



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Relations Committee

Thursday 22 December 2016

Session 5



The Scottish Parliament
Pàrlamaid na h-Alba

Thursday 22 December 2016

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CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE
16th Meeting 2016, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Lewis Macdonald (North East Scotland) (Lab)

COMMITTEE MEMBERS

Jackson Carlaw (Eastwood) (Con)

*Ross Greer (West Scotland) (Green)

*Rachael Hamilton (South Scotland) (Con)

*Emma Harper (South Scotland) (SNP)

*Richard Lochhead (Moray) (SNP)

*Stuart McMillan (Greenock and Inverclyde) (SNP)

*Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Janet Archer (Creative Scotland)

Fiona Hyslop (Cabinet Secretary for Culture, Tourism and External Affairs)

Iain Munro (Creative Scotland)

Ken Neilson (VisitScotland)

Malcolm Roughead (VisitScotland)

CLERK TO THE COMMITTEE

Katy Orr

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Relations Committee

Thursday 22 December 2016

[The Convener opened the meeting at 09:17]

Scottish Government Reports

The Convener (Joan McAlpine): Good morning and welcome to the 16th and final meeting in 2016 of the Culture, Tourism, Europe and External Relations Committee. I remind members and members of the public to turn off mobile phones. Any members who are using electronic devices to access committee papers should ensure that their devices are switched to silent.

Agenda item 1 is consideration of a number of biannual reports produced by the Scottish Government in relation to European Union issues. I invite members' views.

Lewis Macdonald (North East Scotland) (Lab): The one issue that I would like to flag up, perhaps for pursuing with the cabinet secretary later, is European structural and investment funds. It is clear from the papers that the drawdown on this has been very limited thus far for the current spending programme. We should explore that later.

The Convener: We can explore it with the cabinet secretary.

As there are no other comments, we will have a brief suspension to allow our witnesses for the next item to come to the table.

09:18

Meeting suspended.

09:18

On resuming—

Draft Budget Scrutiny 2017-18

The Convener: Agenda item 2 is an evidence session on the culture and tourism aspects of the Scottish Government's draft budget for 2017-18. From Creative Scotland, we have Janet Archer, chief executive officer, and Iain Munro, deputy chief executive; and from VisitScotland, we have Malcolm Roughead, chief executive, and Ken Neilson, director of corporate services.

I invite the witnesses to make a brief opening statement.

Janet Archer (Creative Scotland): Thank you, convener. It is great to be here. The last time that I was here was in August at the international culture summit, when I had the pleasure of being part of a feisty debate with a group of young people who were participating in that event in this very room.

I apologise, because I have got a cold. I have been sneezing all morning so if I splutter and sneeze through the session, please forgive me.

I thank the committee for inviting us to give evidence this morning. It is important to say that, of course I am here to represent Creative Scotland, but I am also here to represent the many people and organisations that work across the arts, screen and creative industries in Scotland to whom we have made more than 1,000 funding awards this year.

On our immediate response to the budget, as the committee will know our discretionary grant-in-aid budget for 2017-18 remains relatively stable at £32,112,000, which is a small 0.3 per cent reduction on 2016-17. We are absolutely delighted about that. The primary purpose of that part of our budget is to support the 118 regularly funded organisations across Scotland and, following the meeting of our board that took place on Monday, we are pleased to confirm that we will be able to continue to fund those organisations at planned levels for next year. That is welcomed.

We support regularly funded organisations, including some of Scotland's best known cultural institutions, such as the Edinburgh International Festival, the Citizens Theatre in Glasgow, Eden Court in Inverness, An Lanntair in Stornoway, and Dundee Contemporary Arts, with £33.5 million mainly through grant in aid, although it is important to say that that is supplemented by some national lottery funding.

In the last full year, we have just scoped out our annual review and I believe that the committee has had a copy. We have seen an increase in the number of performances, festivals, exhibitions,

projects and events and those organisations are reaching more people in more parts of the country with their work, which supports jobs, skills development and, through that, the local and national economy. In the same year, we have been able to increase the number of awards that we made to creative individuals and organisations through our open project funding programme; those awards are anything from £1,000 up to £100,000. We have awarded almost £12 million of lottery support to 570 projects across Scotland. That sits alongside the 450 awards that we made through targeted funding, amounting to more than £30 million in support for key initiatives, such as time to shine, which is our youth arts strategy, and cashback for creativity.

