



The Scottish Parliament
Pàrlamaid na h-Alba

CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE

AGENDA

30th Meeting, 2017 (Session 5)

Thursday 21 December 2017

The Committee will meet at 9.00 am in the Robert Burns Room (CR1).

1. **Decision on taking business in private:** The Committee will decide whether to take item 4 in private.
2. **Draft Budget Scrutiny 2018-19:** The Committee will take evidence from—

Janet Archer, Chief Executive Officer, and Iain Munro, Deputy Chief Executive, Creative Scotland;

and then from—

Fiona Hyslop, Cabinet Secretary for Culture, Tourism and External Affairs, David Seers, Head of Sponsorship and Funding, and Karen Watt, Director of External Affairs, Scottish Government.
3. **Draft Budget Scrutiny 2018-19 (in private):** The Committee will consider the evidence heard earlier in the meeting.
4. **EU strategy:** The Committee will consider its approach to the EU strategy.

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The papers for this meeting are as follows—

Agenda item 2

Paper 1 - Combined paper

CTEERC/S5/17/30/1

PRIVATE PAPER

CTEERC/S5/17/30/2
(P)

PRIVATE PAPER

CTEERC/S5/17/30/3
(P)

Agenda item 4

PRIVATE PAPER

CTEERC/S5/17/30/4
(P)



Culture, Tourism, Europe and External Relations Committee

30th Meeting, 2017 (Session 5) Thursday 21 December

Draft Budget Scrutiny 2018-19

The following paper is comprised of four documents written by SPICe on the Draft Budget 2018-19:

- Page 2** **Creative Scotland;**
- Page 10** **Historic Environment Scotland and Major Events;**
- Page 19** **Remaining Culture and Tourism Budgets; and**
- Page 24** **External Affairs.**

Creative Scotland

This paper was written for the Culture, Tourism, Europe and External Relations Committee (CTEER Committee) to provide information on Creative Scotland and the various potential funding streams and grants it currently offer to individuals and organisations, ahead of an oral evidence session with Creative Scotland on 21 December 2017.

The paper also includes information on the draft budget for Creative Scotland and Other arts for 2018-19.

Creative Scotland (CS) is responsible for distributing funding for the arts, screen and creative industries from two primary sources, the Scottish Government and the National Lottery.

Grants made by Creative Scotland

According to the latest [Annual Report and Accounts](#), for the Year Ending 31 March 2017:

“In 2016/17, Creative Scotland committed £67.2 million of grant funding to the arts, screen and creative industries in Scotland arising from £40.3 million of Scottish Government Grant in Aid funding and £26.9 million of National Lottery funds. The annual levels of grant commitments are shown below for the five-year period:

Grant Commitments- five-year view

| | <u>2012/13</u> | <u>2013/14</u> | <u>2014/15</u> | <u>2015/16</u> | <u>2016/17</u> |
|------------------|----------------|----------------|----------------|----------------|----------------|
| | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> | <u>£m</u> |
| Grant-in-aid | 45.9 | 48.1 | 46.0 | 46.6 | 40.3 |
| National Lottery | 40.8 | 41.4 | 30.5 | 30.0 | 26.9 |
| Total | 86.7 | 89.5 | 76.5 | 76.6 | 67.2 |

Funding levels for 2016-17 reflect a small reduction to Creative Scotland’s non-ring fenced Grant in Aid funding in 2016-17, while restricted funds reduced by £4.9 million due to the ending of time limited projects (£2.4 million) and a re-profiling of the Youth Music Initiative Formula Funding (£2.5 million). “

In 2017/18, CS is planning a strategy refresh to explain the connection between a strong, publicly funded arts screen and creative industries sector and the social, cultural and economic value that they deliver to all our lives. This refresh should also clearly articulate its development role and strengthen how it delivers that role.

According to the [level 4 Scottish Government draft budget information for 2017/18](#), and [level 4 Draft budget information for 2018/19](#), CS received £32.212m from the Scottish Government in 2016/17, £32.112m in 2017/18 and is due to receive £32.312m in 2018/19 (more detail on the draft budget is given below).

National Lottery

Creative Scotland is a national lottery distributor under the National Lottery etc. Act 1993 and maintains a National Lottery Distribution Fund (NLDF) which is entitled to receive 1.78% of the proceeds allocated to good causes from National Lottery ticket sales.

In its latest Annual Report CS had noted that:

“income from the National Lottery came under pressure, resulting in lower proceeds in 2016-17 and reducing income projections going forward.”

On 27 October, Creative Scotland published its [National Lottery Distribution Fund Annual Report and Accounts For the year ended 31 March 2017](#) it stated that:

“At 31 March 2017, the Creative Scotland NLDF had net liabilities of £3.7 million (2016: £4.6 million).”

The National Lottery was established in order to support good cause projects across the UK in the Arts, Sport, Heritage and Community sectors. There is a principle of additionality for the funding of projects from the National Lottery. This refers to the principle that proceeds of the National Lottery should be used to fund projects, or aspects of projects, for which funds would be unlikely to be made available by government.

Lottery distributors are required to set out their policies on additionality in their Annual Reports. In its latest annual report CS states that in deciding who receives funds it takes into account:

“Additionality - the development of programmes should complement and add value to the strategies of partners and stakeholders”.

The National Lottery is a reserved matter and concerns have been raised in the UK Parliament about the impact of a loophole in the current lottery legislation.

Section 95 of the Gambling Act 2005 prohibits a holder of a betting licence from offering a bet on the outcome of a lottery which forms part of the National Lottery. However, some gambling operators in the UK currently offer a bet on the outcome of EuroMillions draws occurring in other European countries (i.e. bets offered on, for example, the Spanish EuroMillions draw). UK Government intervention is necessary to close this loophole, clarify the distinction between betting and The National Lottery, and in doing so, take precautionary action to protect returns to good causes.

The UK Government have noted that current market for such bets is small but is a potential growth market for gambling operators. It believes that if the market expands further, there is a risk that EuroMillions sales, and consequently National Lottery good cause returns, could decrease.

The UK Government held a consultation on prohibiting third party betting on non-UK EuroMillions draws, which closed on 2 May 2017. The Government is currently analysing the responses and will publish a response in due course.

In its [Annual report and financial statement](#) for the year ending 31 March 2017, Camelot UK Lotteries Ltd reported that it had its licence to run the National Lottery extended to 31 January 2023. It also reported that:

“Camelot has had a challenging year, with sales falling for the first time in three years. The current trading environment is challenging and the outlook is for this to continue into the current year. The Company’s focus is to return to growth over the next 12 to 24 months”

Funding by Creative Scotland

Funding Routes

Creative Scotland funding routes are:

- Regular Funding for organisations for at least three years
- Open Project Funding for individuals and organisations
- A small number of targeted development funding programmes which have specific priorities or shared goals with other agencies. Within this will be a number of funds – sometimes called ‘devolved funds’ - which are delivered by partner organisations on behalf Creative Scotland.

Regular Funding

Regular Funding seeks to ensure Scotland has a wide range of arts and creative organisations through which artists and creative people can deepen and deliver their work, their engagement with the public, and their professional networks.

Regular funding is one of the key means by which the ambitions, priorities and connecting themes highlighted in the Creative Scotland 10 Year Plan should be addressed. It should provide stable support for a range of organisations/consortia across Scotland who make an important contribution to the development of the arts, screen and creative industries, enabling them to plan and deliver activities over a 3 year period.

The programme was launched on 9 April 2014 and funding was awarded for period April 2015 – March 2018.

In its latest annual report CS states:

“2016/17 was the second year of regular funding for the three-year period from April 2015 to March 2018. There were 118 organisations receiving regular funding in 2016/17, and £26.9 million was allocated from grant-in-aid to the portfolio from the 2016-17 budget.”

During the year, Cs also opened the application process for the next three year-round of regular funding, 2018. A total of 184 eligible applications were received requesting a total of £153 million for the three-year period. These applications were assessed between April and October 2017, with an announcement on the new portfolio expected by the end of 2017.

Open Project Funding

Available to both individuals and organisations working across Scotland in the arts, screen and creative industries, Open Project Funding aims to support a wide range of projects and activity including projects that:

- develop skills or artistic practice
- create something new and of high quality
- either present work to audiences, or which try to develop and reach new audiences (including those hard to reach)
- encourage more people to get involved in artistic and creative activity
- enrich Scotland's reputation as a distinctive creative nation connected to the world.

The fund is open for awards up to £150,000 and during 2016/17 the fund awarded 525 grants consisting of £375,000 of grant-in-aid and £11 million of National Lottery funding.

