

Schedule 1 – Scheme Conditions



## EventScotland Subsidy Scheme

This Subsidy Scheme has been made by VisitScotland under the Subsidy Control Act 2022. It may be used to award subsidies by the specified public authorities provided the relevant terms and conditions are met.

## Part A: Common Provisions

1. VisitScotland makes the following subsidy scheme (the "Scheme") in compliance with the [Subsidy Control Act 2022](#) (the "Act") having due regard to, inter alia, Section 10(1) of the Act and the Subsidy Control Principles set out at Schedule I of the Act and relevant [Statutory Guidance](#) ("SG").
2. The Scheme is made by VisitScotland on 1 July 2024.
3. The purpose of the scheme is to allow VisitScotland to award subsidies (using VisitScotland and other public funds) to organisations involved in the delivery of cultural, sporting and heritage events within Scotland ("Relevant Events") that would not otherwise proceed (either at all or to the quality that the VisitScotland requires) in the absence of this award.
4. The Scheme is effective from 1 July 2024 until 1 April 2028 and shall only apply to subsidies which are legally committed on or between these dates (the "Term") in line with the relevant terms and conditions.
5. A subsidy shall only be regarded as having been made under the Scheme where it can be demonstrated that the award:
  - a is conferred by VisitScotland, either using its funds or the funds of another public authority ("Relevant Funds");
  - b is directed towards the delivery of an event access to which will be made available to the public<sup>1</sup>;
  - c fulfils each of the terms set out in the Common Provisions; and
  - d fulfils all of the terms of one or more of the Specific Provisions.
6. The Scheme may be used to make awards of subsidy to:
  - a any public body including any subsidiary company or division thereof; and / or
  - b any organisation engaged in the delivery of Relevant Events.(together the "Applicants" and each an "Applicant").
7. Subsidies may be awarded in the form of grants.
8. VisitScotland may make awards under any other legal power available to it at the date of the award.
9. The Scheme shall not be used to award a subsidy which:
  - a is subject to EU State aid law, either because it falls within [Article 10 of the Northern Ireland Protocol](#) (as amended by the Windsor Framework) or [Article 138 of the Withdrawal Agreement 2019](#);
  - b would relieve the Applicant from costs it has already incurred<sup>2</sup>; -or
  - c would, but for Section 30(1) of the Act, be subject to any of the prohibitions or any other requirement contained in Sections 15 to 29 of the Act.

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<sup>1</sup> Including on a ticketed basis

<sup>2</sup> Covering costs which have already been legally committed. This will involve identifying relevant costs to which the funding will be directed. It does not mean that an award cannot be made because the Applicant has begun promoting a Relevant Event.

10. VisitScotland shall be responsible for ensuring that all transparency obligations are fulfilled with respect to each subsidy awarded under the Scheme. This shall include, where relevant, posting the required information on to the [Subsidy Database](#) in line with Chapter 3 of Part 2 of the Act within not more than 3 months of awarding the subsidy.
11. VisitScotland shall have the right to take all reasonable steps to monitor and check the compliance of any award made under this Scheme, including to ascertain that the subsidy is being used for the purpose it was given and VisitScotland reserves the right to recover the subsidy in the event of misuse of subsidy<sup>3</sup>.
12. Any third party receiving subsidy under the Scheme is responsible for making its own independent assessment of compliance with the requirements of the conditions of the Scheme and the Act. VisitScotland shall not be liable if a measure does not meet the terms of the Scheme.
13. The Scheme does not give cover to a subsidy which would be classed as a "Subsidy of Particular Interest" under the Subsidy Control (Subsidies and Schemes of Interest or Particular Interest) Regulations 2022.