We work really closely with young people, as I have already said. We have something called youth arts voices. I had the pleasure of meeting a group of young people earlier this week. They are incredibly insightful, knowledgeable and determined to be able to contribute to painting a new landscape for culture going forward into the future. We find that a really exciting core part of the work that we do, particularly in the run-up to 2018, which is the year of young people.

Last week, we were able to announce record levels of film and television production. In 2015, it was £52.7 million, which absolutely proved that Scotland's talent, crews, facilities and award-winning locations continue to be a huge attraction to major international productions. If we go back to 2007, that figure was £23 million. It went down a bit in 2010 to £21 million and in 2014 it was £7 million less than it is now, so it is going up incrementally and we are seeing a real buoyancy in what is being achieved.

We are really pleased to be able to fund such a breadth, depth and range of work and we are extremely grateful to the Scottish Government, particularly the Cabinet Secretary for Culture, Tourism and External Affairs, for its undoubted effort. We know that much work goes on behind the scenes in handling complex budget decisions and we are very grateful for that.

The committee should note that we are a distributor of funding from the national lottery, as well as grant in aid. National lottery funding is coming under pressure at the moment because there has been a marked decrease in income. It fluctuates and there are trends, but we are keeping a watchful eye on that.

We have three routes to funding and, across those routes, we are able to fund about one third of the applications that we receive so we continue to be under pressure. A lot of creative potential in Scotland is not supported through our funding.

Creative Scotland funding cannot be looked at in isolation; it unlocks other funding around the work that we support. For example, £33.5 million goes into regularly funded organisations. In 2015-16, that unlocked £109 million through a range of income streams, which is quite significant. I was really pleased to see an increase of between £14 million and £15 million in the amount of earned income that came through across the year.

A key aim for us, as set out in our recently published arts strategy, is to embed and generate understanding of the value that the arts offer to society through creativity. We want to put artists—the people who drive the arts—at the heart of society, as valued contributors in all aspects of life: not just culture but health and wellbeing, the economy, education and innovation. We know that that view is recognised in Scotland. Ninety per cent of the population believe that public funding for the arts, screen and creative industries is a good thing. We know that the parity of contribution to the national economy is £3.7 billion and almost 74,000 jobs. We know that 90 per cent of people take part in regular cultural activity.

We work with a broad range of partners, including VisitScotland, on promoting Scotland as a location for screen production and film tourism; we also work with VisitScotland on events and festivals. We promote our amazing creative and cultural offer to the world, which generates visitor numbers and revenue.

We think that culture has a huge role to play in our country's future, and the ambition, talent and energy of everyone working in the arts and creative sectors is pivotal to continued confidence and success.

I look forward to this morning's discussion.

Malcolm Roughead (VisitScotland): I will take a quick look back over 2016 and the tourism industry. I am delighted that the momentum that has been generated over the past few years has continued. In February, we launched, with the help of all the party leaders, the spirit of Scotland campaign, which went global. Some of the detail of that is included in our written submission, and I can go into more detail on that if you like.

The events programme continued with the year of innovation, architecture and design. As Janet Archer mentioned, it is very much a collaborative effort with a number of agencies and the industry. One of the big gains that we got in the events programme is the Solheim cup, which is part of the legacy of the Ryder cup and is the jewel in ladies' golf.

VisitScotland believes very strongly that tourism is everyone's business. We also believe that tourism is for everyone. This year, we had two major inclusive tourism projects. On one of those

projects, around social tourism, we worked with the Family Holiday Association, which is based down in Kent. Through the generosity of the industry, we were able to free up capacity and allow more than 950 people, who otherwise would have been unable to afford or take the time to have a break, to do so. We will look at growing that project with the industry next year.

We were also delighted to host the European network of accessible tourism in conjunction with one of our strategic partners, VisitFlanders. That demonstrates where Scotland is in terms of accessible tourism across Europe.

On the information provision side, our I know strategy continues. More than 700 businesses have signed up to deliver local information using their local knowledge and the passion that they have, to enrich our visitors' experience.

My favourite, I must say, is the focus that we put on pet-friendly holidays this year. I encourage you all to go to the Facebook page of George, our ambassadog, where you can see George's travels across the length and breadth of Scotland.

Tourism is in rude health. Gross value added has grown by 42 per cent since 2008. Employment in 2015 grew by 11 per cent, to 217,000 people across the country. Right now, £16 billion is being invested in the industry. All that gives us a great platform from which to go forward into 2017.