Targeted Funding

Targeted funding by CS aims to address specific activities and the development needs in a particular sector, specialism, or geographic area. This includes activities funded from ring-fenced Scottish Government GIA funds, the capital programme and the Film and Television Funding Programme.

In 2016/17, total targeted grant funding was £21.5 million of which £12.4 million was funded from grant-in-aid and £9.1 million was from National Lottery. The GIA includes £11.3 million of grants relating to restricted funding for specific Scottish Government sponsored projects.

In its annual report for 2016/17 Creative Scotland provided key examples of targeted funding during that time period:

- The Youth Music Initiative (YMI) continued to create access to high quality music making opportunities for young people, offering them the chance to achieve their potential through music making, and supporting the development of the youth music sector. Creative Scotland distributed £7 million in funding from the Scottish Government in support of YMI.
- Phase 3 of a three year programme for the Cashback for Communities initiative with a total budget of £3 million commenced in 2014/15. This initiative saw funds recovered through the Proceeds of Crime Act, reinvested back into communities to benefit Scotland's young people. This was the final year of the current phase, with £550,000 of funds distributed.
- Production Growth Fund, jointly funded by Scottish Government and CS's National Lottery Distribution Fund, and an additional £250,000 was allocated during 2016/17 from Scottish Government funds to continue to incentivise film and high-end TV production in Scotland. Two awards of £125,000 were allocated to the titles *Keepers* and *Kiss Me First*.
- £500,000 was allocated from core grant-in-aid for development work undertaken in support of the Creative Industries Strategy, which was published in May 2016. This strategy aims to support the development of sustainable creative businesses

through a range of infrastructure, research and events projects. During the year 41 projects received funding, including alternative finance events, research into credit unions and studio provision and professional development activities for the design and games sectors.

A full list of recipients of the targeted funds can be found in Creative Scotland's [Annual Plans](#).

According to its latest [annual plan for 2017/18](#) CS will continue to support five sector development bodies through targeted funding:

- [Federation of Scottish Theatre](#), membership and development body for professional dance, opera and theatre
- [Arts and Business Scotland](#), acts as a conduit between the cultural and business sectors to help nurture creative, social and commercial relationships
- [Cultural Enterprise Office](#), Scotland's specialist business development service for creative and cultural practitioners and micro-businesses
- [Culture Republic](#), provides audience development, digital and marketing communications support to the arts, screen and creative industries
- [Creative Carbon Scotland](#), a partnership of arts organisations working to put cultural and creative organisations at the heart of a sustainable Scotland.

Review of funding

In August 2016, Creative Scotland published its [Arts Strategy 2016-17](#). One of the commitments for the year was to ensure that its:

funding approach is fit for purpose, allowing artists to access a range of opportunities that offer resource, training and skills development in order to be able to develop their work.

In 2017/18, CS will undertake a review of the open project funding process, and launch a new simplified process for grants under £5,000.

Open letters to the Scottish Government

On 21 November, an [open letter](#) to the Scottish Government was published in The Herald, it was signed by thirteen representatives of arts organisations, trade unions and arts development bodies which receive targeted funding from CS.

The letter spoke about concerns about:

“the basic funding that our everyday, small-to-medium sized cultural groups need to exist. If these disappear, which many will if predictions about cuts to Regular Funding Organisations (RFOs) are correct, how will we nurture and sustain the highly skilled but low-paid artists who deliver arts, culture and creative experiences to audiences across every community in Scotland?”

We are clear that we have now arrived at a tipping point where even a small cut to Creative Scotland's Grant-In-Aid, alongside the reduction in Lottery funds and local authority cuts, will devastate Scotland's arts and culture infrastructure. Damage to this infrastructure, developed with the aid of public investment over the last fifty years, will be irreversible. This cannot be overstated.

The argument for investment is strong. The arts and culture sector is one of the most efficient and dynamic in the country. In 2015/16 RFOs attracted £109m of extra investment from sources other than public funds and created 1.62 million public participation opportunities. In 2015, 92% of adults in Scotland participated in a cultural activity and Scotland's Creative industries contribute £4.6bn GVA to the Scottish economy, supporting 73,600 jobs. These outcomes draw from, and depend on, skills identified and developed by the arts."

Similar letters on budget concerns have been sent to the Scottish Government by [Scottish writers](#) and Arts & Business Scotland.

The CTEER Committee also received a series of [letters](#) about concerns about a falling culture budget. The letters came from bodies which receive regular funding from CS, including:

- [Comar](#), a multi-arts organisation based on Mull, which produces, presents and develops creative work
- [Rapture Theatre](#), a touring theatre group based in Glasgow.

Screen Unit

In [A Nation With Ambition: The Government's Programme for Scotland 2017-18](#), the Scottish Government promised to:

- create a new Screen Unit within CS and increase public funding for the film and screen sector to £20 million a year

On 11 December 2017, following [approval](#) from the Cabinet Secretary for Culture, Tourism and External Affairs, Creative Scotland published its [Collaborative Proposal for a Screen Unit](#), which it hopes will "provide a more collaborative inter-agency approach and clear leadership on public sector interventions and support for Scotland's screen sector".

The proposal was developed by Creative Scotland and its Screen Unit partners, including Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, as well as input from people and organisations working in the screen sector.

An implementation plan is in development with a view to the Screen Unit being fully operational by April 2018.

DRAFT BUDGET 2018-19

The Scottish Government's [Scottish Budget: Draft Budget 2018-19](#) was published on 14 December 2017, it states that the Scottish Government's priorities include:

- creating a dedicated screen unit within CS, including an additional £10 million of funding to bring screen development, production and growth funding to £20 million
- committing provision for CS over the next three years to maintain support for the Regular Funding programme in the face of a significant decline in Lottery receipts. To fulfil this commitment in 2018-19 the Scottish Government will provide:
 - an additional £6.6 million to CS to support the Regular Funding programme.

Spending Plan

The following table contains information taken from Table 13.04: Culture, Tourism and Major Events Spending Plans (Level 3)

| | 2016-17 Budget £m | 2017-18 Budget £m | 2018-19 Draft Budget £m |
|---|------------------------------|------------------------------|------------------------------------|
| Creative Scotland and Other Arts | 52.6 | 52.1 | 70.5 |

As shown in the table below in 2018-19 Creative Scotland's budget will increase by £0.2m (-£0.27m in real terms).

The Other arts budget has increased by £18.4m (£17.917m in real terms). This budget provides ring fenced funding for Creative Scotland including Youth Music Initiative, Expo, Festivals and Arts and Business. The budget also provides for revenue funding for the V&A Dundee project, World War 1 commemorations and other smaller cultural opportunities and priorities.

This increase in the Other arts budget includes the increased investment in screen sector of £10m, announced in Programme for Government 2017-18, and – during the themed Year of Young People in 2018 – increased support for Sistema Scotland and maintained funding for the Youth Music Initiative.

This budget line also includes the additional funding to enable Creative Scotland to maintain its support for the Regular Funded programme in the light of decreasing lottery income.

The following table, on the draft budget for Creative Scotland and other arts, was created from the Level 4 budget figures provided to SPICe by the Scottish Government:

| Creative Scotland and Other Arts | Resource DEL cash £m | Ring-fenced DEL £m | Financial Transactions £m | 2017-18 Draft Budget £m | Resource DEL cash £m | Ring-fenced DEL £m | Financial Transactions £m | 2018-19 Draft Budget £m | % change 2018-19 on 17-18 |
|--|----------------------|--------------------|---------------------------|-------------------------|----------------------|--------------------|---------------------------|-------------------------|---------------------------|
| Creative Scotland (CS) | 32.112 | | | 32.112 | 32.312 | | | 32.312 | 0.62% |
| Cultural Project Financial Transactions (FTs) | | | 5.000 | 5.000 | | | 4.800 | 4.800 | -4.00% |
| CS Depreciation | | 0.220 | | 0.220 | | 0.220 | | 0.220 | 0% |
| Other Arts | 14.786 | | | 14.786 | 33.186 | | | 33.186 | 124.44% |
| Total Level 3 | 46.898 | 0.220 | 5.000 | 52.118 | 65.498 | 0.220 | 4.800 | 70.518 | 35.30% |

Francesca McGrath
SPICe

Historic Environment Scotland and Major Events

This paper was written for the Culture, Tourism, Europe and External Relations Committee for its draft budget scrutiny session with the Cabinet Secretary. This paper concentrates on Historic Environment Scotland and Major Events. Two other papers look at Creative Scotland and Other arts and the other topics covered by the draft budget for culture and tourism.

