of jobs is urgent, he said—

"Without further funding, we will be getting phone calls in the next four to six weeks about further redundancies being made in the summer." (Col 38)

Moira Jeffrey from the Scottish Contemporary Arts Network (SCAN) said that specific funding was available for some of her members relatively late in 2020 and the focus of those funds was on avoiding insolvency and redundancy. She said that central support for SCAN’s members would like to be placed within a more strategic framework.

Lynda Graham from the Scottish Arts Union (SAU) expressed concern that her members were still struggling. She provided the Committee with details from a recent survey—

“92 per cent of those who are self-employed told us that it has had an impact on their working conditions; 54 per cent had fewer hours; 51 per cent have had contracts cancelled, and 47 per cent have had work postponed. Worryingly, even with the Government’s sector-specific support that has been allocated, 73 per cent of our members are now reliant on savings or family and friends.” (Col 33)

ARTS VENUES AND WORKERS

The Committee’s pre-budget letter asked for details on how the Budget would support venues and art spaces to continue to adapt to reductions in capacity, encourage consumers to participate in cultural activities safely; and support initiatives which will help venues generate income where lockdown restrictions make normal operating impossible.

The Cabinet Secretary noted that some venues were able to, briefly and with limited audiences, open in the second half of 2020. The recent submission from the Federation of Scottish Theatre stated—

“A handful of venues in Level 1 areas were allowed to open to a maximum of 100 people for a very short window in November/December 2020. However, almost no performances took place during this time as there was no work to programme.”

Lucy Mason also noted in oral evidence to the Committee that there will be challenges around social distancing in creating a performance and connecting with the audience (Col 3).

Moira Jeffrey from SCAN noted that her members’ experience was a little different to theatre and performance spaces, with many more of SCAN’s members being able to open or seeking to deliver community engagement digitally. (Cols 3 and 4) However, she suggested that the strain was beginning to tell—
“We are seeing issues around strain and stamina as well as real concerns about planning, timelines and the wear and tear on a workforce that is doing its best, both digitally and in person, when the guidance allows, to provide services to communities across the country.”

The Cabinet Secretary’s recent letter stated—

“We have seen many performers and venues turn to digital performances. While these have largely been successful, we are aware that they are expensive to produce and rely on robust connectivity. It can be difficult to monetise these performances, and the signs are that audiences remain largely reluctant to pay for streamed performances. There may also be some drop in audience interest after the initial flurry of activity in the early days of lockdown. Nonetheless, we will continue to work with the sector to consider how to make the most of streaming performances.”

Moira Jeffrey from SCAN explained that her members’ income model was complex. Visual arts tended to be offered free at the point of use in galleries, but income might be made through cafes, workshops or venue rental. She said—

“It is important to understand that the income generation model is complex. We can pivot to digital, and our organisations are saying to us that they would like some investment to enable them to think that through.” (Col 16)

The Committee also explored how the arts were engaging with broadcast media.

**HERITAGE SECTOR**

The heritage sector was not covered in great detail during the session on 28 January. However, HES wrote to the Committee and provided an update. HES’s submission stated that between the easing of restrictions and partial opening of its estate in August 2020 and the tightening of restrictions, there were a total of 245,402 visitors. HES said that visitors were positive about their experiences. HES noted that it had expanded its digital offering and commented—

“Over the past year we have increased our digital engagement opportunities to provide access to heritage experiences while sites are shut. We ran 20 online We Love History events between May and October 2020, with over 20,000 views in total. Our online Learn at Home portal (now Learn, Create & Play) contained 149 digital resources, with pages viewed over 20,000 times. In 2021/22, we will focus on digital innovation to explore other opportunities to use technology and online tools to complement and extend our existing services.”

The broader heritage sector continues to face significant challenges. HES undertook a survey of the sector in Autumn of 2020. HES told the Committee—

“Respondents expressed a range of challenges with operating in a context of continued uncertainty, including concerns over whether postponed events will be able to continue this year, implications for the end of the furlough scheme and the need to pause fundraising.”
The Historic Environment Recovery Fund was launched in October and disbursed around £1.9m to 41 projects around the country. The aim of this fund was “to support organisations to remain solvent, safeguard jobs and training opportunities and ensure that historic buildings and sites can re-open to the public”. The fund could also be used to “invest in urgent repairs and maintenance, helping to generate work for specialist contractors and the wider heritage economy.”

HES noted that the impacts of the pandemic are likely to felt for some time. It also said it is “undertaking work to explore how we can respond to the impacts of the pandemic to build our organisation back better and contribute to the post-Covid priorities of the Scottish Government.”

The Committee’s pre-budget letter highlighted the need for “adequate financial support the heritage sector” and to ensure that support is available for “smaller organisations who may have fallen through the ‘gaps’”. The Committee also suggested that work be done to encourage domestic visitors to heritage sites.

SCREEN

The Cabinet Secretary’s response to the Committee’s pre-budget letter stated—

“The film and TV production sector is one of the few sectors that has continued to operate under the Strategic Framework, recognising the strict safety protocols agreed with the industry. Despite restrictions, production in Scotland has continued to grow strongly with a number of high-profile and valuable productions slated to film both in studios and on location in Scotland in the coming months, with interest from international streaming companies and traditional broadcasters.”

BBC Scotland’s submission provided an insight into how TV production has been affected recently. It said——

“The production of numerous programmes and services continues to be impacted. BBC Scotland welcomes the guidance issued by the Scottish and UK Governments which enables TV and film production to continue to operate with strict safety protocols, and production on a number of key titles has resumed … BBC Scotland is also seeing some studio-based business postpone production by a number of months. Much of this is due to particular productions in which interactions with a studio audience are key to the format, particularly in some areas of children’s television. Audiences in Scotland have not been permitted in TV studios at any stage of the pandemic. This has not been universally the case across the UK, where in some areas the limited return of studio audiences has been permitted.”

Bill Armstrong from the Writers Guild of Great Britain was critical of the BBC in supporting writers from Scotland and accused of having “a lack of holistic thinking and a lack of vision apropos Scotland” (Col 24). In terms of production in the current climate, Mr Armstrong stated——
“The Covid restrictions are such that it slows down production to about a third of its normal speed, which has an impact on commissions. Most of our film and television writers report a loss of half to two thirds of their income, and that is from a very low base to begin with, because it is a very precarious livelihood.”
(Col 4)

The BFI published annual statistics for film and high-end TV production in the UK on 4 February. It found that there had been a significant uptick in production spend in the final three months of the year, with a recorded £1.19bn production spend in that period. Overall spend on film and HETV production in the UK in 2020 was £2.84bn, which represents a 21% decrease on 2019. Creative Scotland’s submission lists some of the productions that are being undertaken in Scotland.

In terms of cinema, the BFI reported a total of 44m admissions in 2020, down from over 170m in previous years. Creative Scotland’s submission noted some of the recent developments that had been supported by Screen Scotland. This included supporting Glasgow City Council’s bid to redevelop areas within the Kelvin Hall as a television studio and drama production space.

As with previous years, it is not possible from the budget documents to identify the budget for Screen Scotland from either the Creative Scotland or Other Arts level 4 lines. Creative Scotland’s submission stated that it would remain at £8.5m. The Cabinet Secretary’s letter stated—

“We see film and TV as a key driver of our creative economy and therefore plan to maintain funding to Screen Scotland in the 2021-22 budget at 2020-21 levels, recognising the impact of funding for production, development and facilities. There is a need and an opportunity for more skills and training programmes and this will be a key focus for Screen Scotland in 2021-22 as we seek to cement this progress by building a diverse and highly skilled local crew base.”