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<sup>3</sup> Section 77 of the Act

## Part B: Specific Provisions

### Specific Provision 1: EventScotland National Programme

1. A subsidy may only be given under this Specific Provision where VisitScotland has sufficient grounds acting reasonably to determine that the subsidy:
  - a. will be used towards the delivery of one or more live public facing sporting and cultural events outside the local authority areas of Edinburgh and Glasgow<sup>4</sup>;
  - b. will be spent upon eligible costs of delivering the events in sub-paragraph (a) above or otherwise can demonstrate that they relate to the strategic development of the relevant event(s)<sup>5</sup>.
2. The value of the subsidy shall be limited to between £5,000 and £25,000 in any one financial year.
3. The budget of the programme shall not exceed £500,000 in any financial year during the Term.
4. Where goods, works or services are obtained from third parties to deliver the works, appropriate steps shall be taken to demonstrate the remuneration is at best market rate, including, where appropriate, undertaking an open and transparent procurement process.
5. Any grant which has not been spent within two years of the legal commitment shall be repayable to VisitScotland to the extent it has not been fully spent as at that date.

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<sup>4</sup> Including the development of strategies and other planning costs which directly relate to such events

<sup>5</sup> This scheme does not provide subsidy towards long-term, start up or core funding. It does support project costs including additional elements, innovations or new activity aimed at enhancing and developing events.

## Specific Provision 2: International Programme

1. A subsidy may only be given under this Specific Provision where Visit Scotland has sufficient grounds to determine that the subsidy will be used:
  - a. for the costs of promoting Scotland as a location to host public facing sporting and cultural events and relate to the strategic development of the relevant event(s)<sup>6</sup>; and
  - b. for the costs of delivering the public facing sporting and cultural events.
2. Subsidies must contribute to Scotland's wellbeing and reputation including having regard to Scotland's national and regional strategic priorities.
3. The value of the subsidy per Applicant shall be limited to £3m in any one financial year.
4. The value of the subsidy per Applicant shall be limited to the reasonably demonstrated viability gap or equivalent evidencing the reasonable need for the subsidy, also having regard to any other financial support from State resources that the Applicant shall receive.
5. The overall budget of this programme shall not exceed £6m in any financial year during the Term.
6. Where goods, works or services are obtained from third parties to deliver the works, appropriate steps shall be taken to demonstrate the remuneration is at or below market rate, including, where appropriate, undertaking an open and transparent procurement process<sup>7</sup>.
7. Any grant which has not been spent by the end of the Term shall be repayable to VisitScotland to the extent it has not been fully spent as at that date.

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<sup>6</sup> This scheme does not provide subsidy towards long-term, start up or core funding. It does support project costs including additional elements, innovations or new activity aimed at enhancing and developing events.

<sup>7</sup> May be ensured by including an appropriate commitment from the beneficiary in the relevant grant funding agreement conveying the subsidy.

### Specific Provision 3: Golf Programme

1. A subsidy may only be given under this Specific Provision where the Funding Body has sufficient grounds to determine that the subsidy will be used for the costs of:
  - a. promoting Scotland as a location to host professional golf events which are open to the public and relate to the strategic development of the relevant event(s);
  - b. delivering professional golf events which are open to the public.
2. Subsidies must contribute to Scotland's wellbeing and reputation including having regard to Scotland's national and regional strategic priorities.
3. The value of the subsidy drawn down by any one Applicant shall be limited to £2m in any one financial year. The maximum total subsidy awarded under this scheme to any one Applicant over the Term shall be £9,950,000.
4. The value of the subsidy per Applicant shall be limited to the reasonably demonstrated viability gap or equivalent evidencing the reasonable need for the subsidy, also having regard to any other financial support from State resources that the Applicant shall receive.
5. Where goods, works or services are obtained from third parties to deliver the works, appropriate steps shall be taken to demonstrate the remuneration is at or below market rate, including, where appropriate, undertaking an open and transparent procurement process<sup>8</sup>.
6. All grants made under this scheme shall have an end date. Should the grant not have been spent by this end date then the unspent element shall become repayable to VisitScotland.

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<sup>8</sup> May be ensured by including an appropriate commitment from the beneficiary in the relevant grant funding agreement conveying the subsidy.