[Historic Environment Scotland \(HES\)](#) is an Executive NDPB (non-departmental public body). Based in Edinburgh, it was set up, on 1 October 2015 as the lead public body to investigate, care for and promote Scotland's historic environment. It was created to bring together the roles and functions of Historic Scotland and the Royal Commission on Ancient and Historic Monuments in Scotland (RCAHMS).

Historic Environment Scotland Priorities

As set out in the Scottish Government's draft budget for 2018-19, HES will:

- continue to lead the delivery of 'Our Place in Time': The Historic Environment Strategy for Scotland;
- promote and deliver a range of events in support of Scotland's Year of Young People;
- offer grant support to help regenerate and promote the active use, care and maintenance of the historic environment, promoting sustainable economic development and reinforcing local identity;
- provide expert advice and guidance to deliver the right balance between conservation and sustainable change; and
- promote learning and education to enhance knowledge, understanding and enjoyment of the historic environment, delivering learning programmes linked to the Curriculum for Excellence, to National and Vocational Qualifications and to opportunities in further and higher education.

HES and the Scottish Government

HES's relationship with the Scottish Government is detailed in a [Framework Document](#).

The Cabinet Secretary for Culture, Tourism and External Affairs also issues an annual Letter of Guidance setting out the Government's expectations in the wider context of the Government's strategic priorities. According to its [minutes](#), the HES Board received the latest letter in May 2017.

In December 2017, the Committee received a copy of this letter, dated 11 May 2017, see annex 1

In addition, the [Schemes of Delegation](#) from Scottish Ministers set out the requirements for the management of properties and collections in HES's care.

In [A Nation With Ambition: The Government's Programme for Scotland 2017-18](#), the Scottish Government promised to

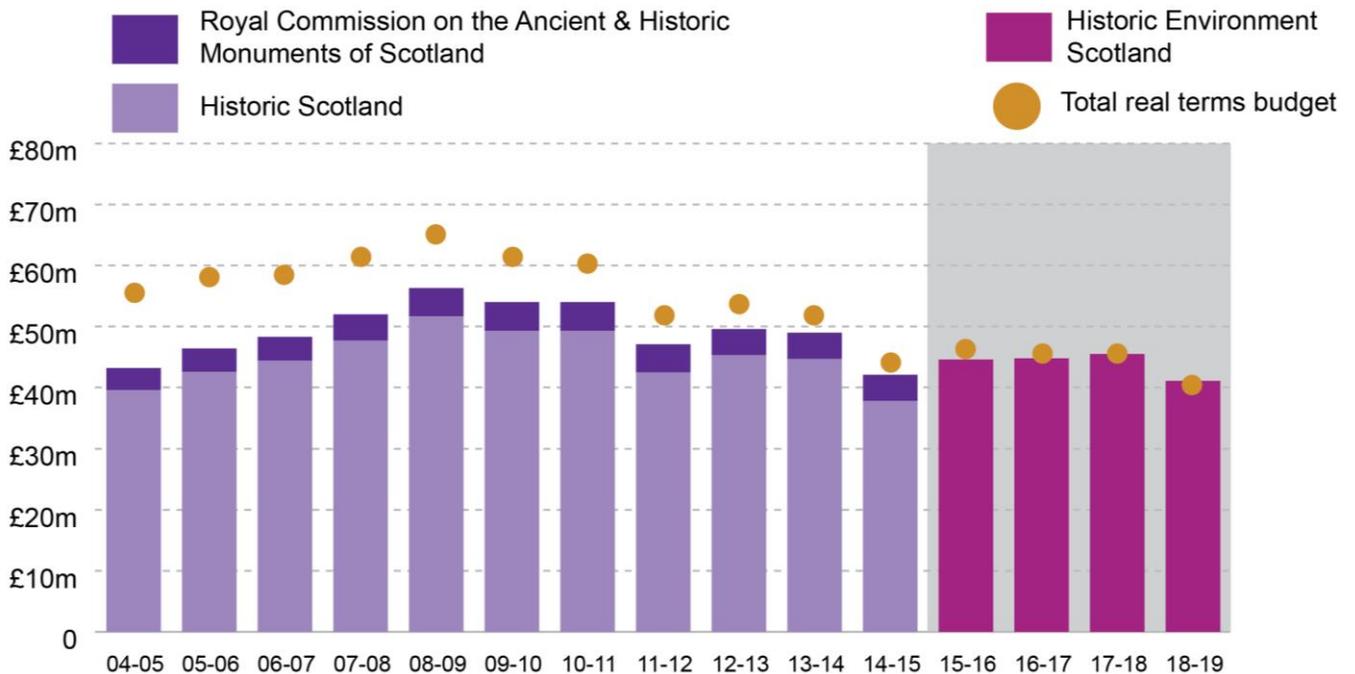
- support Historic Environment Scotland and partners to develop a long-term Infrastructure Investment Plan for preserving, understanding and celebrating our built heritage.

Funding

HES is funded by [the Scottish Government](#), annex 2 provides information on the grant in aid provided to HES and its predecessor bodies since 2004-05.

The following figure shows those grants in cash terms (bar chart) and real terms (dots above the bar chart):

Figure 1: cash and real terms



The Scottish Government’s [Scottish Budget: Draft Budget 2018-19](#) was published on 14 December 2017, it states that:

“The historic environment is a vital part of our heritage and our communities and it is also hugely important to the national economy, supporting over 60,000 jobs and contributing £2.3 billion to the national GVA. Its continuing care and regeneration creates local employment, supports local businesses and secures the future of precious indigenous craft skills. It enriches the quality of our lives and helps to define who we are. As the lead public body for Scotland’s historic environment, Historic Environment Scotland (HES) will ensure Scotland’s historic environment makes a strong contribution to our cultural, social, environmental and economic wellbeing.”

In the Draft budget for 2018-19 HES will receive £41.1m directly from the Scottish Government. Table 1 below provides more information on that draft budget allocation:

Table 1: Historic Environment Scotland level 4 figures from the Draft budget 2018-19:

| Historic Environment Scotland | Resource DEL cash £m | Ring-fenced DEL £m | 2017-18 Draft Budget £m | Resource DEL cash £m | Ring-fenced DEL £m | Capital DEL £m | 2018-19 Draft Budget £m | % change 2018-19 on 17-18 |
|---|----------------------|--------------------|-------------------------|----------------------|--------------------|----------------|-------------------------|---------------------------|
| HES Running Costs | 81.500 | - | 81.500 | 89.700 | - | - | 89.700 | 10.06% |
| HES Depreciation and Impairment | - | 3.300 | 3.300 | - | 2.500 | - | 2.500 | -24.24% |
| Total Level 3 | 81.500 | 3.300 | 84.800 | 89.700 | 2.500 | - | 92.200 | 8.73% |
| Less Income | (44.900) | - | (44.900) | (57.100) | - | - | (57.100) | 27.17% |
| Total Level 2 (including Direct Capital) | 36.600 | 3.300 | 45.500 | 32.600 | 2.500 | 6.000 | 41.100 | -9.67% |

The Framework Document states that:

“HES shall seek to optimise income (grant in aid does not qualify as income) from all sources, including from the European Union, and ensure that the SG is kept informed.”

HES is the largest operator of paid visitor attractions in Scotland and its running cost expenditure from the Scottish Government is supported by income derived from these attractions, which were forecast to increase.

Overall Historic Environment Scotland will have a budget for 2018-19 of £92.2m, this includes an assumed income for the year of £57.1m.

While Historic Environment Scotland saw an increase in its total running costs budget in cash terms of £8.2m, in real terms the increase is £6.9m.

The direct funding from the Scottish Government will be £41.1m which is £4.4m (in real terms £5m) less than HES received in 2017-18.

According to the draft budget the change from the previous year’s budget:

“reflects additional costs of significantly rising levels of commercial income, implementing public sector pay policy, delivery of investment plan and maintaining grants to third parties.”

The running costs budget covers staff and operating costs including conservation of estate to protect and promote Scotland's historic environment, plus goods and services not included in administration and operating costs.

A significant portion of the grant-in-aid funding which HES receives is passed on to Scottish communities by way of grant schemes which fund the regeneration of Scotland’s town centres and the repair of historic buildings.

HES has responsibility for a number of funding and grants schemes. Individuals and organisations can apply for financial help with projects and works that benefit the historic environment.

Grants are offered to help protect and promote the historic environment, and to train people in skills needed in this area.

Table 2: Historic Environment Scotland Direct Capital level 4 figures from the Draft budget 2018-19:

| Historic Environment Scotland | Capital DEL 2017-18 £m | Capital DEL 2018-19 £m | % change 2018-19 on 17-18 |
|-------------------------------|------------------------------|------------------------------|---------------------------------|
| HES Direct Capital | 5.600 | 6.000 | 7.14% |

The increase in Direct Capital in the draft budget will support increased investment towards restoring, enhancing and conserving in the Properties in Care and HES's corporate infrastructure. In real terms the increase will be £0.3m.