09:30

The Convener: Perhaps I could start with a question for Miss Archer. I understand that there has been a reduction of £100,000 in the core funding of Creative Scotland, which is in effect a real-terms cut of £500,000. How does that practically impact on what you do?

Janet Archer: First, I should say that we are not entirely sure where the real-terms figure has come from. We are working on understanding that. There has been a cut of £100,000, and we have handled that by looking at our core administrative costs, which we will reduce to accommodate that sum. Our budget assumptions are not that that will be passed on to the organisations or individuals that we fund.

The Convener: I also understand that the Scottish Government has asked you to deliver a separate and enhanced screen unit within the organisation. What are the budget implications of that?

Janet Archer: We are working those through in partnership with the Scottish Government, Scottish Enterprise, the Scottish Further and Higher Education Funding Council and Skills Development Scotland, to identify how we might map out what that screen unit will do, what we can

all contribute to it and how we will phase it. Clearly, if we are going to build something new and ambitious, we need to do that incrementally in a practical way, so we are working through that process in detail.

The Convener: I should have said at the outset that, as well as your own organisations, a number of other cultural organisations have submitted written evidence, for which we are extremely grateful. One of the things that comes across in the written evidence from Scottish Opera and from other national companies that are separately funded is the issue of one-year funding versus three-year funding. I know that you give out grants for three years to some organisations, and that is much appreciated, but if your own funding is received on a yearly basis, what are the challenges associated with that?

Janet Archer: We give planning figures to organisations over a three-year period with an annual funding agreement that is subject to review every year, so if budgets change year on year that gives us the scope to be able to change funding agreements if we need to do so in response. Giving planning figures enables an organisation to look at how it can use that to catalyse opportunities elsewhere. I have already referenced the £109 million that comes in against our £33 million. It gives a much better confidence for the kind of conversations that organisations need to have if they are able to look at how they can use our money to catalyse over and above what we can do directly. That is why we offer organisations the scope to be able to do that.

Creative Scotland does not have direct jurisdiction over the larger companies, but my personal experience is very much in that territory. Larger companies have to plan ahead because they have to be competitive with other players in different parts of the world. To secure the right casts and productions, they have to be able to plan three years hence, or even five years hence in a large-scale opera context.

The Convener: Yes. Scottish Opera made that point well in its written submission.

Lewis Macdonald: I would like to turn the previous question round. What more could your organisations do if they had a three-year funding horizon in which they knew with certainty what the funding arrangements would be over that period?

Malcolm Roughead: We look at long-term planning internally. Major events can often have a gestation period of five or 10 years. Likewise, on the business events front, we could be bidding today for a major conference but we may not actually secure that conference until five or six years from now. We look at what our forward

commitments will be and we build that into the planning side.

Right now, we are going through a process of looking beyond 2020. We have to look at where the tourism world will take us; how we should shape up for that in future; and which markets we should be in. Funding is certainly an element of that, but I do not think that it should prevent an organisation from doing the planning.

Janet Archer: Long-term planning would enable us to manage risk. Risk management is an absolutely critical part of any business. If we had a greater level of surety and some sort of forward look, that would enable us to identify the challenges and look at how we can build up solutions within a proper planning framework, as opposed to having to be reactive on a year-on-year basis.

Lewis Macdonald: In response to the convener, you described a process in which you reach indicative agreements with people whom you are going to fund for periods of more than a year, and then review them, depending on any change in the funding. Has that led to your cancelling or reducing any funding as a result of changes in the funding that comes to you?

Janet Archer: No. The funding has remained stable. You will all remember the Arches, in Glasgow. That was one instance of an organisation that was not in a position to continue—not just because of our funding, but because of the wider market that it was playing into. Its business model needed to be shifted because it was not accessing the same level of income as it had in the past. That is the organisation that has come out of the portfolio.

We started off our three years with 119 organisations; very sadly, there are now 118, but everyone else—unless Iain Munro corrects me—is on the same level of funding as planned. As I said, we are pleased that we are able to go into the third year of that commitment and that we are able to honour that. That has given those organisations a sense of stability and, I hope, a sense of confidence, which is tremendously important when one is trying to maximise income over and above what is received from any public funder.

It is worth pointing out one of the things that came through a very early piece of work that we did in the creative industries, which looked at the barriers to success for Scotland's creative industries. Interestingly, one of the things that came through quite strongly, through dialogue with the sector, was confidence, because of the volatility of the environment that people were playing into. It was felt that if we could shore up a sense of confidence, that would enable people to lift themselves up into new ways of doing things.