STRATEGY AND PLANNING

Prior to the pandemic, the Scottish Government published the Culture Strategy. The Culture Strategy has three strands which are listed below along with a short description.

- **Strengthening Culture**
  Supporting the creation of culture.

- **Transforming Through Culture**
  Realising the benefits of cultural activity across society (and government structures) to support “wellbeing and cultural, social, economic and environmental prosperity”.

- **Empowering Through Culture**
  Celebrating culture more broadly “as part of every community; essential to our lives and wellbeing”
One of the actions in the strategy was to establish a “National Partnership for Culture to work with individuals and organisations across culture and other sectors to continue the national culture conversation – identifying opportunities and synergies, advising Ministers and building on this strategy and the Scottish Parliament’s Culture, Tourism, Europe and External Affairs Committee’s 2019 inquiry into the future of funding for the arts in Scotland.”

Prior to the pandemic, Creative Scotland was undertaking work on a Refreshed Strategy and Funding Framework. Its submission to the Committee stated—

“We are now revisiting this work, in light of the new context, and considering how we use funding in the future. This will include consideration of how we will move on from the current Regular Funding programme, from 2022/23 and beyond. This work will align with ongoing developments in our approach to supporting individuals.”

HES is the body mainly responsible for delivering Scotland’s strategy for the historic environment, Our Place in Time, published in 2014.

The Committee made a number of requests for information in it’s prebudget letter to the Cabinet Secretary on how the budget will:

- Support the aspirations of the Culture Strategy, taking into account the impact of the pandemic;
- Work across portfolios and enterprise agencies to provide a more strategic package of support for the sector;
- Invest in human capital and skills;
- Provide capital support to ensure artists and audience the means to engage in cultural activity; and
- Support those within the industry to adjust to the impact of Covid-19.

The Cabinet Secretary’s response said that the Culture strategy would continue to inform the support to the sector. The letter also suggested that the focus of the government remains on the short-term challenges. Ms Hyslop said—

“The Committee raises the important question of the longer term outlook for cultural support, but this is inevitably within the context of a one year budget and the ongoing uncertainties of the time the pandemic will continue to affect the culture and heritage sectors. The 2021-22 budget enables stability of funding for the coming financial year which will be an important part of recovery.”

In terms of longer-term thinking, the Cabinet Secretary indicated that the Scottish Government would seek to be led by the work of the NPC. The letter stated—
“We have established the National Partnership for Culture and will continue to support it as a way of continuing the national culture conversation and developing expert recommendations on how to harness the transformational potential of culture to accelerate societal and economic recovery. Taking into account the impact of the pandemic, it will provide thought leadership this year on accelerating progress on fair work, wellbeing and culture in education.”

The NPC was established last summer to take forward the Culture Strategy; it is also tasked to “consider and advise how to promote the culture sector’s recovery in light of the COVID-19 pandemic, whilst speaking out for the many ways culture can help to support society post-pandemic”. The NPC’s work programme was published on 22 January 2021 and stated that its work in 2021 would “based on initial priority areas of focus, cross-cutting principles and with the recovery and renewal of the culture sector in Scotland at its heart”, more specifically the following bullets were listed—

- Cross-cutting theme: promoting the recovery and renewal of the culture sector in light of the COVID-19 pandemic
- Cross-cutting principles: (i) Improving joined-up government (ii) Supporting a Human Rights-based approach (iii) Increased equality, diversity and inclusion
- Priority themes: (i) Wellbeing (particularly mental health) (ii) Fair work (iii) Culture in education (including skills) (iv) Measuring Change

Lynda Graham from the SAU criticised the membership of the NPC, she said—

“We sought involvement with the national partnership through the trade unions, but that has not happened yet. We elected Rab Noakes, from the Musicians Union, to represent the trade unions in the culture sector, but unfortunately the subgroups have not been set up yet. My involvement has been to read the minutes of the meeting, and my understanding is that its role at the moment is to be an advisory group. However, its role needs to be clarified, and there certainly needs to be trade union involvement in the future.” (Col 36)

Creative Scotland’s recent submission stated that it is currently conducting a Covid-19 Sector Survey to “understand the impact of the pandemic on Scotland’s culture sector and the ongoing issues it has created as we move into 2021.” Creative Scotland said the key messages from these surveys were that—

“[The surveys] clearly demonstrate the importance of cultural activity to the people of Scotland, but also the significant impact of the pandemic on both audience intentions to return to the live experience and on the ability of the people and organisations working in the sector to recover.”

Paul McManus from BECTU quoted an Ernst and Young study on the cultural and creative industries in the EU. The study, Rebuilding Europe was commissioned by the European Grouping of Societies of Authors and Composers. It identified three “challenges” for policy makers post-pandemic.
• Finance: “Provide massive public funding and promote private investment in cultural and creative businesses, non-profit organizations, entrepreneurs and creators”

• Empowerment: ensure that the legal framework protects intellectual property rights and to promote entrepreneurship in the sector.

• Leverage: use the talents and output to support wider social, political, and economic goals.

In December 2020, UNESCO published Culture in Crisis: A Policy Guide for a Resilient Creative Sector which is intended to be both a practical guide to help governments address the challenges artists and cultural professionals are facing during the pandemic, as well as offering advice on how to strengthen the resilience of the creative industries in the future. UNESCO’s paper also identified three areas of work —

• Direct support for artists and cultural professionals

• Support for sectors of the cultural and creative industries

• Strengthening the competitiveness of the cultural and creative industries

The discourse around recovery is sometimes a little difficult to unpack. Questions such as what the recovered culture and creative sectors are expected to look like; what the process of recovery will entail; and what the expected timeframes and additional costs are for maintaining the sector up to and through recovery are not always addressed directly. UNESCO warned against “giving any commitment that all cultural enterprises and jobs can be saved” and said “a degree of restructuring is inevitable”. The Scottish Government has not, to date, been explicit on how it intends to manage any restructuring in the sectors and how this is affecting decisions currently being taken at a strategic level.

The Cabinet Secretary’s letter to the Committee outlined the aim of the funding announced in the budget. The Cabinet Secretary stated, in the letter, that the funding “supports jobs and skills in the culture and heritage sectors and the organisations receiving this funding will play a key part in recovery”. The Committee’s pre-budget letter noted the difficulties it had heard for freelancers to access furlough or the Self-Employment Income Support Scheme (“SEISS”) and it stated that it was “imperative that some form of additional financial support be made available” for freelancers especially.

Lucy Mason of the FST stated that it is important to value the professionalism of individuals and capacity of organisations to be able to return to producing performances. (col 29) She also stated —

“A lot of things have accumulated, and it is starting to feel as though, in the next phase, it will be critical that we have some sense of a plan that both stabilises and invests in the secure future of the industry or the theatre and dance sector.” (Col 2)
The Committee’s work has uncovered a number of suggestions on how the culture sector could be supported through the recovery stage and thereafter. The FST’s submission called for the Scottish Government to continue to plan for the return to live theatre, dance and opera. Specifically, the FST called for test events to demonstrate how live events might be put on safely. The Music Venue Trust’s submission outlined how The 100 Club in London is the site of a number of planned test events.

A member of Scottish Society of Playwrights suggested that a way to aid recovery would be a festival model to support new work. They said—

“I think what would be helpful is a model that enables people to be paid and for work to be made at a faster than usual rate. So I have been wondering about a festival model which would provide an exceptional platform for new play productions. I am imagining a subsidy that would enable plays to be produced professionally but swiftly while artists were paid full rates or above, to try to catch up a little on lost time and earnings.”