Themed Years

Scotland's themed years

The Scottish Government has a series of themed years, including:

- **Year of Young People, 2018**

Historic Environment Scotland's proposed activities for 2018 were discussed at its Board meeting in September. HES has established a [blog](#) for this themed year.

The draft budget allocation for Major Events supports a range of major events and the national Themed Years programme.

In 2018/19 the budget will support the 2018 European Championships, the Scottish Open, Ladies Scottish Open and preparations for the 2019 Solheim Cup and the UEFA EURO 2020. The budget will also support Scotland's winter festivals programme, activity to promote the South of Scotland as a tourist destination and deliver the Year of Young People 2018.

| Major Events | Resource DEL cash £m | Capital DEL £m | 2017-18 Draft Budget £m | Resource DEL cash £m | Capital DEL £m | 2018-19 Draft Budget £m | % change 2018-19 on 17-18 |
|--------------|-------------------------|-------------------|----------------------------|-------------------------|-------------------|----------------------------|---------------------------------|
| | 30.300 | - | 30.300 | 35.000 | 1.800 | 36.800 | 21.45% |

The budget for major events has increased by £6.5m (£6m in real terms).

The increase in the budget reflects profiling of expenditure on major events commitments including European Championships. The total funding includes capital funding of £1.8m for the Rural Development Fund, South Ayrshire Coastal Plan and promoting the South of Scotland.

Francesca McGrath, SPICe

Annexe 1:**Letter from the Cabinet Secretary to Historic Environment Scotland, 11 May 2017****Programme for Government & strategic guidance for Historic Environment Scotland (HES) 2017-18**

I am writing to thank you for your commitment and that of your board in delivering against the significant challenges you have faced since I last wrote in September 2015 and to set out the priorities I want to set for Historic Environment Scotland (HES) in the delivery of your functions in the coming year.

I know that your Management Team have already been considering the Programme for Government (PfG) and how it can be reflected in your corporate and business plans. I thought it would , therefore, be helpful to outline the expectations I have for HES in the coming year. These reflect the strategic vision for our historic environment set out in Our Place in Time (OPiT).

The PfG is an ambitious programme, which will come about only through hard work, determination, attention to detail, and a belief in what we can achieve together. It rests on the foundation of a resilient economy and the four strategic pillars of investment in people and infrastructure, innovation, inclusive growth and international engagement.

Investment in people and infrastructure:**Growing A Productive, Sustainable, Inclusive Economy**

As you know, growing a resilient economy will be key to Scotland's success in the face of the continued economic and fiscal uncertainty. HES must work with us to provide a stable and certain economic foundation, prioritising activities to support growth of the economy through continuing focus on improving the visitor offer, reaching new audiences and especially through collaborating with other key stakeholders to support delivery of the Years of History, Heritage and Archaeology, and of Young People; and on support for the construction and conservation sector.

As a key growth sector, collaboration across sustainable tourism has already seen our visitor spend rise to over £5 billion for the first time. As the lead public body for the historic environment HES have a key role to play in delivering the Heritage Tourism Strategy, People

Make Heritage, and the 2017 Year of History, Heritage and Archaeology. As the lead delivery agency for the historic environment I expect HES to deliver a step change in collaboration across the historic environment sector with a view to encouraging longer visits and increased spending, working with partners to increase quality and service and encourage innovation.

HES are also entrusted with responsibility for managing and running the properties in the care of the Scottish Ministers and of welcoming visitors from Scotland, the UK and around the world. I expect HES to build on the success of recent years and the growth in visitor numbers experienced during 2014-17 and the related commercial income generated for Scotland's economy. I expect HES to maintain and improve its performance in providing excellent service to visitors and to engage with VisitScotland, and partners to promote Scotland as a tourism destination and grow the volume and value of heritage tourism.

As the lead public body for the historic environment, I know that you are already working hard to adopt a leadership role and to deliver against some of our objectives. For example on the skills agenda through the Engine Shed project: I look forward to seeing the Engine Shed open this year and begin to deliver against the ambitious set of outcomes anticipated in the Business Plan. Given the investment in this project it would be helpful to have a presentation about how these will be delivered in due course. I also anticipate you will continue to focus on delivering support for our communities through the outcomes underpinning your grants programme.

I expect HES to begin to deliver a clear investment plan for its own properties and to make significant progress putting in place and beginning to deliver against our manifesto commitment to put in place a built heritage Infrastructure Investment Plan. The iconic buildings and monuments in the care of the Scottish Ministers represent more than 6,000 years of Scottish history and attract thousands of visitors every year but I know that they require specialist expertise to repair, added to which it is well understood that climate change is speeding up the natural process of decay. Building on the detailed and comprehensive assessment of the condition of the Properties in Care which I commissioned and using the additional capital funding I have secured for this year, I expect you, as a priority, to finalise development and begin implementation of a comprehensive investment plan for the conservation and development of visitor-facing facilities at the properties in care.

Working with the Scottish Government and other public and private stakeholders, I also expect that you will deliver some rapid work around scoping, developing and consulting on an Infrastructure Investment Plan for our built heritage, with a view to publishing a collaborative plan during the coming year. This is one of several areas where HES has undertaken to drive forward work which the Strategic Historic Environment Forum has prioritised. I continue to place a high priority upon delivery across the sector of the shared strategic vision set out in *Our Place in Time*, and look to HES to lead this.

Europe

Scotland's Place in Europe document sets out the Scottish Government's position following the result of the EU referendum. While the UK Government's position is only now becoming clearer, the challenges posed by the EU referendum result are unprecedented and will impact on our people, businesses and investors and our collective ability to tackle complex, interdependent domestic and international challenges. Our public bodies must take account of the implications on their strategic planning and delivery of services. The HES work in relation to the visitor economy must continue to minimise risk and uncertainty and plan for a successful future which continues to build Scotland's reputation in Europe and beyond.

Creating More Jobs And Fair Work

Making progress towards equality and opportunity for all is central to our PfG. I expect HES to be active in promoting equality and to embed equality in everything it does. Over the next year there will be a strong focus on pursuing inclusive growth and employability. Creating sustainable, inclusive economic growth that provides more employment, better quality jobs and equality of opportunity is crucial to developing our economy in partnership with businesses and communities to improve people's opportunities through work which is fairly paid.

Public bodies are encouraged to become Accredited Living Wage Employers, paying the Living Wage to their employees and people involved in delivering public contracts. I know that you are working towards this Accreditation and have made progress, with the single remaining obstacle to accreditation being contracted staff. We published statutory guidance for public bodies on how workforce-related matters, including the Living Wage, may be taken into account in public procurement processes and I trust this is being implemented for new contracts.

Particularly as we approach the Year of Young People in 201 E1, you have a vital role to play working with us to implement the recommendations of the Commission for Developing Scotland's Young Workforce, for example, by recruiting and training young people, working towards achieving the Investors in Young People gold standard and engaging with the education system to provide development opportunities for young people.

Transforming public services - passing power to people and communities

High quality public services play a vital role in making Scotland stronger and fairer and delivering inclusive economic growth. Strong, resilient and supportive communities are important to the idea of 'One Scotland' where we all live together in harmony and people from all backgrounds have the opportunity to flourish. Cohesive communities are anchored in equality of opportunity, respect for human rights, social justice and inclusive, sustainable economic growth. We are pushing the boundaries of community empowerment and community-led innovation to support approaches that directly tackle inequality as well as promote inclusive growth. We are determined to see a Scotland where community-led action is celebrated and community ownership is both desirable and viable. The Community Empowerment Act is a first step on this journey, making it easier for local people to develop their own economies and environments by taking control of their lives. HES has a good story to tell and is already playing a part in this, ensuring that it engages readily and regularly with Scotland's communities to help them make the most of their own, local historic environment.

Innovation

Digital

Developing Scotland's digital capacity is crucial to our success and I know that HES is fully seized of the need to embrace digital transformation in order to change the ways in which you deliver your services, with a view to enabling more people to enjoy the benefits of the historic environment. I would urge you to work with the Scottish Government and other public bodies to move beyond current activity to support full digital immersion and connectivity across your business. In developing your digital public services, you should consider opportunities to support or benefit from the development of Scotland's national digital ecosystem. If you wish to assess the digital maturity of your organisation, develop business cases/procurements for digital services, or source expert digital staff, please contact the Central Government Digital Transformation Service. Such business change can be challenging and we therefore expect all bodies to make effective use of the Central Government ICT Project and Programme Assurance Framework.