Assessment Step	Assessment - EventScotland Subsidy Scheme
<p><b>Step 1: Objective and tool</b></p> <p><b>Identifying the policy objective and determining whether a subsidy is the right tool to use (this step ensures that the subsidy/scheme is consistent with Principles A and E)</b></p> <ul style="list-style-type: none"> <li>•<b>Market failure.</b> Where market forces alone do not produce an “<i>efficient/socially desirable</i>” outcome. Common cases: <ul style="list-style-type: none"> <li>•<b>Externalities:</b> where a transaction positively or negatively affects third parties. e.g. pollution.</li> <li>•<b>Public goods:</b> (i) one person can enjoy it without diminishing the enjoyment of another, and (ii) it is difficult to prevent people from enjoying the good. e.g. under-investment in R+D.</li> <li>•<b>Asymmetric or imperfect information.</b> Where there is insufficient information (on one</li> </ul> </li> </ul>	<p><b><u>Principle A – Common Interest</u></b></p> <p>VisitScotland is the national tourism authority for Scotland. In this role it is entrusted with significant public funds by Scottish Government. These funds are invested in a range of activities which further this objective, including marketing the benefits of living, visiting and working in Scotland, as well as liaising with and, in some cases, the provision of advice.</p> <p>An important department within VisitScotland is EventScotland, which aims to “<i>make Scotland the perfect stage for events</i>”. This department undertakes a range of targeted interventions to achieve this objective, which includes providing subsidies to organisations that are planning or running events where such awards contribute to enhancing and / or enabling such events.</p> <p>In terms of the general need for funding for culture, heritage and sporting events, there is a longstanding public policy in Scotland that public funding should be used towards events which would not otherwise proceed on purely commercial terms<sup>9</sup>. A similar public policy position is held in other parts of the UK and in the EU (hence the existence of Article 53 of the General Block Exemption in EU State aid law).</p> <p>Underpinning this is a recognition that high quality arts, culture and sporting events in which the public can participate in are socially desirable. Indeed, there is currently a political consensus that a flourishing arts, culture and sports scene can benefit society. Clearly such activities would also advance VisitScotland’s tourism objectives.</p>

<sup>9</sup> Or would proceed outside Scotland or to a lower quality

<p><b>side or both) for parties to engage in an efficient transaction e.g. banks failing to lend to SMEs because of difficulty assessing their credit worthiness.</b></p> <p><b>•Equity objective. Assess what the inequality is, how the subsidy could remedy it, and whether socially desirable to address the inequality.</b></p> <p><b>•Is subsidy an appropriate tool? Focus on what the other alternative tools are, and why they are not good enough.</b></p>	<p>VisitScotland recognises that some events will be commercially viable, but that many events are unlikely to be provided by the market, especially in the quantity or to the quality that society enjoys, or at the prices to make the same generally accessible, without the support of public funding.</p> <p>Whether this is a market failure in respect of the events which will be funded has been considered by VisitScotland taking account of paragraph 3.21 of the Statutory Guidance. This states that "<i>Market failure occurs where market forces alone do not produce an efficient outcome. Where this arises, businesses may make investments that are financially rational for themselves, but not socially desirable.</i>"</p> <p>What is "efficient" is considered at footnote 22 which states "<i>An efficient outcome is defined as a situation where no one can be made better off without making someone else worse off. In effect the outcomes for a group or society at large are maximised.</i>"</p> <p>VisitScotland is of the view that if left to market forces alone, too few arts, sports and cultural events would be brought forward, from the perspective of aggregate social welfare. Examples include the regularly staged World Mountain Bike Cup, Edinburgh's Hogmanay, and the recent 2024 World Athletics Indoor Championships.</p> <p>VisitScotland is also conscious that poor quality events affect the reputation of Scotland as an attractive place to visit and stay. Likewise there are positive perceptions which can be developed, such as the benefits seen in Glasgow as a result of Capital for Culture.</p> <p>Accordingly, VisitScotland wishes to use public funding to ensure more events and better quality are enabled through public funds, whether this involves addressing a market failure or not. The specific need for these three interventions is based upon various investigations of the events market, which has informed the design of the scheme.</p> <p>There is a geographic issue which underpins many of the interventions too. Whilst certain events are able to achieve an</p>
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appropriate critical mass to be profitable (certain events involving established performers at the Edinburgh Festival) this is not the case for most events. Indeed, such an approach would limit events to certain richer areas, which is considered to damage community cohesion and damage Scotland's cultural, heritage and sporting output. As such this scheme is considered to address an equity concern, which recognises that in many parts of Scotland events are not cost effective, unless targeted towards a small section of society. VisitScotland wants its events to be inclusive and high quality<sup>10</sup>.