Barry Dallman also expressed frustration that guidance should have been more nuanced to reflect the many settings where musicians work and differentiate between, for example, large gigs, solo acoustic gigs in bars, and busking. (Col 40) He also said—

“Clarity about how and when things will happen will be essential if we are going to emerge from this situation with an intact industry. …As we emerge from this, it is very important to remember that, at all levels, we will not be able to flick a switch and go back to how we were. Musicians, orchestras and touring bands—pretty much every level of the industry—need to be planning about 18 months or two years ahead, but we cannot do that at the moment.” (Col 45)

Bill Armstrong from the Writers Guild argued that in the future, specific funding should be available for screenwriters. He also suggested that Scotland should emulate the Danish approach to training writers and funding television. (Cols 23-25)

The pandemic also appears to have increased Creative Scotland’s reach into the sectors in Scotland. Creative Scotland’s submission noted that the pandemic had driven much more traffic to its website and engagement with its social media accounts. Nick Stewart of the Music Venues Trust told the Committee in August that the relationship between the MVT and Creative Scotland had improved as a result of the pandemic. (Col 18-19)

Ned Sharratt
SPICe Research
8 February 2021

Note: Committee briefing papers are provided by SPICe for the use of Scottish Parliament committees and clerking staff. They provide focused information or respond to specific questions or areas of interest to committees and are not intended to offer comprehensive coverage of a subject area.

The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot
SCOTTISH BUDGET 2021-22 – EUROPE AND EXTERNAL AFFAIRS

Context

In the 2021-22 draft budget document, the Scottish Government set out its view on the importance of engaging internationally following the UK’s departure from the EU:

“With the end of the EU Exit transition period, our role as an open, outward-looking, connected country is more important than ever. Across our international and European relationships - supported by the work of our external network of offices - we will continue our commitment to internationalisation by building on relationships, sharing the skills and expertise of our colleges and universities, celebrating cultural and ancestral connections and exchanging policy ideas to address shared challenges, ensuring Scotland remains a valued and well-connected nation, despite the UK’s decision to leave the EU. We will demonstrate our commitment to EU values and our alignment with EU policy priorities.”

External Affairs budget

The 2021-22 draft budget allocates £26.6 million for the External Affairs budget line. This is an increase of £0.5 million compared to the 2020-21 draft budget. The International and European Relations budget line is allocated all but £100,000 of the External Affairs budget.

<table>
<thead>
<tr>
<th></th>
<th>2019-20 Budget</th>
<th>2020-21 Budget</th>
<th>draft</th>
<th>2021-22 Budget</th>
<th>draft</th>
</tr>
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<tbody>
<tr>
<td>International and European Relations</td>
<td>£23.9</td>
<td>£25.9</td>
<td>£26.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>British Irish Council</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total External Affairs</td>
<td>24</td>
<td>26</td>
<td>26.6</td>
<td></td>
<td></td>
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</tbody>
</table>
International and European Relations in detail

There are 13 budget lines in the International and European Relations budget. These are considered below using information provided by the Scottish Government to SPICe’s Financial Scrutiny Unit.

According to the Scottish Government’s level 4 data, the International and European Relations budget for 2020-21 was worth £26.77 million. The figures below include a comparison of the level 4 figures for the 2021-22 draft budget compared to the level 4 data provided by the Scottish Government for the 2020-21 budget.

External Affairs Advice and Policy (Scotland)

The External Affairs Advice and Policy budget line aims to support the operation of External Affairs aspects of the portfolio.

The budget has fallen from £6.327 million in the 2020-21 budget to £6.084 million in the 2021-22 budget.

International Development and International Development administration

The largest share of the External Affairs budget is spent on international development. Once again, the international development fund (IDF) is worth £10 million in the 2021-22 budget, as it has been since 2017-18. The aim of the IDF is to deliver the aims of the Scottish Government’s international development policy.

International development administration is once again allocated £177,000 which is used to support the delivery of the international development policy.

Scottish Affairs Offices

The Scottish Government has Scottish Affairs offices in Canada, China and the United States. Each of these offices has seen a small reduction in their annual budget.

- The Canada office has seen its budget cut from £589,000 in the 2020-21 budget to £570,000 in the 2021-22 budget.
- The China office has seen its budget cut from £568,000 to £550,000.
- The United States office has seen its budget cut from £830,000 to £805,000.

The work of these three offices is to support the Scottish Government’s activities in each country which are aligned with the Government’s Economic Strategy and International Framework and set out in detail in the three country strategies for Canada, China and the United States.

Scottish Government hub offices

The Scottish Government’s hub offices in Paris and Brussels are financed from the External Affairs budget. Both offices aim to support the objectives of the Scottish Government’s Economic Strategy and International Framework.
The budget for the **Paris office** has dropped from £573,000 in 2020-21 to £556,000 in 2021-22.

The budget for the **Brussels EU office** has increased from £2.148 million in 2020-21 to £2.310 million in 2021-22. This increase is to support increased staff costs.

The Scottish Government also has hub offices in **London**, **Dublin** and **Berlin**. These are supported from the Economy, Fair Work and Culture budget. The budget for the external network offices in the Economy budget is worth £3.348 million in 2021-22, an increase from £3.149 million in 2020-21. The purpose of the increase is to pay for increased staff costs.

**International Relations**

The international relations budget helps support the delivery of the Scottish Government’s international engagement. The budget has stayed at £236,000 in the 2021-22 budget.

**Humanitarian Aid**

The **humanitarian aid** budget remains at £1 million in the 2021-22 budget. The purpose of the humanitarian aid budget provides emergency funding for “immediate and effective assistance to reduce the threat to life and well-being of a large number of a population caused by disasters, disease and conflict”.

**Scottish Connections**

The Scottish Connections budget has fallen from £1.657 million in the 2020-21 budget down to £1.543 million in 2021-22. According to the Scottish Government, the budget:

> “Supports a range of activity aimed at enhancing Scotland’s global reputation through continuing commitment to the Brand Scotland collaboration, including the establishment and development of a cross-partner team, creation of marketing collateral for use across the wider public sector, and the resourcing of www.scotland.org our international facing website, and its supporting network of social media channels.”

**European Strategy**

The European Strategy budget has increased from £345,000 in the 2020-21 budget to £485,000 in 2021-22. According to the Scottish Government, the budget:

> “Supports the Scottish Government's commitment to protecting Scotland's relationship with Europe including increasing strategic engagement with key EU countries, actions identified in the Scotland’s Arctic policy framework and in support of the International Framework. Also supports some international communications activity, engagement with the Scottish Consular Corps and the delivery of a programme of policy and cultural events.”
Migration Strategy

The migration strategy budget which supports the provision of immigration advice and support on policy, and the delivery of Programme for Government commitments to support EU Citizens is worth £2.173 million in the 2021-22 budget compared to £2.22 million in 2021-21.

Iain McIver
SPICe Research
Culture, Tourism, Europe and External Affairs Committee
Tourism budget scrutiny 2021-22

Detail of tourism budget 2021-22

Budget 2021-22 will allocate £55 million to the Scottish Government’s tourism portfolio area.

- £51.3 million of this allocation (93% of total) is for VisitScotland, including VisitScotland’s delivery of the £6.2 million Rural Tourism Infrastructure Fund.
- £3.7 million of the allocation is for tourism special projects, which the Scottish Government has said will ‘begin recovery work for the tourism and hospitality sector’.