Equality

I would remind you of the Public Sector Equality Duty (PSED) contained within the Equality Act 2010, which places a legal requirement on HES to:

- Report on progress in mainstreaming the PSED in to the main business of the organisation
- Set, every 4 years, equality outcomes and report on progress every 2 years. We would expect to see clear links to equality outcomes in your business plans.
- Assess the impact of new and revised policies and practices in this regard as well as making arrangements for reviewing existing policies and practices
- Gather and use and publish employee information
- Publish gender gap information alongside an equal pay statement, and from this year, information about race and disability
- Consider adding equality award criteria and contract considerations into procurement exercises.

Low carbon sector and combatting climate change

We look to all public bodies to help realise the significant opportunity for growing the Low Carbon sector both through leadership and directly through reduction of energy demand and integration of low carbon and renewable heat and energy technologies across estates. More generally, we expect our public bodies to lead by example in combatting Climate Change and making a valuable contribution towards achieving our ambitious emission reduction target of 80% by 2050. We have brought into force legislation requiring HES and other public bodies to submit annual reports on compliance with climate change duties and I was pleased to see your first mandatory report for 2015/16.

Efficiency

We continue to expect every public body to deliver efficiency savings of at least 3% per annum and to report publicly on the actions undertaken and the results achieved.

Conclusion

In conclusion, I hope that you will find this letter helpful in confirming the policy priorities which I expect HES' activities to address, and I look forward to further discussion with you and your colleagues. I recognise that the European referendum vote of 23 June 2016 will bring significant challenges for our sector and public agencies in 2017-18. But I am confident that HES will rise to meet those challenges and this Government very much values the important work that HES carries out in helping to deliver the Government's Purpose. I look forward to that support continuing as the Board drives forward its important work in meeting our priorities to create a prosperous nation with more jobs, fair work and a dynamic sustainable and inclusive economy.

Fiona Hyslop

Annex 2:
Budgets for HES and its predecessor bodies

The following tables provide the grant in aid figures for Historic Scottish and the Royal Commission on the Ancient and Historic Monuments of Scotland (RCHAMS), from 2004-05, until their roles and functions were taken over by the Non-Departmental Public Body, Historic Environment Scotland, which was formed from the merger of the two bodies in October 2015.

Historic Scotland

£000s

| 2004-05 | 2005-06 | 2006-07 |
|----------------|----------------|----------------|
| 39,644 | 42,575 | 44,415 |

£m

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 47.7 | 51.7 | 49.3 | 49.3 | 42.5 | 45.3 | 44.7 | 37.8 |

Royal Commission on the Ancient and Historic Monuments of Scotland

£000s

| 2004-05 | 2005-06 | 2006-07 |
|----------------|----------------|----------------|
| 3,617 | 3,847 | 3,942 |

| 2007-08 | 2008-09 | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 |
|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| 4,257 | 4,563 | 4,730 | 4,691 | 4,574 | 4,266 | 4,285 | 4,302 |

Historic Environment Scotland

£m

| 2015-16 ** | 2016-17 | 2017-18 | Draft 2018-19 |
|-------------------|----------------|----------------|----------------------|
| 44.6 | 44.8 | 45.5 | 41.1 |

**Includes Historic Scotland and Royal Commission on the Ancient and Historical Monuments of Scotland who merged in 2015-16

Remaining Culture and Tourism Budgets

This paper was prepared for the Culture, Tourism, Europe and External Relations Committee ahead of its evidence session on the Draft Budget for 2018/19 with the Cabinet Secretary, Fiona Hyslop. This paper covers the aspects of the draft budget for culture and tourism not covered by the two separate papers on Creative Scotland and Other arts and Historic Environment Scotland and Major Events.

National Collections

In [A Nation With Ambition: The Government's Programme for Scotland 2017-18](#), the Scottish Government promised to invest in Scotland's culture and heritage infrastructure, including:

- the V&A Museum of Design in Dundee, opening in 2018
- proposals for the further development of the National Museum of Flight in East Lothian
- the first phase of the development of the National Collections facility at Granton
- the redevelopment of the David Livingstone Centre in Blantyre
- the Burrell Renaissance project
- a new home for the Great Tapestry of Scotland in Galashiels
- proposals to redevelop the Citizens Theatre in Glasgow
- a new performance venue in Edinburgh as part of the City Deal, to enhance its status as an International Festival City and as a new home for the Scottish Chamber Orchestra

Table 1 National Collections: information taken from the [Level 4 Draft Budget tables provided by the Scottish Government](#)

| National Collections | Resource DEL cash £m | Ring-fenced DEL £m | Capital DEL £m | 2017-18 Draft Budget £m | Resource DEL cash £m | Ring-fenced DEL £m | Capital DEL £m | 2018-19 Draft Budget £m | % change 2018-19 on 17-18 |
|--------------------------------------|-------------------------|-----------------------|-------------------|----------------------------|-------------------------|-----------------------|-------------------|----------------------------|---------------------------|
| National Museums of Scotland (NMS) | 20.317 | | | 20.317 | 20.917 | | | 20.917 | 2.95 |
| NMS Capital | | | 1.450 | 1.450 | | | 1.475 | 1.475 | 1.72 |
| NMS Depreciation | | 3.661 | | 3.661 | | 3.684 | | 3.684 | 0.63 |
| National Galleries of Scotland (NGS) | 12.895 | | | 12.895 | 13.545 | | | 13.545 | 5.04 |
| NGS Capital | | | 4.450 | 4.450 | | | 5.200 | 5.200 | 16.85 |
| NGS Depreciation | | 2.500 | | 2.500 | 2.500 | | | 2.500 | 0 |
| National Library of Scotland (NLS) | 13.180 | | | 13.180 | 13.530 | | | 13.530 | 2.66 |
| NLS Capital | | | 5.300 | 5.300 | | | 1.750 | 1.750 | -66.98 |
| NLS Depreciation | | 3.050 | | 3.050 | | | 3.400 | 3.400 | 11.48 |
| Non National Museums | 3.255 | | | 3.255 | 3.255 | | | 3.255 | 0 |
| Non National Libraries | 0.655 | | | 0.655 | 0.655 | | | 0.655 | 0 |
| Other Cultural Capital | | | 6.300 | 6.300 | | | 3.525 | 3.525 | -44.05 |
| Total Level 3 | 50.302 | 9.211 | 17.500 | 77.013 | 51.902 | 9.584 | 11.950 | 73.436 | -4.64 |

In the Scottish Government's [Scottish Budget: Draft Budget 2018-19](#), published on 14 December 2017, the Scottish Government notes that:

“National Collections play an important role in generating economic benefit and widening access and participation through free access to the permanent collections and touring and sharing of items to museums and galleries across Scotland. Across Scotland over 450 museums and galleries attract around 25 million visits per annum, generating over £79 million for our economy and sustaining over 3,500 jobs.”

Each of the National collections has received an increase in resource funding to cover implementation of the public sector pay policy.

The budget for non-national libraries and galleries has remained unchanged. In real terms the both budget sees a decrease of £0.1m.

For both national and non-national collections the Scottish Government has budgeted for new investment in capital projects such as: the Scottish National Gallery refurbishment, the development of the new Collections facility at Granton in Edinburgh, the Burrell Renaissance project and the creation of a permanent home for the Great Tapestry.

The reduction in the NLS's capital budget is due to the successful completion of its Causewayside building refurbishment.

National Performing Companies

The draft budget assigned to the five national performing companies (National Theatre of Scotland, Royal Scottish National Orchestra, Scottish Ballet, Scottish Chamber Orchestra and Scottish Opera), provides for the general operational costs of the Companies and £350k for the International Touring Fund, will see no change in cash terms 2018/19.

In real terms the budget for the performing companies will experience a decrease of £0.4m.

Table 2 National Performing Companies: information taken from the [Level 4 Draft Budget tables provided by the Scottish Government](#)

| National Performing Companies | Resource DEL | 2017-18 | Resource DEL | 2018-19 | % change |
|---|---------------|-----------------------|---------------|-----------------------|---------------------|
| | cash £m | Draft Budget £m | cash £m | Draft Budget £m | 2018-19 on 17-18 |
| National Performing Companies - Current | 22.862 | 22.862 | 22.862 | 22.862 | 0.00 |
| Total Level 3 | 22.862 | 22.862 | 22.862 | 22.862 | 0.00 |

The level 4 draft budget information provided by the Scottish Government does not indicate the budget split between the five companies. That information would be set out in the letters sent to each company by the Cabinet Secretary which are not made publicly available. The information is only made available retrospectively in the Annual Reports for the five Scottish National Performing Companies. The last report, [for 2015/16](#), was issued in March 2017.