We cannot discount the validity and the importance of having the ability to plan.

Lewis Macdonald: Do you have concurrent cycles whereby 100 organisations are going into year 3 but some are in year 2 or year 1, or do you simply have one cohort that you are managing on a three-year by three-year process?

Janet Archer: We have one cohort just now. We have just opened up for applications for the next round, which would be from 2018 to 2021. The deadline for those applications is at the end of March. Many people are now planning their applications and business cases; those will come in to us and we will review them and make decisions at the end of next year.

Lewis Macdonald: I have a question for VisitScotland that is very similar to the convener's opening question. Does a real-terms reduction in funding mean that, in the year ahead, there are things that you are not able to do that you might have done had funding remained steady?

Malcolm Roughead: I will let Ken Neilson come in on that.

Ken Neilson (VisitScotland): We maybe need to look at the history in order to answer on matters going forward. We have operated an efficiency programme for many years. Last year, we achieved savings of £1.8 million, against a target of £1.2 million. Those savings were largely in procurement and organisational change in asset utilisation. Over the period from 2008, we have saved £17 million, against a target of about £8 million to £9 million. Therefore we have a history of being able to make savings.

We will look to continue that as we go forward into this year. Currently, we are finalising some property deals in Inverness, working with the Scottish Ambulance Service and Highlands and Islands Enterprise. That will save our organisation in excess of £250,000 a year. We are also undertaking some property deals with Highland Council, and those will save us another £40,000-odd a year. We have an on-going programme of operational savings that will run through into next year, and that will help to compensate for any real-terms reduction.

Lewis Macdonald: That is close to a 20 per cent reduction over eight years. There comes a point when efficiencies become cuts to things that you want to do. How close are you to that point at this stage?

Malcolm Roughead: First, allow me to say that we, too, are delighted with the outcome in terms of flat cash, which is what we received. We have put a lot of effort, over a number of years, into looking forward and considering how we can maximise the

efficiency of the organisation, as Ken Neilson said. That has not been an overnight project.

In many ways, it is about how we spend money. We have become much more proficient and exact in our media buying, by looking at what works and what does not work. I hope that you will see the effect of that in our submission, where we talk about the returns on our investments. As channels change, we are able, through procurement, to negotiate better rates and better deals.

To be frank, it is about managing the business properly. That is what we do. To date, we have not cut back on anything, and as we look forward to next year we do not see a need to do so.

Tavish Scott (Shetland Islands) (LD): I love that phrase “asset utilisation”, which usually means closing something. The tourist information centre at the north end of the Kessock bridge is a good example—it was all over *The Press and Journal* a few weeks ago. I quite understand the decision, but the reality is that you have made such decisions to save some money. Is that not the truth of it?

Malcolm Roughead: I take you back to the information provision strategy, which is where the decision emanates from. We considered where best use could be made of the investment that we make, working with the industry. We have a good relationship with, for example, the National Trust for Scotland and Historic Scotland, which have bought into the whole programme, and we are helping them to train up their staff to deliver information.

It does not make sense to have properties that are not fully utilised, particularly when we can extend information provision through other means. The approach enables us to reinvest the savings in, for example, digital and mobile provision. It is about having a mix of channels. Bricks and mortar are certainly part of it, but by and large the world is moving towards mobile technology and we have to move with it if we are to be relevant and salient.

Tavish Scott: I understand that, but Fort George is a big brick and a lot of mortar. Do you have a long-term view on what will happen there over the next 20 years, given how important it is as a tourism facility?

Malcolm Roughead: A lot of people are involved in Fort George and conversations are still going on about its sustainability. Our view is very much that if a facility is attractive to people we want to use it to maximum effect.

Tavish Scott: I take from the panel's answers to an earlier question that both organisations would rather have three-year settlements.

Malcolm Roughead: It just makes life a lot easier and enables us to look forward and plan.

However, we are where we are, and we deal with that as we do.

Tavish Scott: You have been a long time at this game, and you know that we used to do three-year settlements, but we are not doing them now—

Malcolm Roughead: Certainly not this year.

Tavish Scott: Exactly. Did the timing of the budget, which is incredibly late this year, create internal challenges for audit or accounting in either organisation?

Malcolm Roughead: Not for us, no.

Janet Archer: No. I suppose that in other bits of my working life I have been used to an environment in which longer settlements were in place, but even with longer settlements, changes can be made in-year or year on year, if there are pressures. It is incumbent on us all to be adaptable and to be able to work in that kind of environment.