Table 1 below provides full detail of the projected £55 million allocation in terms of fiscal resource, capital, non-cash, and details provided by the Scottish Government on what the budget buys and reasons for any change in budget.

In total, the tourism budget for 2021-22 has increased by 9% (£4.5 million) on the previous year. Much of this increase is driven by doubling the Rural Tourism Infrastructure Fund to £6.2 million and an additional £0.9 million for tourism special projects. The Budget document states:

In 2021-22, we will provide £55.1 million for Tourism. Recognising the acute impact seen by our rural communities, we will double the Rural Tourism Infrastructure Fund, to £6.2 million, helping tourist attractions and their communities make improvements to cope with increased visitors, such as parking areas, visitor facilities and recycling points. This will support the resumption of domestic tourism when the time is right.

While the Scottish Government recognise the devastating impact of the pandemic on the tourism sector within the Budget, apart from increasing the Rural Tourism Infrastructure Fund, there are no other direct tourism allocations to reflect the impact of COVID-19. However, the Scottish Government highlight that they have commissioned work in response to the Scottish Tourism Taskforce recommendations to develop a five-year recovery and investment plan to set the sector back on track to deliver the 2030 tourism strategy. They state that ‘this has already been supported in 2020-21 by a package of £104.3 million’.
Table 1: 2021-22 Tourism Scottish budget allocation detail - £ million

<table>
<thead>
<tr>
<th>£ million</th>
<th>Fiscal Resource</th>
<th>Non-cash</th>
<th>Capital</th>
<th>Total budget</th>
<th>% change since 2020-21</th>
<th>What it buys</th>
<th>Explanation of significant changes from previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>VisitScotland (Resource)</td>
<td>41.412</td>
<td>-</td>
<td>-</td>
<td>41.412</td>
<td>0.8%</td>
<td>To deliver high profile tourism marketing campaigns overseas and in the UK and a portfolio of national events that continue to grow sustainable tourism across Scotland.</td>
<td>Uplift to support increased operational costs</td>
</tr>
<tr>
<td>VisitScotland (Capital)</td>
<td>-</td>
<td>-</td>
<td>8.500</td>
<td>8.500</td>
<td>61.9%</td>
<td>For refurbishments to VisitScotland's estate, investment in VisitScotland's digital strategy and ICT resources and providing for the Rural Tourism Infrastructure Fund.</td>
<td>Increased funding for the Rural Tourism Infrastructure Fund to strengthen the strategic network of facilities which will meet visitor and community needs as the industry moves into the COVID recovery phase.</td>
</tr>
<tr>
<td>VisitScotland (Non-Cash)</td>
<td>-</td>
<td>1.400</td>
<td>-</td>
<td>1.400</td>
<td>0.0%</td>
<td>For depreciation of VisitScotland's assets, including its estate.</td>
<td>Reflects updated non-cash depreciation charge.</td>
</tr>
<tr>
<td>Tourism special projects</td>
<td>3.762</td>
<td>-</td>
<td>-</td>
<td>3.762</td>
<td>31.4%</td>
<td>This supports a range of tourism related activities and events plus general tourism policy development.</td>
<td>Increased budget to begin recovery work for the tourism and hospitality sector. Capital reduction reflects the completion of our funding commitments to the Coig project in Ayrshire, south of Scotland tourism capital investment and the Waverley Paddle Steamer.</td>
</tr>
<tr>
<td>Total - Tourism</td>
<td>45.174</td>
<td>1.400</td>
<td>8.500</td>
<td>55.074</td>
<td>8.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: extracted from SG [level 4 budget spreadsheet](#)
VisitScotland’s £51.3 million allocation, includes £41.4 million (see Table 1 above) of resource funding to ‘deliver high profile tourism marketing campaigns overseas and in the UK and a portfolio of national events that continue to grow sustainable tourism across Scotland’. Given COVID-19 restrictions are expected to remain in some form over 2021 and the concerns about overseas travel, Members could consider the efficiency of this spend in terms of purpose.

Members will recall evidence from VisitScotland in August, where the Director of Partnerships stated:

“We have basically repurposed everything. The strongest focus of our budget is now on marketing, at a time when we are able to spend that money. Halfway through the year, I detected a real concern among destination organisations that they could struggle with their membership subscriptions, so we set up a separate fund from our own budget to support them. The support was incredible: 80-odd destination and sector organisations benefited from £0.5 million. We also waived the fee for quality assurance, which was a £1 million hit to our budget, but we felt that it was important to support individual businesses that were committed to quality”

“In addition, we have—encouraged by the industry and the emergency response group—put in a significant bid for additional resources from the Scottish Government for the end of this year and into next year. The bid covers the three main strands of the tourism recovery task force: stimulating demand, supporting business and—significantly—looking at infrastructure. That includes trying to extend the reach of the tourism infrastructure fund, which has a £3 million budget in the current year. We already have bids that will potentially come through to the tune of £12 million, so it is clear that there is real demand”

Other allocations and announcements in the Budget that impact on tourism include:

- The continuation of the current Non-Domestic Rates relief for at least three months.
- A reduction in the Non-Domestic Rate poundage rate to 49p.
- Within City Deal funding - Inverness Castle, which will be opened to the public and be a focal point for tourism in the area and wider highlands and help revitalise Inverness city centre.
- Local Authority Discretionary Fund will be doubled to £60 million in this financial year to allow councils to respond to local needs.
- Businesses eligible for the Strategic Framework Business Fund will receive full Level 4 payments on 22 February, regardless of any future changes to local restrictions.
- £103.3 million funding for Highlands and Islands Enterprise and South of Scotland Enterprise – an increase of £17 million on the previous year. They will continue to provide front line support to businesses and communities in areas disproportionately impacted because of their rurality and their reliance on jobs in the hardest-hit sectors.
Historical tourism budget trends

The overall 12-year trend in funding allocations to the tourism budget peaked in 2014-15 (linked to hosting the 2014 Commonwealth Games in Glasgow, 2014 Ryder Cup in Gleneagles, and the Year of Homecoming) but has since experienced a general downward trend. The 2020-21 allocation was the first reversal of the downward real-terms trend since 2014-15 (see Table 2). The 2021-22 allocation has continued this upward trend, but the allocation is still below 2015-16 levels.

Table 2: Historical tourism budget trend – cash terms and 2020-21 real term prices - £ (millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>10-11</th>
<th>11-12</th>
<th>12-13</th>
<th>13-14</th>
<th>14-15</th>
<th>15-16</th>
<th>16-17</th>
<th>17-18</th>
<th>18-19</th>
<th>19-20</th>
<th>20-21</th>
<th>21-22</th>
</tr>
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<tbody>
<tr>
<td>Cash</td>
<td>43.9</td>
<td>41.0</td>
<td>49.1</td>
<td>51.6</td>
<td>56.9</td>
<td>50.6</td>
<td>49.1</td>
<td>43.9</td>
<td>45.1</td>
<td>45.2</td>
<td>50.6</td>
<td>55.0</td>
</tr>
<tr>
<td>Real terms</td>
<td>52.7</td>
<td>48.5</td>
<td>56.9</td>
<td>58.7</td>
<td>63.9</td>
<td>56.3</td>
<td>53.4</td>
<td>46.9</td>
<td>47.1</td>
<td>46.0</td>
<td>51.0</td>
<td>54.1</td>
</tr>
<tr>
<td>2020-21</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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Real terms using HMT GDP deflator. Please note an average deflator was used for 2020-21 and 2021-22 reflecting the issues discussed in the SPICE blog ‘(Un)real terms’.