National Records of Scotland (NRS)

The National Records of Scotland's budget supports the collection, preservation and production of information about Scotland's people and history. This includes performing the registration and statistical functions of the Registrar General for Scotland, for example by taking the census and producing a wide range of demographic data which underpin public sector spending decisions, and the archival and public records functions of the Keeper of the Records of Scotland.

Table 3 National Records of Scotland: information taken from the [Level 4 Draft Budget tables provided by the Scottish Government](#):

| National Records of Scotland | Resource DEL | Ring-fenced | Capital DEL | 2017-18 | Resource DEL | Ring-fenced | Capital DEL | 2018-19 | % change |
|------------------------------|---------------|--------------|--------------|---------------|---------------|--------------|--------------|---------------|--------------|
| | cash | DEL | | Draft Budget | cash | DEL | | Draft Budget | 2018-19 on |
| | £m | £m | £m | £m | £m | £m | £m | £m | 17-18 |
| Other Running Costs | 35.300 | - | - | 35.300 | 37.300 | - | - | 37.300 | 5.67 |
| Depreciation Capital Charge | - | 4.540 | - | 4.540 | - | 2.793 | - | 2.793 | -38.48 |
| Total Level 3 | 35.300 | 4.540 | - | 39.840 | 37.300 | 2.793 | - | 40.093 | 0.64 |
| Capital Expenditure | | - | 3.300 | 3.300 | - | - | 2.900 | 2.900 | -12.12 |
| Less Retained Income | (5.800) | - | - | (5.800) | (5.800) | - | - | (5.800) | 0.00 |
| Total Level 2 | 29.500 | 4.540 | 3.300 | 37.340 | 31.500 | 2.793 | 2.900 | 37.193 | -0.39 |

As set out in the Draft budget, the NRS's priorities for 2018/19 will be to:

- continue to produce trusted statistics including demographic and migration estimates and projections of Scotland's population and households
- build on the successful launch of its redesigned ScotlandsPeople online family history service to further improve the customer experience and develop new and existing markets
- continue to play a leading role in progressing Scotland's Data Linkage Framework strategy to securely deliver data research projects that benefit the public.

The increase in the resource budget of £2m (in real terms £1.5m) will support "profiled census activity and spend".

The NRS's draft budget includes a reduction in capital funding. The Level 4 information indicates that this reduction of 12% will result in "some maintenance being slipped into future years".

The NRS will see no increase in its retained income in 2018/19. This is the revenue raised through fees and charges, contract and rental income.

Tourism

Tourism is one of the Scottish Government's key sectors for the Scottish economy.

As set out in [A Nation With Ambition: The Government's Programme for Scotland 2017-18](#):

"Tourism is a vital part of the Scottish economy, employing 217,000 people and supporting a visitor spend of almost £9 billion a year. It showcases Scotland as a great place to live, work, study and invest in. Tourism continues to diversify and innovate – from the enormous success of the NC500 to the Dark Skies of Galloway. Much more can be achieved through further diversification, including not only traditional promotion and redevelopment, but also an increase in support for modernisation and digital innovation to help capture the potential within this vital sector."

The Scottish Government's priorities for tourism in 2017-18 would include:

- developing with partners sustainable tourism action plans and a national food tourism action plan in key areas across the country, reflecting the further boost that will come from modernisation, innovation and promotion
- improving digital capability across the tourism and hospitality sectors through the Digital Tourism Scotland programme and the Big 5 Questions project, which also supports better customer service and staff development, reduced costs and industry engagement
- improving access to visitor information across Scotland by modernising key visitor information centres, developing partnership arrangements and improving digital and online information provision
- launching an app, developed through the Government's CivTech® programme, which provides in-car radio entertainment and tourist information for the A9 corridor – meaning that the A9 will soon be dualled, electric vehicle ready, and provide integrated tourist advice
- promoting, through digital and traditional methods, the south of Scotland and Ayrshire as a tourism destination for coastal and forest tourism activities, with enhanced visitor experiences, development of walking opportunities and cycling routes, 7stanes mountain biking, the Galloway Dark Sky Park and South West Scotland Biosphere
- progressing the redevelopment of Inverness Castle to deliver a quality visitor attraction that celebrates the spirit of the Highlands and provides a cultural hub of international significance by 2021..

The Scottish Government issues an annual letter of strategic guidance to VisitScotland. The latest letter was sent to VS in [March 2017](#) and is available on VS's website.

| Tourism | Resource DEL | Ring-fenced | Capital DEL | 2017-18 | Resource DEL | Ring-fenced | Capital DEL | 2018-19 | % change |
|--------------------------|---------------|--------------|--------------|---------------|---------------|--------------|--------------|---------------|-------------|
| | cash | DEL | | Draft Budget | cash | DEL | | Draft Budget | 2018-19 on |
| | £m | £m | £m | £m | £m | £m | £m | £m | 17-18 |
| VisitScotland (Resource) | 40.400 | - | - | 40.400 | 39.600 | - | - | 39.600 | -1.98 |
| VisitScotland (Capital) | - | - | 0.600 | 0.600 | - | - | 2.250 | 2.250 | 275.00 |
| VisitScotland (Non Cash) | - | 2.229 | - | 2.229 | - | 2.580 | - | 2.580 | 15.75 |
| Tourism special projects | 0.644 | - | - | 0.644 | 0.644 | - | - | 0.644 | 0.00 |
| Total Level 3 | 41.044 | 2.229 | 0.600 | 43.873 | 40.244 | 2.580 | 2.250 | 45.074 | 2.74 |

The resource draft budget for VisitScotland (VS) sees a reduction of 1.98% in discretionary funding.

The capital draft budget sees an increase of 275% to enable VS to undertake maintenance and upgrades of visitor information centres and allow for digital improvements, in line with VisitScotland's digital strategy.

There is no increase in the draft budget for the tourism special projects which supports a range of tourism related activities and events plus general tourism policy development.

Francesca McGrath, SPICe

External Affairs

Introduction

The draft budget for External Affairs for 2018-19 is £17.3 million. In comparison, the revised budget for 2017-18 was £15.5 million.

According to the Scottish Government:

“The External Affairs budget supports the promotion of Scotland and its interests at home and abroad. It contributes to the positioning of Scotland on the world stage, particularly through our international development work and recent work with the UN and women from international conflict zones, and promotes Scotland’s international engagement through Ministerial visits. The budget also supports the attraction of talented and skilled individuals to live, study and work in Scotland.”¹

The Scottish Government’s policies which the External Affairs budget supports include:

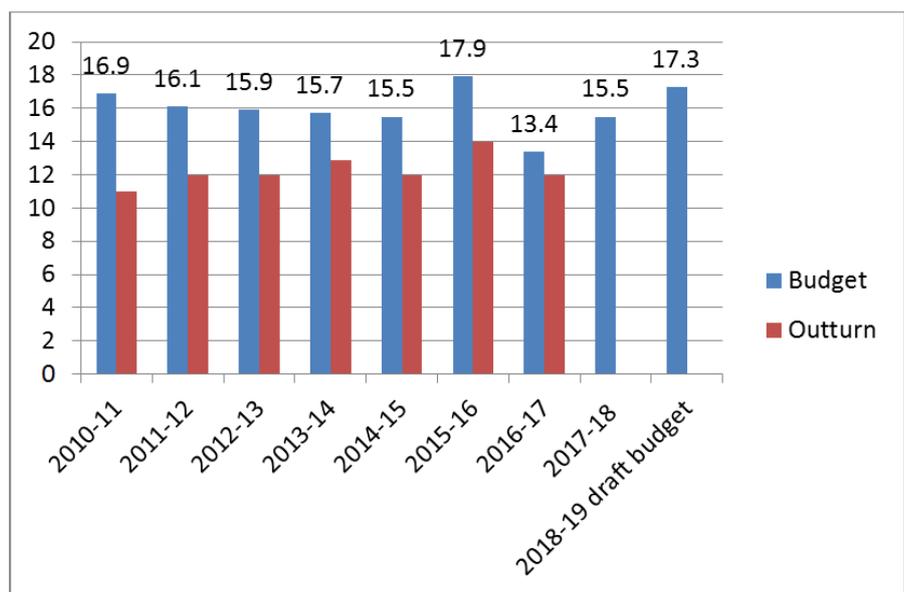
- [Scotland's international framework 2017](#)
- [Scotland's Economic Strategy](#)
- [European policy](#)
- [Global Citizenship: Scotland's International Development Strategy](#)
- [US engagement strategy](#)
- [China engagement strategy](#)
- [Canada engagement strategy](#)
- [India engagement strategy](#)
- [Pakistan engagement strategy](#)

This briefing provides details of the External Affairs budget line in the Scottish Government’s draft budget for 2018-19. It also outlines to which of the Scottish Government’s National Performance Framework targets the budget contributes.