Fundamentally, events and productions are often expensive. There is a maximum price which can be charged for tickets, which in Scotland is often insufficient to meet the costs. As such, there is an inherent market failure in many events. However more important in terms of VisitScotland's intervention is addressing the equity rationale, namely that many parts of Scotland do not benefit from a strong economy or are subject to other factors which affect the success of events. For example, events in rural locations will often find it difficult to attract large numbers, which then affects the commercial rationale.

The thread that runs through the market failure argument, is that if events are provided by the market, they will either not be delivered at all or will be provided at a price point and location that would exclude the majority of people and communities within Scotland. Without subsidy, this is likely to occur in two ways. Firstly, event organisers may make choices that are financially rational for themselves, but not socially desirable (higher ticket prices). Secondly, organisers are unlikely to provide the public with free-to-access participatory and cultural experiences (thereby creating an equity rationale, where sections of society are unable to access cultural performances).

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<sup>10</sup> Furthermore, VisitScotland supports the programmes showcasing Scotland's assets and promoting these in international media and thereby increasing awareness of Scotland as a destination.

Ultimately VisitScotland will need to articulate its objective for each strand of the Scheme, noting that this is likely to be:

- National Programme – unlocking otherwise unviable live public facing domestic sporting and cultural events and supporting development and new activities;
- International Programme – building Scotland's international reputation for international sporting and cultural events through targeted grants; and
- Golf Programme – securing the delivery of professional and semi-professional golf competitions in Scotland

recognising the economic and social issues which affect the delivery of events within Scotland, in particular the long term equity issues in this regard.

**Principle E – Least distortive means of achieving the policy objective**

This Principle is about the funder being able to show that other options for the purposes of achieving the objective have been properly considered, but dismissed in favour of the subsidy scheme chosen which is a grant programme. The reasoning for the choice is that only the subsidy option would be likely to be effective in achieving the specific public policy objective.

This requires an assessment which methodically considers different options to achieve the specific policy objective and worked out the structure of the arrangement with a view to minimising or avoiding any subsidy.

The main options which are likely to be considered are:

- a) Achieving the outcomes via subsidised tickets (rather than subsidised events) – This option would address the viability gap with events but is unlikely to ensure their high quality. Furthermore, it may affect the willingness of people to pay full price for tickets (as

	<p>subsidised tickets may be sold on) creating a long term lag as prices for Scottish events are artificially suppressed.</p> <p>b) Working with Private Sector providers – VisitScotland regularly explores this option but it is logical that further private investment cannot be secured against events where there is a viability gap (as the level of future income generated does not cover the costs).</p> <p>c) Equity investment – this option is not considered realistic in the circumstances. As with the assessment at (b) above, the lack of a commercial return means the lack of a commercial rationale persists.</p> <p>e) Guarantee – for similar reasons the option is not considered realistic because the modelling indicates it would be almost certain that the guarantee would have to be called upon.</p> <p>f) Tax Breaks – VisitScotland does not have this power to the extent necessary to deliver the public policy objective.</p> <p>g) Regulation – is also ruled out, again because the VisitScotland does not have this power to the extent necessary to deliver the public policy objective in this manner.</p> <p>Based upon the above, whether the subsidy route is expected to be regarded to be the only realistic / most appropriate instrument for addressing the identified policy objective.</p>
<p><b>Step 2: Incentives</b></p> <p><b>Ensuring that the subsidy is designed to create the right incentives for the beneficiary and bring about a change (this step</b></p>	<p><b><u>Principle C – subsidy leads to change in economic behaviour</u></b></p> <p>This Principle requires there to be a demonstrable change in the economic behaviour of the beneficiary as a result of the subsidy. In line with paragraph 3.46 of the Statutory Guidance, VisitScotland will need to determine the baseline position and contrast this with the actions of the beneficiaries, should the subsidy be awarded.</p> <p><u>Baseline</u></p>