Since 2010-11, in cash-terms the tourism budget has increased by 25%. However, in real terms this increase is just 3% as illustrated in Figure 1.

Figure 1: Historical tourism budget trend cash terms and 2020-21 real term prices indexed to 2010-11

Response to the budget

In response to the Budget 2021-22 allocations, Marc Crothall from the Scottish Tourism Alliance stated:

“I look forward to our continued conversations with Ms Forbes over the coming weeks to learn more detail around the breakdown of the figures announced today; the STA will be meeting with Minister Stewart from the Scotland Office
on Monday and will press further for increased support from the Treasury to support many of the priority areas which we have detailed throughout the pandemic and to ensure that the Non-Domestic Rates relief can be further extended beyond the three months announced today.

In addition to these announcements of support, what the industry needs now is a route map for reopening domestic tourism and additional support packages to protect the sector, especially for those businesses that are heavily dependent on international tourism, given the Scottish and UK government’s current position on international travel to the UK.”

Alison O’Connor
Senior Analyst, Financial Scrutiny Unit
8 February 2021

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The Scottish Parliament, Edinburgh, EH99 1SP www.parliament.scot
Culture, Tourism, Europe and External Affairs Committee
5th Meeting, 2021 (Session 5), Thursday 11 February 2021

EU-UK Trade and Co-operation Agreement

Note by the Clerk

Background


2. The Committee considered and reported on the European Union (Future Relationship) Bill and an associated Scottish Government legislative consent memorandum on 30 December 2020. Full details of the Committee’s scrutiny of the future relationship negotiations process can be accessed at—

3. The Committee commenced scrutiny of the impact of the TCA upon key sectors of the Scottish economy last week with evidence taken from Food and Drink Scotland and NFU Scotland. This week’s evidence session is focussed on the impact of the TCA on the fisheries sector in Scotland.

Evidence session

4. The Committee will take evidence from—

- Elspeth MacDonald, Chief Executive Officer, Scottish Fishermen’s Federation; and
- Jimmy Buchan, Chief Executive Officer, Scottish Seafood Association.

Supporting Information

5. The Scottish Fishermen’s Federation have provided a written submission which is provided at Annex A to this paper. A SPICe briefing paper considering the impact of the TCA, to date, on the fisheries sector is provided at Annex B to this paper.

Stephen Herbert
Clerk
Culture, Tourism, Europe and External Affairs Committee
8 February 2021
Written Submission from the Scottish Fishermen’s Federation

TRADE AND COOPERATION AGREEMENT BETWEEN THE UK AND EU

INTRODUCTION

1. The SFF is a democratically constituted industry group set up in 1973 and its key aims are:
   - To preserve and promote the collective interests of the Scottish Fishermen’s Federation constituent associations.
   - Ensuring a viable and sustainable future for the fleet in terms of both economics and environmental responsibility.
   - Working to improve the perception of the fishing industry, attracting new entrants and ensuring professional standards of training and safety.

2. We have eight constituent associations within the Federation, with over 400 vessels within their membership, representing a wide range of fishing businesses, both inshore and offshore and catching a wide range of fish and shellfish species. The value at first landing of the Scottish fishing industry in 2019 was just under £0.6 billion. Scottish vessels accounted for 60% of value and 62% of landings of all fish caught by UK vessels.

ASSESSMENT, IMPACTS AND CHALLENGES OF THE FISHERIES HEADING OF THE TCA

3. In terms of the fisheries element of the TCA, the provisions of the agreement are very disappointing. They fall well short of what could have been achieved and fail to capitalise on the opportunity presented by the UK’s departure from the EU Common Fisheries Policy, under which the UK had a very poor settlement. They also fall far short of the commitments that the UK Government made to the industry.

4. There were three main priorities for SFF from the Brexit negotiations – to control access to the UK’s Exclusive Economic Zone (EEZ), to secure a fairer share of quota allocations based on zonal attachment and for the UK to conduct annual negotiations with the EU on fishing opportunities as sovereign equals. SFF sought a framework fisheries agreement similar to the EU’s long-standing agreement with Norway. Throughout the negotiations, the UK Government consistently supported these ambitions, and we understand they formed the basis of their negotiating position.

5. Taking each of these priorities in order:

   Control of access to the UK’s EEZ

6. Since the 2016 referendum, SFF consistently made clear that controlling access to the UK’s EEZ was central to the UK securing the opportunities
presented through its newly found status as an independent coastal State. The EU fishing fleet is highly dependent on access to UK waters, fishing many times more in our waters than the UK fleet does in theirs.

7. SFF was consistent and clear to UK Ministers and officials that controlling access should be our greatest lever – the ace in the pack. We were also clear that controlling access did not mean that the EU fleet would not have access after the end of the transition period, but that their access should be negotiated on an annual basis, essentially in the same way that the EU does with other coastal States – Norway, the Faroe Islands, for example.

8. UK Ministers were equally consistent in their assurances and commitments to industry that the UK would have full control over access to our fishing waters. It was hugely disappointing therefore to find that the TCA falls very far short of these commitments. Firstly, the TCA establishes an ‘adjustment period’ of five and a half years, to mid 2026, during which time the EU fleet has full access to the UK’s EEZ.

9. This concession threw away every advantage that our new status conferred. Every piece of leverage available to the UK through controlling access to our sovereign resources was conceded. This was then compounded by the dismal outcome on the reallocation of quota shares – to see paragraphs 14-22 below.

10. Yes, the UK fleet has reciprocal full access to the EU’s EEZ during the adjustment period, but the UK fleet relies much less on their waters than they do on ours. The EU fleet fishes five or six times more in UK waters than we do in theirs, so reciprocal full access for five and a half years confers far greater benefit to the EU than it does to the UK.

11. At the end of the adjustment period, in mid 2026, the TCA makes provision that either Parties may make changes to the level of access, i.e. the UK (or the EU) could decide to reduce, limit or remove access for the other party to its waters. This would be the basis of any normal coastal State relationship, but in the case of the TCA, a suite of compensatory measures would then apply. The party whose access is reduced or removed could then remove the TCA’s preferential tariff treatment on fishery products. So if the UK chose to reduce or remove the EU fleet’s access to UK waters after the end of the adjustment period, the EU could apply tariffs to UK fishery products being exported to the EU. SFF understands that this would also include fishery products produced through aquaculture, so drawing into scope a much wider range of products.

12. Furthermore, the EU could apply compensatory measures based on the economic and societal impact of any reduction in its access to the UK EEZ. It is almost impossible at this stage to estimate what these could amount to. Nonetheless, we must focus on the levers, powers and penalties that could be applied at the end of the adjustment period when the UK could choose a different path.

13. The alternative is that the UK is trapped in an enduring arrangement where the EU benefits enormously from full access to the UK’s valuable fishing waters,
and the UK has no negotiating capital with which to lever better quota shares in our own waters. Essentially, unless and until the UK decides to exert full control over our EEZ, we are an independent coastal State in name only. We know of no other coastal State in the world that finds itself in this position.

Quota Shares Based on Zonal Attachment

14. Under the EU’s Common Fisheries Policy, quota shares are based on a system called relative stability, which itself is based on historic fishing patterns of almost half a century ago. This bears no resemblance to the life cycle and distribution of fish. Zonal attachment is a well-established scientific approach for allocation of quota shares based on where fish are actually found and where they spend different stages of their lives. Like control of access to the UK’s EEZ, it was a stated negotiating objective of the UK Government that the new agreement between the EU and UK should allocate quota shares on the principle of zonal attachment. SFF fully concurred with this objective.