Overall trends (cash terms)

Figure 1 below provides details of how the budget for External Affairs (previously Europe and External Affairs) has changed since 2010-11.

Figure 1: Trends in the External Affairs Budget (£m, cash terms)



¹ <http://www.gov.scot/Publications/2017/12/8959/17>

Figure 1 shows the initial budget agreed by Parliament alongside the actual budget spent (outturn) for the External Affairs (previously the European and External Affairs) budget line between 2010-11 and 2016-17. It also shows the budget agreed by Parliament for 2017-18 and the 2018-19 draft budget for External Affairs.

The budget agreed by Parliament for External Affairs for 2017-18 was £15.8 million but during the Autumn Budget Revision (published in September 2017) £0.3 million on miscellaneous minor transfers was moved. As a result, in this briefing, the comparative budget for External Affairs for 2017-18 was £15.5 million².

Transfers out of the budget including miscellaneous transfers

Between 2010-11 and 2015-16, the Scottish Government's Budget Spring Revisions³ were used to move External Affairs funds to other budget lines. Although details of some of these transfers were provided, until 2014-15 "miscellaneous transfers" formed a significant part of the funds transferred from the External Affairs budget line.

The "miscellaneous transfers", along with the total amounts transferred from the External Affairs budget line to other lines, are shown in Table 1 below.

Table 1: Spring Budget Revision transfers from the Europe and External Affairs Budget line (£m, cash terms)

| Financial Year | Miscellaneous transfers (£m) | Total amount transferred (£m) |
|----------------|------------------------------|-------------------------------|
| 2010-11 | 2.8 | 4.3 |
| 2011-12 | 1.1 | 2.5 |
| 2012-13 | 1.0 | 2.5 |
| 2013-14 | 0.5 | 2.8 |
| 2014-15 | 1.2 | 2.6 |
| 2015-16 | 0.0 | 2.1 |
| 2016-17 | 0.0 | 0.5 |

The most recently available Spring Revision figures are for the 2016-17 budget (published in February 2017). A transfer from the International Relations part of the External Affairs budget to Marketing of £500,000 was made. According to the Spring Revisions document, this money was for international marketing. There were no miscellaneous transfers for the second year running⁴.

The Autumn Budget Revisions for the 2017-18 Scottish Budget were published in September 2017. As discussed earlier, the Autumn Revisions show that of the original £15.8 million budget for External Affairs, £0.3 million has been moved in miscellaneous minor transfers. As a result, the comparative budget for External Affairs for 2017-18 was £15.5 million⁵

² Scottish Government Autumn Budget Revision 2017-18 Supporting Document
<http://www.gov.scot/Publications/2017/09/2052/19>

³ The purpose of the Spring Budget Revision is to amend the Budget (Scotland) Act for the relevant year.

⁴ Scottish Government The 2016-17 Spring Budget Revision supporting document
<http://www.gov.scot/Publications/2017/02/8171>

⁵ Scottish Government Autumn Budget Revision 2017-18 Supporting Document
<http://www.gov.scot/Publications/2017/09/2052/19>

Further changes to the 2017-18 budget may be made in the Spring Revisions which will not be available until Spring 2018.

A possible reason for the drop in the number of transfers from the External Affairs budget in recent years is that the majority of transfers came from the Major Events and Themed Years budget line. This budget line moved to another area of the Culture, Tourism and External Affairs portfolio for the 2017-18 budget and this appears to have led to the reduction in transfers out of the External Affairs budget.

Underspend

The consolidated accounts produced by the Scottish Government at the end of each financial year show the actual spend compared to the planned spend published in the budget and amended by the Spring Revisions.

With the exception of 2013-14 when the budget was completely spent, in every other financial year from 2010-11 through until 2016-17⁶ there was a consistent underspend of around £1 million in the External Affairs budget.

Cash and real terms changes

Table 2 below, sets out the changes in the two 'level 3' budget headings for External Affairs between 2017-18 and 2018-19, in both cash terms and real terms.

Table 2: External Affairs Level 3 Changes in Cash and Real Terms (based on 2017-18 prices)

| | 2017-18 (£m) | 2018-19 (£m) | 2018-19 change on 2017- 18 - cash (£m) | 2018-19 change on 2017- 18 - cash (%) | 2018-19 change on 2017-18 - real terms (£m) | 2018-19 change on 2017-18 - real terms (%) |
|--------------------------------------|-----------------|-----------------|--|---|---|--|
| British and Irish Council | 0.1 | 0.1 | 0.0 | 0.0% | 0.0 | -1.5% |
| International Relations ⁷ | 15.4 | 17.2 | +1.8 | +11.7% | +1.5 | 9.5% |
| Total | 15.5 | 17.3 | +1.8 | +11.6% | +1.5 | 9.4% |

Some points to note are as follows—

- The 2018-19 draft budget shows a cash increase of £1.8 million in the total External Affairs budget. In real terms this equates to an increase of 9.4%.
- Within this, the International and European Relations budget line shows a cash increase of £1.8 million. In real terms this equates to an increase of 9.5%.

⁶ Scottish Government Consolidated Accounts for the year ended 31 March 2017
<http://www.gov.scot/Publications/2017/09/1919/345440>

⁷ Previously known as International and European Relations

A closer look at the 2018-19 Draft Budget

The following section looks in more detail at the External Affairs budget including the level 4 figures provided by the Scottish Government.

British and Irish Council

The budget has been frozen at £100,000, with the money allocated as Scotland's share of the running costs of the British-Irish Council Standing Secretariat in Edinburgh.

International and European Relations

The draft budget for 2018-19 allocates £17.2 million for the International and European Relations budget line. This is a £1.8 million increase compared to 2017-18. This is based on mid-year transfer of £300,000 during 2017-18 reducing the international relations budget to £15.4 million.

The draft budget for 2018-19, outlines the Scottish Government's priorities for the International and European Relations budget line⁸:

- sustain our efforts to secure the fullest engagement in negotiations on the UK's future relationship with the EU, ensuring that Scottish interests are protected and promoted;
- continue to push the UK Government to protect the rights of EU citizens resident in Scotland and Scots in other EU countries and establish the case for a differential approach to migration in Scotland;
- continue to play a full and active part in the British Irish Council (BIC), working positively with other members to support the Northern Ireland peace process;
- strengthen and deepen engagement with our European neighbours and with the US, Canada, Japan, China, India and Pakistan, with a focus on education, business and culture, and work collaboratively with international and European institutions; and
- continue to take action to help tackle poverty and inequalities in relation to some of the world's poorest and most vulnerable people.

The Scottish Government has provided a comparison of the 2017-18 and 2018-19 draft budget for each level 4 budget line. This approach is reflected in Table 3 below which sets out the Level 4 headings of the International and European Relations budget, ranked in terms of the size of their allocation in the 2018-19 draft budget compared with the 2017-18 draft budget.

Table 3: Level 4 Budgets for International and European Relations⁹ – change in cash terms

⁸ <http://www.gov.scot/Publications/2017/12/8959/17>

| Level 4 Heading | 2017-18 (£m) | 2018-19 (£m) | Cash change (£m) | Cash change % |
|--|--------------|--------------|------------------|---------------|
| International Development Fund | 10.00 | 10.00 | 0.0 | n/a |
| Brussels Office | 1.14 | 1.64 | 0.5 | 43.9% |
| European Strategy | 0.91 | 1.41 | 0.5 | 54.9% |
| Scottish Affairs Office North America | 0.70 | 1.20 | 0.5 | 71.4% |
| Humanitarian Aid | 1.0 | 1.0 | 0.0 | n/a |
| International Relations | 0.82 | 0.82 | 0.0 | n/a |
| Migration Strategy | 0.48 | 0.48 | 0.0 | n/a |
| Scottish Affairs Office China | 0.40 | 0.40 | 0.0 | n/a |
| International Development Administration | 0.25 | 0.25 | 0.0 | n/a |

When considering the percentage changes, it is important to remember that as the budget lines are for relatively small sums, a minor change can result in a large percentage change in the budget.

The Level 4 headings for International Relations in the 2018-19 draft budget are the same as those for the 2017-18 budget.

Level 4 Analysis

International Development

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|----------------------------------|----------------------|----------------------|
| International Development | £10m | £10m |

The International Development budget is the largest level 4 budget line in the External Affairs budget. It rose from £3 million in 2007-08 to £9 million in 2010-11. It remained frozen at £9 million for seven consecutive years before rising to £10 million in 2017-18. For 2018-19, the budget will remain at £10 million.