<p><b>ensures that the subsidy/scheme is consistent with Principles C and D)</b></p> <p><b>•Baseline. What would happen in the absence of a subsidy? Focus on the counterfactual, not the present.</b></p> <p><b>•Additionality. Determine how it will change the behaviour of the beneficiary.</b></p>	<p>The baseline (i.e. the behaviour in the absence of the subsidy) is understood to be that the events either do not take place or take place on a cheaper basis (with a possible impact on the quality of the event), or with smaller audiences or with reduced impact and media profile;</p> <p><u>Comparison</u></p> <p>The Scheme is designed to allow subsidies which unlock events but not to cover "<i>business as usual costs</i>".</p> <p>There are several mechanisms which are focussed on this including a prohibition on any subsidy that "<i>would relieve the Applicant from costs it has or is due to incur under an existing legal commitment</i>" as well as detailed provisions in the Specific Conditions which limit the value of the subsidy and the costs towards which it can be directed. For example, one specific condition limits the funding to be used for "<i>eligible costs which ... relate to the strategic development of the relevant event(s)</i>".</p> <p>VisitScotland will also run an application process, requiring the applicant to explain how their proposal meets the fund criteria. In this manner, there are further checks and balances in place to ensure the funding goes towards achieving particular outcomes.</p> <p><b><u>Principle D – subsidy does not fund activity which would occur in any event</u></b></p> <p>VisitScotland believes that the scheme conditions will be sufficient to ensure that subsidy will only be provided in cases where there is demonstrable additionality. Each of the specific conditions in the scheme require that subsidy is only to be paid only against <i>costs not yet incurred</i>, thus providing for this Principle specifically in each case.</p>
<p><b>Step 3: Minimising Distortion</b></p>	<p><b><u>Principle B – Subsidies are limited to what is proportionate and necessary</u></b></p>

