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Dear Ben

#### **CREATIVE SCOTLAND DRAFT BUDGET 2018-19**

I am writing, further to the annual letter of guidance I sent to the Board in July this year, with guidance on the outcome for Creative Scotland from the 2018-19 draft budget published on 14 December.

Despite the overall challenging public expenditure environment, the Scottish Government has been able to propose an increase in the resources available to culture in Scotland by almost 10%, so that our world-class cultural system continues to thrive and to contribute to society culturally, socially and economically.

For Creative Scotland specifically, we have made a small increase in the core grant in aid for 2018-19, so that the additional costs of the revised public sector pay policy for Creative Scotland's employees can be implemented without impact on the vital resources you provide the broader sector.

We have looked carefully at the funding available for the portfolio of Regularly Funded Organisations, in the light of the significant reductions in income from the National Lottery. Both the Scottish Government and Creative Scotland have been working hard this year to make the UK Government fully aware of the impact of these reductions, both to date and for the future. Unfortunately our calls for a UK-wide plan to mitigate these cuts have not been met.

As such, to maintain stability in the overall resource available for the RFOs, I have made available an additional £6.6m to Creative Scotland for 2018-19, in addition to protecting core grant in aid.

The Scottish Government has also taken the exceptional step of guaranteeing this core grant in aid and the additional £6.6m for each of the next 3 financial years,

notwithstanding the fact that we are only publishing a one year budget and that pressures in particular on the 2019-20 financial year across public spending are significant. The additional £6.6m is, however, provided on the understanding that it will be reviewed in the event that lottery income increases above Creative Scotland's current projections.

The stability of this additional grant in aid allows Creative Scotland to proceed to final decisions on the RF programme in January 2018 with a much more positive outlook than previously expected. It is for Creative Scotland to decide which specific organisations are supported through the funding programme. I acknowledge the independent role you have in decision making, particularly as regards your organisation's expertise in artistic and creative programmes and the overall development needs of the sectors you support. Your decisions, however, need to be within the policy framework set by Ministers for which both you and I account to the public.

In accordance with my earlier guidance letter, I expect there to be a strong narrative from Creative Scotland as to how the totality of funding for the RF programme supports common priorities, including developing an inclusive economy and strengthening employment opportunities, supporting geographical reach and diversity, audience development, educational attainment, creative learning and youth arts. This will be in addition to a clear understanding as to how your decisions will support the arts, including particular art form development, screen and creative industries.

I also expect you to pay due regard to the impact on overall provision of deciding not to include particular organisations in the new RFO network. Where organisations have not succeeded in the process of applying for funding, and their sustainability puts the key services they provide at risk, I expect the Board to set out approaches to any gaps created that may include alternative ways of maintaining that provision. Support for the sector development organisations and for youth performing arts are two areas I regard as key provision. Youth arts are particularly important for 2018's Year of Young People, and I have therefore protected funding for the Youth Music Initiative.

The draft 2018-19 budget also includes the £10m of additional investment for the screen sector as the screen unit is established. This will be allocated as the individual elements of the investment plans detailed in the proposal are finalised and agreed.

In conclusion, I am sure you agree that the draft budget is a most positive outcome for Creative Scotland and the sectors you serve, and we now have a significant opportunity to maximise the impact these additional resources can have for Scotland.

Kind regards  
Fiona Hyslop

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