15. For 12 of the 14 key stocks of demersal and pelagic fish of commercial importance to the Scottish fishing fleet, the UK’s shares would be much higher through a system based on zonal attachment than on relative stability. It should be noted that the fisheries agreement between the EU and Norway uses zonal attachment as the basis for how shares are allocated, so the UK was not seeking anything new or novel.

16. The TCA sets out new quota shares for the UK and EU for different fish stocks. There is a gradual transition to these new shares over the adjustment period, with the greatest increase in the first year. Taken at face value, some of these figures may look to be reasonable uplifts in the UK’s share, but there are important caveats to understand. Firstly, these new shares, certainly for the key commercial species come nowhere near zonal attachment, so the UK Government failed to deliver on a key negotiating objective. Secondly, in some cases, the UK will actually have fewer ‘fishing opportunities’ for some demersal species than it had under the Common Fisheries Policy, and this is because the UK Government failed to take the right baseline into account.

17. To address the problems of relative stability which gave the UK a disadvantageous share of the fish in our own waters, the UK was able to secure uplifts in certain stocks on a yearly basis through CFP mechanisms called International Quota Swaps (IQS) and Hague Preference (HP). Industry was clear with UK Government that the UK’s baseline had to be not the relative stability share, but end-year outcome when IQS and HP were taken into account. UK Government failed to do this for several demersal species. As the UK will no longer have access to the IQS and HP mechanisms, we find ourselves worse off for some species than was previously the case.

18. The TCA does make provision for in-year exchanges of quota between the EU and UK, but these mechanisms have not yet been developed or agreed, and the Specialised Committee on Fisheries, a new body set up under the TCA, will have a role in overseeing this. It is imperative that this is progressed urgently to avoid very significant harm to our demersal sector in 2021 and beyond.
19. In addition to the clear economic advantage of having a much fairer share of the UK’s sovereign resources, in line with international law, there are important fisheries management reasons for allocating quota shares based on where the resources are actually found. In mixed fisheries such as the demersal fishery in the North Sea, the consequence of relative stability is that the Scottish fleet does not have enough quota for certain species to allow the fleet to keep fishing without ‘choke’ occurring.

20. Choke happens when a vessel runs out of quota for one species, but it cannot avoid catching this species when continuing to fish for other species that it still does have quota for. At its most extreme, choke can cause a vessel to tie up and stop fishing simply because the allocation of quota even for one species in a mixed fishery doesn’t match the abundance and distribution of that species in our waters. The new shares that have been negotiated through the TCA fail to solve the problem of choke for several demersal species.

21. It also greatly aggrieves the industry that the UK Government has set out a misleading narrative on the uplift in quota shares, often referred to as a 25% increase in quota. This is manifestly not the case. The 25% figure represents the value of what the EU was entitled to catch in UK waters based on 2019 prices. It terms of actual uplift in quota, it is estimated this is more in the region of 10% or less. When this is compared to what could have been achieved through zonal attachment – where the Scottish fleet could have, at best, doubled the fleet’s catch, it is evident how very poor the outcome is. In addition, there is an element of what are often referred to as ‘paper fish’ in the agreement where the value in the uplift of a quota, such as North Sea sole, is largely meaningless given its historical underutilisation by the UK fleet.

22. The UK Government has also been disingenuous in describing the adjustment period as giving the UK time to scale up its fleet to catch the additional quota. For the reasons set out above, the increases are so small – and in some cases may result in decreases rather than increases – that the Scottish fleet will not need to expand to take advantage of what little the deal actually delivers. On the contrary, there will be some in the industry concerned for their future.

Annual Negotiations on Fishing Opportunities

23. The third priority for SFF – and also a core element of the UK Government’s negotiating position – was that there should be annual negotiations between the UK and EU on fishing opportunities for the year ahead, and that these annual talks would be where access to each other’s water would be negotiated. The TCA does make provision for annual talks, but because full reciprocal access has already been conceded, there is no element of access that can be used a negotiating leverage on an annual basis. This puts the UK at a huge disadvantage, as that ace in the pack, control of access to our EEZ, has already been given away.

24. Furthermore, the TCA permits access to each other’s waters even if Total Allowable Catches (TACs) have not been agreed for the year ahead, through
mechanisms for provisional TAC setting that will again disadvantage the UK and dilute further our already limited negotiating capital. We are already seeing this play out, as the talks between the EU and UK for 2021 are currently underway.

25. In stark contrast, the UK is now able to hold meaningful bilateral annual negotiations with other coastal States such as Faroe and Norway. These are possible because the fisheries agreements reached between the UK and these countries reflect more normalised relationships between two independent coastal States, where access and fishing opportunities are negotiated annually.

Regulatory Autonomy

26. The matters described above were the SFF’s – and indeed also the UK Government’s – priorities for securing a fairer share of the resources in our waters than was the case under the CFP. The preceding narrative here aims to describe how these were not achieved, and how the UK Government failed to deliver on the commitments it had repeatedly made to the industry.

27. Despite that hugely disappointing outcome, and one which badly constrains the industry’s ambitions for the future, there are some benefits from the TCA, primarily the provisions allowing each party to have regulatory autonomy in its own waters.

28. This means that the UK can now start to move away from many of the impractical, inflexible and disproportionate technical rules and regulations of the CFP, and can start to design a regulatory approach for fisheries management in our own waters. These measures must be non-discriminatory, so if the UK, or any part of the UK as fisheries management is a devolved competence, decides to set certain rules and requirements for fishing in our waters, then these rules must apply equally to both UK and EU vessels.

29. This is one area where we see scope to build a better system for the future, and one where the powers within the Fisheries Act 2020 will be critically important for government and stakeholders to co-create a proportionate fisheries management system based on recognised principles of better regulation and meeting the fisheries objectives of the 2020 Act.

Summary

30. Overall, the TCA delivers a very poor outcome for the fishing industry. Certainly for the adjustment period to mid-2026, the UK Government has failed in all three core elements of its negotiating objectives – control of access to our EEZ, quota shares based on zonal attachment and annual negotiations on access to waters and fishing opportunities. It is particularly galling that the UK Government has presented these outcomes as a success. They are not.

31. There is the prospect of taking a different approach at the end of the adjustment period, but this comes with what appear to be very punitive sanctions and
penalties. Essentially the UK would be penalised for exerting its rights under international law, in ways that no other independent coastal States are.

32. That is not to say however that we shouldn’t take this path. We need to use the time of the adjustment period to work with governments to understand fully the consequences of the TCA that they have agreed. Failure to take a different approach and to use fully the legal powers that we have as an independent coastal State mean we will be trapped in perpetuity in another disadvantageous and damaging relationship on fisheries with the EU.

33. It may on paper be a relationship of sovereign equals, but in reality, the handcuffs of the TCA will mean that the UK will not reap the benefits that an independent coastal State should. This was an opportunity lost, at least in the short term. The work starts now to understand what may be possible in the longer term to salvage a better future from this very poor deal, but one that is likely to still fall far short of what was possible and indeed promised.

Elspeth Macdonald
Chief Executive
Scottish Fishermen’s Federation
3 February 2021
ANNEXE B

SCOTTISH FISHERIES SECTOR RESPONSE TO EU-UK TCA

Context

The new EU-UK Trade and Cooperation Agreement (TCA) took effect on 1 January 2021. The new TCA includes a free trade agreement which provides for zero tariffs and zero quotas on the trade in goods between the UK and the EU. The deal does not however include any sort of agreement in terms of non-tariff barriers (NTBs).