<p><b>Considering the distortive impacts that the subsidy may have and keeping them as low as possible (this step ensures that the subsidy/scheme is consistent with Principles B and F)</b></p> <p><b>•Nature of the instrument.</b> The closer to the CMOP, the smaller the distortion. Could a less distortive means be employed?</p> <p><b>•Breadth of beneficiaries.</b> The wider the benefit, the smaller the distortion. Could benefit be broadened, or made subject to competition?</p> <p><b>•Size of the subsidy.</b> The smaller the subsidy, the smaller the distortion. Could it be made smaller?</p> <p><b>•The time span of the subsidy.</b> The shorter, the smaller the distortion. Could it be reduced?</p> <p><b>•The nature of the costs.</b> If the subsidy supports one-off or set-up costs, less distortive.</p> <p><b>•Performance criteria.</b> Subsidies will better achieve their objectives if</p>	<p>The level of subsidy offered in this instance is limited by three scheme requirements.</p> <p>Firstly the subsidy is subject to a ceiling depending on the type of intervention. The ceiling has been determined by VisitScotland with reference to the types of events envisaged and with the purpose of ensuring the subsidies do not constitute overcompensation.</p> <p>Secondly the subsidy is paid out against defrayed costs. This means that funding will only be made available once costs have been incurred and is limited to the necessary sums involved in events.</p> <p>Thirdly, the level of subsidy in the case of international events and the golf programme (i.e. when the amount of subsidy available is radically different) then the Applicant is required to demonstrate a viability gap or equivalent financial appraisal to show the need for the subsidy amount. This is considered unnecessary for the EventScotland National programme on the basis the subsidy amounts are so much lower (up to £25,000) and that for such amounts as are well within the Minimum Financial Assistance thresholds ordinarily, such an additional burden of proof would be thoroughly disproportionate.</p> <p><b><u>Principle F – assessing the effect of the measure upon competition and investment within the internal market</u></b></p> <p>The measure will benefit the providers of events. The potential distortive impacts of a recipient receiving the subsidy are that the monies may be used to help fund other events and be used to extend into other markets. Furthermore better quality events may draw customers from unsubsidised events.</p> <p>The risk of this is comparatively low, given that the programme is available to all and the vast majority of recipients will be organisations which solely deliver events and the funding is limited to eligible costs which are relevant to the delivery of the event specified in the application.</p>
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<p>payment is linked to specific milestones.</p> <ul style="list-style-type: none"> <li>•<b>Ringfencing. Subsidy will be more targeted if funds are ring-fenced for purposes related to policy objectives.</b></li> <li>•<b>Monitoring/evaluation. Consider whether this could be embedded in conditions.</b></li> </ul>	<p>The events which are the biggest draw are likely to be commercially viable and are unlikely to be particularly affected by this measure.</p> <p>The scheme may be used throughout Scotland.</p> <p>The arguments which suggest the competitive impact is limited include the presence of the subsidy cap, but also the obligation to spend the subsidy on specified event costs. The amount of subsidy is also comparatively low in terms of the overall programme, reducing the possible distortion to the market. Furthermore, in relation to the National Programme, the maximum funding applicants can receive is 25% of the overall projects income.</p>
<p><b>Step 4: Balance</b></p> <p><b>Carrying out the balancing exercise (this step ensures that the subsidy/scheme is consistent with Principle G)</b></p> <ul style="list-style-type: none"> <li>•<b>List policy benefits, negative effects, and consider their expected size and likelihood of occurring.</b></li> <li>•<b>Quant analysis may not be possible.</b></li> </ul>	<p><b><u>Principle G- Balancing Test</u></b></p> <p>This Principle involves consideration of all the pros and cons of a measure.</p> <p>The main pros would be that events which would otherwise not proceed (or would proceed but with a lower quality) are unlocked. This is understood to have positive impacts for the participants, but also to help build the reputation of Scotland generally as a good place to live and visit. The various programmes are also designed to bring more visitors to Scotland altogether<sup>11</sup>, ie. adding additional custom as might not otherwise be there rather than taking away from any other event in Scotland as would take place anyway. The programmes are specifically designed to balance the funding across as many local authority areas, between cultural and sports events, between events taking place in the summer window and the rest of the year as well as between Edinburgh and Glasgow. Such a net increase in visits should be positive for everyone on the basis</p>

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<sup>11</sup> KPIs are included to this effect (including achieving balance between cultural & sport events, timings and geography)

	<p>visitors to Scotland for a sponsored event may reasonably be expected to do more than just attend that event during their visit.</p> <p>The main negative impact is possible distortion to the market, as better events may in theory attract custom from unsubsidised events, but in practice VisitScotland reasonably believes this is unlikely to arise from the events it proposes to assist and rather that overall net positives will be to the good of everyone<sup>12</sup>.</p> <p>On balance, given the minor nature of the subsidy amounts conferred to recipients relative to both the large number of benefits, VisitScotland reasonably concludes that the scheme and the subsidies to be conveyed under the scheme are consistent with Principle G, i.e. the subsidies' positive effects outweigh any negative effects.</p>
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<sup>12</sup> The ability to apply for funding is open to all businesses who meet the criteria set. The process is open and transparent, and events not successful are given advice on why they've been unsuccessful and how they can improve by an Event Manager.