

Scottish Opera – response to the Scottish Government’s Draft Budget for 2024-25

Constitution, Europe, External Affairs and Culture Committee – 11 January 2024



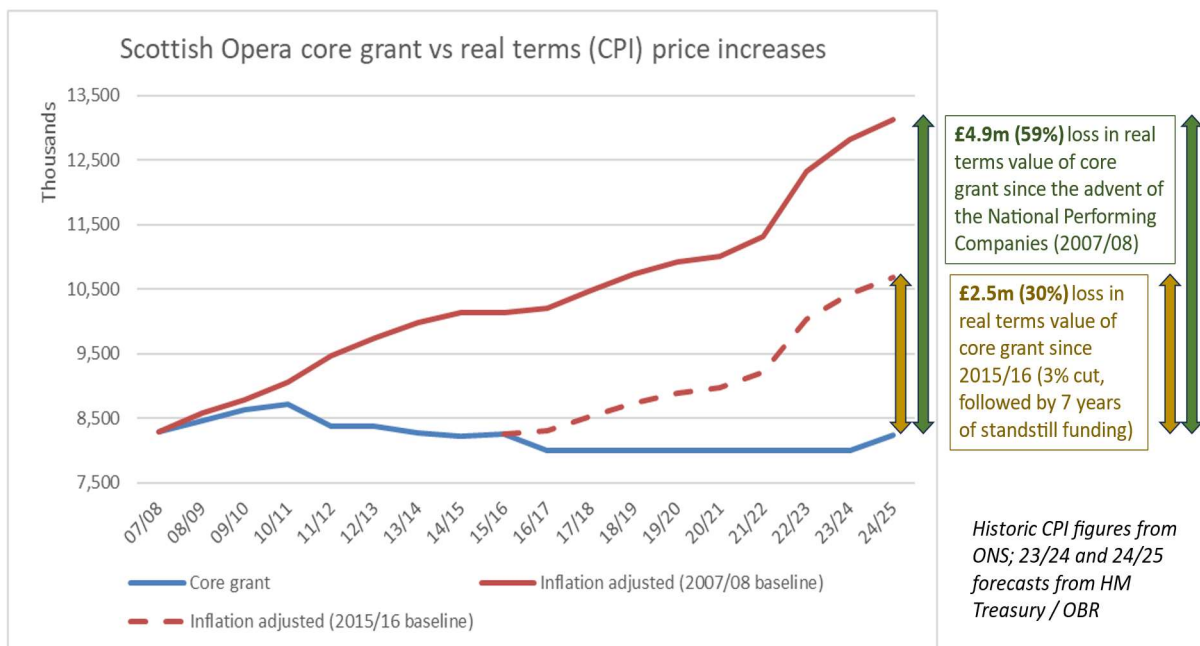
Who we are

Scottish Opera is Scotland’s national opera company, the largest performing arts organisation in Scotland, and as such, the largest of the five national performing companies (NPCs). Collectively, the NPCs are beacons of excellence throughout Scotland’s performing arts scene – telling the stories of Scotland and promoting Scotland on the national and world stages; and significantly empowering the Scottish Government’s policy aim of Scotland being ‘renowned at home and abroad as a creative nation, with a rich heritage, contributing to the world as a modern dynamic country, making a significant contribution to cultural life in Scotland and producing work internationally’ [SG Report on the 5 NPCs, 2018].

Response to the Draft Budget for 2024-25

The proposed 3% increase is the first cash uplift in our core grant since 2010/11, and as such we are grateful that the Scottish Government (SG) has responded to the sector’s calls and taken an initial step in addressing the long-term crisis in funding for the arts and culture.

However, as the following graph shows, the challenges faced by the NPCs (whose funding settlements have been exactly in step since 2007/08, when SG established the NPC nomenclature and direct grant funding mechanism) are the result of a very long-term mismatch between escalating costs and the core grant that has been available to us.