A key area of the new agreement was fisheries. Reaching agreement on future access for EU boats to UK waters was a source of disagreement throughout the nine months of the negotiations. Continued control over access to UK waters was a red line in the negotiations for the UK Government.

According to data from HMRC, from 2016-19, on average, three-quarters (76%) of all seafood exports from Scotland went to the EU per year. These exports were worth an average of £703 million per year.

The fisheries agreement

- **Access to waters**: The deal provides a continuation of reciprocal access for UK and EU vessels to each other’s waters until 30 June 2026. After that, access will be subject to annual negotiations.
- **Quota shares**: The Agreement sets out new arrangements for the joint management of more than 100 shared fish stocks in EU and UK waters. There will be an ‘adjustment period’ over five years implementing a gradual reduction of EU quotas in UK waters.
- The UK’s share of fishing quotas will increase by 25% of the value of the EU catch in UK waters. The agreed quota shares are set out in the annexes of the Agreement.
- After the adjustment period, the UK and the EU will conduct annual fisheries negotiations regarding the Total Allowable Catch for shared stocks. These negotiations will also cover access arrangements.
- **Access to EU markets for seafood**: The deal maintains tariff-free access to EU markets for seafood products. However, there will be new customs checks requiring more paperwork.
- **Economic link to the fisheries agreement**: The deal ties access to waters to market access through compensation arrangements. This means that if either
party breaches the agreement on access to waters or preferential tariffs on fisheries products they can introduce proportionate sanctions. These sanctions can be introduced by ending preferential tariffs not just on seafood, but on any goods included in the TCA, or suspend other parts of the TCA.

According to the UK Government, the new arrangements mean—

“a significant uplift in quota for UK fishers, equal to 25% of the value the EU catch in UK waters. This is worth £146m for the UK fleet phased in over five years.”

How will the UK catch share change?

Writing for the UK in a Changing Europe, Dr Bryce Stewart from the University of York summarised that the biggest increases in catch for the UK—

“are for stocks like hake (36%) and Norway pout (20%) in the North Sea, sprat in the English Channel (32%) and horse mackerel in the southern North Sea and Eastern channel (29%).”

The Scottish Government’s analysis of the deal suggests that the agreement will lead to a fall in fishing opportunities for key white fish stocks at the end of the five-and-a-half-year adjustment period. The Scottish Government’s analysis included a table providing details on stock levels, but only for demersal white fish. The analysis also acknowledged that pelagic landings (such as mackerel and herring) and some other stocks will see a modest gain in quota as a result of the new agreement.

Matt Bevington from the UK in a Changing Europe suggested that the Scottish Government’s analysis largely relates to demersal fish, which only account for around one third of fish (by value) caught by Scottish boats. Highlighting the Scottish Government’s analysis that there will be an increased quota of pelagic stocks such as mackerel and herring, Bevington pointed out that mackerel and herring alone account for around one third of fish (by value) caught by Scottish boats.

A further outcome of the new Agreement is that many of the gains in quota for the UK are in high-value pelagic stocks (mackerel and herring) that are concentrated in the hands of a very small proportion of the Scottish fishing fleet. As a result, the agreement will benefit fishermen who already hold a large proportion of quota for high-value species. An analysis by the New Economics Foundation published in 2017 explained why increases in fishing opportunities in these stocks may not be of optimal benefit to coastal communities:

“As the gains from quota increases accrue to those who hold the quota rights, these gains further entrench the have and have nots of UK fisheries. The majority of UK vessels are net losers under the Hard Brexit and No Deal Brexit scenarios.”
Reaction to the EU-UK Agreement

The Scottish Government’s response to the fisheries element of the deal was critical. Referring to the Scottish Government analysis of the deal discussed earlier in this paper, Cabinet Secretary Fergus Ewing said—

“The analysis we are publishing today of what the UK withdrawal agreement means for Scotland’s fishing interests is deeply troubling. Carried out by our internationally renowned fisheries specialists, it shows how Scotland’s interests are adversely impacted by the deal reached by the UK and the EU…

Scottish coastal communities were told that any Brexit deal would mean a very large rise in fishing opportunities. In fact for the key stocks that the Scottish industry depends on, far from seeing a big increase, there will actually be a fall in the quantity of fish they can land…

…This is a terrible outcome for Scotland’s coastal communities. The small gains in quota for mackerel and herring are far outweighed by the impact of losses of haddock, cod and saithe – and that threatens to harm on shore jobs and businesses too linked to harbours, fish markets and processing facilities. As our analysis shows, there is very little here to celebrate, and plenty to be worried about for the future of Scotland’s fishing interests.”

Reacting to the deal, Elspeth Macdonald, Chief Executive of the Scottish Fishermen’s Federation, said—

“This deal falls very far short of the commitments and promises that were made to the fishing industry by those at the highest level of government […] By granting full access, the UK has no negotiating capital left with which to increase shares of the fish in our own waters.

At the end of the six years, how does the government envisage us claiming a fairer share of the catches in our own waters without triggering punishment clauses in the deal?”

Mike Park, of the Scottish White Fish Producers Organisation, also expressed disappointment stating—

“Whereas we have gained modest uplifts in shares for some stocks, the stark reality is that the demersal sector enters 2021 facing significant shortfalls across a range of key species, which is down to the fact that we can no longer enter into direct quota swaps with colleagues in Europe.

In addition, the issue of sovereignty and our future ability to negotiate additional shares after the five-and-a-half-year window would seem clouded by so much complexity that it is difficult at this time to see how the UK
government can use its newly recovered sovereignty to improve the situation of my members."

On 15 January 2021, the Scottish Fishermen’s Federation wrote to the UK Government to request further assistance for the fisheries industry and complain about the contents of the Trade and Cooperation Agreement. The letter said that the new agreement had placed Scotland’s fishing industry in the worst of both worlds—

“This industry now finds itself in the worst of both worlds. Your deal leaves us with shares that not only fall very far short of zonal attachment, but in many cases fail to “bridge the gap” compared to historic catches, and with no ability to leverage more fish from the EU, as they have full access to our waters. This, coupled with the chaos experienced since 1st January in getting fish to market means that many in our industry now fear for their future, rather than look forward to it with optimism and ambition.

Your deal does provide a glimmer of hope for better times ahead, beyond 2026, if whoever is in power then makes the right decision – the decision that you should have made – for the UK to genuinely be an independent coastal state, and not one in name only. It was encouraging to hear George Eustice tell Parliament yesterday that the government will do this, though of course neither he nor you can guarantee who will be in power and able to make this decision in 2026. But this must be the goal to focus on. Your deal has failed the industry in the short term, but there is scope to rights its wrongs, and your Government needs to commit to doing everything that it can to achieve this.”

Implications for Scotland’s fish exporters to the EU

When the new TCA came into effect, replacing UK participation in the Single Market and the Customs Union, barriers to seamless trade quickly emerged. This created obstacles for producers seeking to get food and drink to the EU market. The new requirements faced by UK exporters to the EU include—

- Sanitary and Phytosanitary checks
- Requirement for Export Health Certificates
- Requirements for catch certificates
- Customs checks

Exports in mixed consignments has also led to delays with different procedures and forms needed for different goods. Complying with these new requirements has led to significant problems for exporters. These issues have been particularly problematic for exporters of perishable goods. For example, some sectors of Scotland’s seafood industry, particularly shellfish, seeks to get its produce to the EU market within 24 hours of landing catches. This has proved very challenging for the industry since the start of the new year. This particular issue has been explored in a recent SPICe blog. The BBC website has also published an article setting out that it now requires 71 pages of paperwork to export 1 lorry of fish.
Seafood export issues

According to data from HMRC, from 2016-19, on average, three-quarters (76%) of all seafood exports from Scotland went to the EU per year. These exports were worth an average of £703 million per year. Some sectors, such as shellfish, are especially reliant on access to EU markets.