According to the Scottish Government, the International Development Budget Line:

“Supports development programmes delivered by a range of organisations in Scotland, working with partners overseas, clearly focused on the achievement of the UN Sustainable Development .”¹⁰

The International Development Fund supports the [Scottish Government’s International Development Strategy](#). The International Development Fund (the Fund) supports the Scottish Government’s International Development Strategy and in particular the Strategy’s work with the 4 partner countries, Malawi, Zambia and Rwanda and Pakistan. It also supports the Small Grants Programme.

⁹ Figures provided by the Scottish Government to the Financial Scrutiny Unit and available at http://www.parliament.scot/FinancialScrutiny/2018-19_budget_Level_4.xlsx

¹⁰ From information provided to the Financial Scrutiny Unit by the Scottish Government.

Brussels Office

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|------------------------|-------------------------------------|-------------------------------------|
| Brussels Office | £1,139,000 | £1,639,000 |

According to the Scottish Government this budget line will support the running of the Scottish Government's European Union Office in Brussels including "supporting the Scottish Government's work to ensure that Scotland's voice is heard" and that Scotland's "EU interests and place in Europe are protected".

According to the Scottish Government, the increased budget of £500,000 is to support Brexit related work:

"This is due to the addition of four members of staff in the Brussels Office in response to Brexit pressures and to support the transition from the current SG presence in Brussels to the establishment of an Innovation and Investment Hub in Brussels in line with the Programme for Government commitment. The additional members of staff are directly supporting the Scottish Government's work to protect Scotland's Place in Europe and our EU interests".

European Strategy

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|--------------------------|-------------------------------------|-------------------------------------|
| European Strategy | £910,000 | £1,410,000 |

The European Strategy budget line has increased by £500,000 from just over £900,000 in 2017-18 to just over £1.4 million for 2018-19. 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, and actions identified in the Nordic Baltic policy statement and in support of the International Framework."

The Scottish Government explained the reason for the increased funding is "to support the delivery of an innovation and investment Hub in Paris, as set out in the 2017 Programme for Government". In last year's draft budget document, the Scottish Government indicated that it planned to establish hubs in London, Dublin, Brussels and Berlin¹¹. Thus far hubs appear to have been established in London and Dublin with the transition of the Brussels office to a hub still to take place. However, the proposed hub in Berlin was not referenced in the Cabinet Secretary for Culture, Tourism, Europe and External Affairs' letter to the Culture, Tourism, Europe and External Relations Committee, which refers to "a new hub in Paris to complement those already established in London; Brussels and Dublin". The

¹¹ <http://www.gov.scot/Resource/0051/00511808.pdf>

[Scottish Government's website](#) states “while Dublin and London are fully operational, Brussels is currently transitioning into a Hub from being a Scottish Government/Scotland Europa operation, and Berlin is not yet operational”.

Scottish Affairs Office North America

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|--|-------------------------------------|-------------------------------------|
| Scottish Affairs Office North America | £700,000 | £1,200,000 |

Spending on the Scottish Affairs Office in North America has increased by £500,000 to £1.2 million in the 2018-19 Draft Budget.

This budget line supports the operation of the Scottish Government’s Washington office and the Government’s activities and priorities outlined in [Scotland's International Framework: US engagement strategy](#) (published in March 2017) and the [Scotland's International Framework: Canada engagement strategy](#) (also published in March 2017).

According to the Scottish Government, the £500,000 increase is to “support the delivery of an enhanced presence in Canada, as set out in the 2017 Programme for Government”.

Humanitarian Aid

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|-------------------------|-------------------------------------|-------------------------------------|
| Humanitarian Aid | £1,000,000 | £1,000,000 |

As with last year’s budget, the Scottish Government has allocated £1 million for humanitarian aid. The humanitarian aid budget is used by the Scottish Government to respond to some international humanitarian crises. The Scottish Government website lists examples of the response to humanitarian crises over the last eight years including responding to crises in East Africa, Yemen, Nepal, Malawi, West Africa, the Philippines, Syria, Democratic Republic of Congo, Gaza, Haiti and Pakistan¹².

International Relations

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|--------------------------------|-------------------------------------|-------------------------------------|
| International Relations | £821,000 | £821,000 |

The International Relations budget line remains at £821,000 in 2018-19. According to the Scottish Government, this budget line supports the delivery of key Scottish Government

¹² <https://beta.gov.scot/policies/international-development/responding-to-humanitarian-crises/>

international engagement. The budget also funds international communication and marketing activity.

Migration Strategy

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|---------------------------|-------------------------------------|-------------------------------------|
| Migration Strategy | £480,000 | £480,000 |

The Migration Strategy has been allocated £480,000 for 2018-19, the same as in 2016-17.

According to the Scottish Government the budget line will support the provision of immigration advice and policy support.

Scottish Affairs Office China

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|--|-------------------------------------|-------------------------------------|
| Scottish Affairs Office China | £395,000 | £395,000 |

The Scottish Affairs Office in China is allocated £395,000 in the 2018-19 Draft Budget, which is the same as 2017-18.

The China Division funding will support the Scottish Government's work in China and Hong Kong which is underpinned by its [China Strategy](#).

International Development Administration

| | 2017-18 Draft Budget | 2018-19 Draft Budget |
|---|-------------------------------------|-------------------------------------|
| International Development Administration | £249,000 | £249,000 |

International Development Administration supports the delivery of the Government's International Development Fund. It has been frozen at £249,000 in the 2018-19 draft budget.

Scotland Performs

As part of the 2007 Spending Review, the Scottish Government introduced a new outcomes-based National Performance Framework (NPF) to underpin the delivery of its National Outcomes. In June 2008, the Government launched '[Scotland Performs](#)', a

website designed to present information on how Scotland is performing against the range of indicators outlined in the NPF. The NPF was “refreshed” in 2011.

As part of its Performance Evaluation document, the Scottish Government also provided to the Scottish Parliament Finance Committee [information on all of the indicators and targets](#) in the National Performance Framework specifically influenced by the Europe and External Affairs budget line.

From the 50 indicators, this year the Government has highlighted four indicators as being relevant to the External Affairs aspect of the Culture, Tourism, Europe and External Relations Committee. The relevant indicators are:

- Increase exports
- To match average European (EU15) population growth over the period from 2007 to 2017
- Improve Scotland's reputation
- Increase research and development spending

The Scottish Government also provided an up-to-date snapshot of performance against each of the indicators:

- On exports, the Scottish Government wrote:

“In 2015, the value of Scottish exports to the rest of the world (not including the UK) stood at £28.7 billion. This is a 3.6% increase on 2014. Exports increased in almost every year between 2006 and 2015 (2014 was the exception) and in 2015, were 49% higher than in 2006.”¹³

- Scotland’s reputation continues to sit in the top third of the 50 countries evaluated. According to the Scottish Government:

“Scotland’s overall score on the Anholt-GfK Roper Nation Brands IndexSM (NBI) was 62.2 in 2016, an increase of 0.4 points since the last measurement in 2014 (61.8) and an increase of 2.0 since the baseline year (2008).

The score positions Scotland 15th across 50 evaluated countries around the world. The score and rank place Scotland alongside and sometimes ahead of other comparator small, high income Western countries. Scotland’s relative rank has improved by two places since 2014.”¹⁴

- On population growth, the population of Scotland has increased each year since 2001 and is now at its highest ever. According to the Scottish Government:

“For the latest year population growth for Scotland has been higher than that of the EU15 countries. In 2016 the average annual population growth

¹³ <http://www.gov.scot/About/Performance/scotPerforms/indicator/exports>

¹⁴ <http://www.gov.scot/About/Performance/scotPerforms/indicator/reputation>

rates since 2007 for Scotland and the EU15 were 0.50 and 0.41 per cent, respectively.”¹⁵

- The research and development spending target has been linked to the External Affairs budget for the first time in the 2018-19 Scotland Performs Update. The update shows:

“Total research and development spending as a share of GDP was 1.46% for Scotland in 2015; this is lower than the share for the EU as a whole at 1.95% in 2015 (a gap of 0.49 percentage points).

Spending on research and development in Scotland has increased between 2006 and 2015, from 1.19% of GDP in 2006 to 1.46% of GDP in 2015. However, spending on research and development as a share of GDP has increased at a similar rate in the EU as a whole. And hence, comparing 2006 and 2015, there has been no change in the gap between Scotland and the EU.”

Iain McIver
SPICe Research

¹⁵ <http://www.gov.scot/About/Performance/scotPerforms/indicator/research>