The graph shape and % loss in real terms value of core grant are identical for the 5 NPCs individually and collectively. The 30% reduction since 2015/16 equates to **£7.3m** collectively.

Ongoing cost pressures were analysed in some depth in the review of the 'perfect storm' in the pre-budget scrutiny exercise. The NPCs have responded to the long-term erosion of resources in a myriad of ways, the key ones being:

- Reductions in activity, especially touring: both within Scotland – reducing the cultural opportunities for the people of Scotland, particularly outwith the Central Belt; and internationally – reducing our ability to 'fly the flag' for Scotland to international audiences.
- Growing box office and other income. The NPCs have consistently delivered outstanding results in terms of building and retaining new audiences for their offering across all age groups and demographics, and attracting philanthropic funding for core activities and community and educational outreach. However, economic and other pressures mean that it has become increasingly difficult for arts and culture organisations to grow their income from philanthropy. The contribution of other sources of funding to Scottish Opera's total income has grown from a low of 19% in 09/10 to 40% in 22/23 (including Theatre Tax Relief – see next bullet).
- Taking advantage of the UK Government's creative tax reliefs. Thanks to the current enhanced rates, Scottish Opera's Theatre Tax Relief claim for 22/23 comprised 19% of total income, and is forecast at 15% of 23/24 income. With the reliefs scheduled to taper back to previous levels by April 2027, the impact of this incredibly valuable source of funding will significantly diminish.
- Continual efficiency savings (Scotland's low orchestra pay was highlighted in the pre-budget scrutiny report) and generally 'tightening our belts', to the extent that there is little if any slack in terms of overhead and non-essential costs left to cut. Not having been able to consistently grant inflationary salary increases over many years means we are out of line with other sectors, are experiencing serious recruitment and retention issues as a result, and this also poses significant challenges to our ability to meet the Fairwork criteria from a salary perspective. And whilst we have all innovated digitally to grow audiences and increase our outreach, our digital infrastructures are creaking from sustained lack of investment.

All five NPCs are therefore very concerned that we will no longer be able to deliver the substantial benefits we have historically brought to Scotland's cultural and economic wellbeing. This is in some instances manifested through absolutely minimal levels of reserves, especially unrestricted cash reserves. In Scottish Opera's case, the reduction in activity means that it is increasingly hard to justify maintaining Scotland's largest permanent production facility – which builds specialist skills vital for the film, TV and theatre sectors as well as our own – and to recruit to many specialisms, including orchestral players.

Conclusion

In summary:

- We are grateful for a first core grant increase in many years;
- However this in no way undoes the cumulative effect of 15 years' of below CPI settlements, which – despite immense efforts – continues to leave us at individual and collective tipping points;
- We welcome the opportunity for further discussion on how the budget evolves to support the aspirations of the culture strategy, and helps us grow the outstanding cultural and economic benefits we have consistently delivered for Scotland over the last 15 years;

- We urge SG to consider the following practical steps that would provide meaningful additional support:
 - Early clarity on finalisation of the 24/25 budget, and a commitment to avoid the immense last minute pressures and uncertainty of March 2023, which were very disruptive to core activity and morale;
 - Multi-year grant agreements – we all work in artforms which require commitments to artists, creatives, and venues well in advance of an annually agreed funding settlement, meaning Scottish audiences are missing out on the world's top talent who are already booked by the time our grant is confirmed, unless we take substantial financial risk;
 - Early clarity on the priorities and timings of the additional £100m for arts and culture announced by the First Minister at the SNP conference;
 - In particular a timeline for the prioritisation and allocation of the £25m for 25/26 announced by the Deputy First Minister in the budget speech;
 - Longer-term clarity and certainty around the strategy, quantum, timings and release of International Touring Fund (ITF) support, which is hugely important to us. Scottish Opera maintains a hope that the scope of ITF can be widened to include touring to the other UK countries.

Simon Hunt
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Scottish Opera
9 January 2024