Prior to the end of the transition period on 31 December 2020, UK seafood exporters enjoyed tariff-free and frictionless access to the EU single market. This enabled just-in-time supply chains of premium fresh shellfish to be delivered from Scotland to EU markets within 24 hours of catches being landed.

Early in the new year, there were reports of consignments of Scottish seafood destined for EU markets being delayed or simply not making it to the EU market at all. These delays have impacted the viability of established supply chains. Other reported impacts included—

- Boats being tied up in harbour;
- Fish prices in Peterhead market falling by up to 80%; and
- Scottish boats landing catches in Denmark.

In a series of tweets, the Scottish Seafood Association (SSA) urged the UK Government to act to address the disruption at the EU border which was affecting fisheries exports. The tweets included comments from SSA Chief Executive Jimmy Buchan—

“There has been a lot of direct engagement between the industry and ministers and civil servants in recent days, and plenty of soothing words about resolving 'teething troubles','

But these are not minor impediments to trade. The industry in Scotland has basically ground to a halt and businesses that employ hundreds of people in communities around our coastline are losing money. In some cases, they are close to going under.

It is time for our governments to get a grip of what is now a full-blown crisis, and fast before severe and lasting damage is done to the sector."

It is important to note that some of the shellfish sector that is reliant on access to EU markets do not target species managed through international fishing quotas. These fishers will therefore not benefit from any potential gains from increased quota agreed in the TCA but are heavily reliant on frictionless trade. This issue was raised prior to the end of the transition period, including in evidence to this Committee.

On 2 February, it was reported that the EU was indefinitely banning the sale of unpurified live mussels, oysters, clams, cockles and scallops from the UK to Member States. Prior to 2021, exports from the UK could be purified - with contaminants removed in clean seawater tanks - after they reached their destination.
However, since 1 January 2021, UK firms have been able to send only pre-purified, ready-to-eat shellfish - accompanied by an export health certificate - to buyers in the EU's 27 member states unless they have been caught in ‘Class A’ (the cleanest) waters. The UK anticipated that these restrictions would end on 21 April because the EU was expected to change its rules on that date to allow unpurified shellfish from non-Member States. It has emerged that this is not the case.

The need for a cross-border taskforce

On 26 January 2021, the Scottish Salmon Producers Organisation (SSPO) called for a “joint UK-Scottish taskforce to solve post-Brexit export issues.” The SSPO suggested that whilst the situation has improved over the last week, “there are still serious issues which are causing problems, mostly linked to the huge amounts of new paperwork that is needed to export seafood to the EU”.

The SSPO Chief Executive, Tavish Scott, said that there was a clear need to get experts from Scotland and the UK together to work through the outstanding issues to deliver an efficient and speedy seafood export system to the EU. As a result, the SSPO proposed that along with Scottish and UK government ministers, senior officials, hauliers and agencies responsible for administering the new regulations, including Food Standards Scotland, should be involved in the taskforce.

On 28 January, the UK Government’s Chancellor of the Duchy of Lancaster Michael Gove MP, speaking on Good Morning Scotland on BBC Radio Scotland confirmed that a joint government led taskforce is to be set up to help support British seafood exporters. This announcement was welcomed by the Scottish Salmon Producers Association.

Although details of the new taskforce do not appear to have been published yet, it has been reported that the UK Government will chair it alone (through the Scotland Office rather than DEFRA) with the Scottish Government invited to attend.

UK Government financial support

Following agreement of the new TCA on Christmas Eve, guidance in the form of the final version of the UK Government’s ‘Border Case Studies’ was not published until six hours before the end of transition on 31 December. Responding to the publication, James Withers tweeted¹—

“UKGov published the final version of the Border operating model last night. It’s very well-written. But it’s also 160 pages long & was published with six hours to go.

Includes the new 18-step process for moving fish to France.”

On 19 January 2021, the UK Government announced new financial support for the UK’s fishing businesses that export to the EU. The funding, totalling £23 million, aims

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¹ [https://twitter.com/scotfoodjames/status/1344960172289093632?s=20](https://twitter.com/scotfoodjames/status/1344960172289093632?s=20)
to “support businesses most adversely affected by the COVID pandemic and the challenges of adjusting to new export requirements”. According to the UK Government’s press release announcing the funding—

“This is in recognition of the unique circumstances of the fishing sector, which has had the most significant new requirements to adjust to, and for whom even a short delay can lead to goods perishing - at a time when the industry is facing lower market prices and demand due to the pandemic.

The fund will be targeted at fishing export businesses who can evidence a genuine loss in exporting fish and shellfish to the EU. Support will be available immediately and paid retrospectively to cover losses incurred since 1 January 2021. The scheme will be targeted at small and medium enterprises and the maximum claim available to individual operators will be £100,000.”

Whilst this funding was welcomed by the industry, it does not address the ongoing challenges faced in getting goods to market. On that issue, the UK Government indicated it would also provide further support to businesses in adapting to new export processes. It provided examples such as Defra and HMRC offering targeted, proactive and hands on support to fisheries exporters to help them successfully meet the new requirements. The UK Government provided a list of the support it is providing to the seafood sector—

- Issuing clear guidance on the required IT forms to stakeholder representative groups, hauliers and businesses.
- Twice-weekly meetings with businesses to understand and address issues as they arise.
- Working closely with individual businesses to help them get used to the new procedures required to ensure that errors or problems are tackled early.
- UK Government is stepping up extra physical resources to support certification in Scottish Hubs.
- The UK Government has provided two specialist certifiers to support Food Standards Scotland and DFDS over the last week
- An experienced certifying officer from Defra is also currently in Lanarkshire supporting Official Veterinarians with the issuing of health certificates.
- APHA has additional Official Veterinarians on standby, available to Scottish Hubs, to support exporters if required.
- Working with French authorities to ensure that minor administrative issues associated with EHCs have not prevented goods from entering the market and with the EU Commission to help member states adopt consistent approaches.
- Providing extensive guidance as part of a range of measures to help the industry meet new export requirements, including training, regular engagement and weekly bulletins.

The Scottish Government response

The Scottish Government had no formal role in negotiating the terms of the UK-EU trading relationship, and consequently the new customs requirements. The UK border is a reserved matter, so responsibility for managing exports of seafood through key
export ports, such as the port of Dover, is managed by the UK Government and its agencies. However, the Scottish Government does have responsibility for supporting the Scottish seafood industry to prepare for the impact of EU exit and new export processes.

On 3 February 2021, an additional £7.75 million Scottish Government funding package was announced to provide support to fishers, seafood businesses, ports and harbours affected by COVID-19 and EU Exit impacts. The package includes:

- £6.45 million for the Seafood Producers Resilience Fund which will provide support to eligible shellfish catchers and producers, in addition to trout farmers who have faced issues exporting to the EU and have lost access to domestic food markets as a result of COVID-19;
- £1 million to be made available to support the investment plans of ports and harbours faced with a loss of income through landing fees; and
- up to £300,000 to assist the welfare and emergency support activities of the Fishermen’s Mission in recognition of the hardship facing people working in the sector at this time.

Iain McIver and Damon Davies
SPICe Research
8 February 2021