Tavish Scott: I understand that, although Audit Scotland always makes observations about in-year transfers and changes, which are an issue from an auditing point of view, never mind a parliamentary scrutiny point of view. However, I take your point.

I have one final question. The submission from National Museums of Scotland makes a point about the impact of Scottish Government pay policy on its organisation. It observes, as a matter of fact, that

“Scottish Government pay policy continues to apply. This generates additional pay costs with no additional funding to support it”.

Do you concur with that view, which National Museums of Scotland forwarded to the committee this morning?

09:45

Malcolm Roughead: From our perspective, it is a matter of how we manage our business. We are aware of the pay policy, so we obviously build that into our planning.

Janet Archer: It can, at times, be challenging for us, particularly when we have taken on what we might call a project through additional funding. We will have built staff costs into that project, but there comes a point at which one has to choose either to extend a contract and make those staff permanent or, sadly, lose them, which is not what we want to do when we have built up expertise within the organisation. It generates some complexity, but we manage it.

Rachael Hamilton (South Scotland) (Con): My question is for Malcolm Roughead. In the draft budget, the Government has stated that it will

“work with our enterprise agencies and other key tourism stakeholders to promote the South of Scotland as a tourism destination”.

It also says that it recognises

“the particular challenges faced by the region, its communities and its businesses”.

Would you like to expand on how you are going to allocate that funding? What challenges do communities and businesses in the south of Scotland face?

Malcolm Roughead: We do not break up the VisitScotland budget by region; if we did, you would not get the maximum benefit from the money that we invest. We work incredibly closely with Scottish Borders Council and with Dumfries and Galloway Council, and we work with the industry there. We also recently had the Borders tourism conference.

I would like to see a clear strategy across the region that details what we are trying to achieve collectively, because it is important that people work together, not as individuals and individual organisations. We must have common goals and objectives, and we can then see how we can deliver those. A great example of that was the Borders railway. A group came together and, whichever organisation they belonged to, they had common goals and objectives as well as clear accountability and responsibility. I would like to think that that project was a great success.

It is not that we do not already engage with the local authorities and the industries in the area, but we can be a little bit clearer about what we want to achieve collectively.

Rachael Hamilton: I welcome the fact that you are going to set out a strategy. What challenges does the south of Scotland face for it to be singled out in the draft budget?

Malcolm Roughead: The challenges exist across the whole country—I do not think that they are different from those in the Highlands or the islands. A lot of the challenge is in getting people to work together, creating critical mass and looking at how we can utilise the attractions to maximum effect. It is about access into and around the area, and it is about ensuring that people’s voices are heard using the platforms that are there. Some of that will be delivered by VisitScotland on their behalf, although others may be involved. We need a cohesive plan that pulls that all together. There are lots of assets around the place, but I get the feeling that they are not working together, so we are not getting the maximum benefit from them.

Rachael Hamilton: Okay. When is the strategy likely to be set out? Do you have a timeline for that?

Malcolm Roughead: We are only just beginning to talk to both local authorities about that. We are already working with the local authorities, so it is much more about pulling the various players together, which we will start to do next year.

The Convener: I understand that Dumfries and Galloway Council gives you funding but that Scottish Borders Council, like the other local authorities, does not give you funding—is that correct?

Malcolm Roughead: No. I think that we received £47,000 from Scottish Borders Council.

The Convener: That is not on the same scale as the funding from Dumfries and Galloway Council.

Malcolm Roughead: It is not on the same scale, and the level of activity is commensurate with that scale. In effect, we are acting as an agency on the local authorities’ behalf.

Dumfries and Galloway Council put about £130,000 into marketing activity and was able to benefit from the efficiencies that we are able to negotiate on its behalf because of the expenditure that we have. The returns on that are in the written submission.

Some of it is about the softer side, not necessarily the money. It is about how we work together and about supporting the industry to come to the fore and work closely together. This year, I was down in the Scottish Borders, where there were two different tourism groups. Would it not be better if there were one so that, instead of the effort being divided, it coalesced?

The Convener: To put it in context, there was a manifesto commitment on the matter. I am very much aware of that as a South Scotland MSP. I have said to you privately and say to you publicly that there is a feeling that, since the formation of VisitScotland, Dumfries and Galloway has not received the attention that it did in the past. That is certainly the local perception.

Ross Greer (West Scotland) (Green): I have a brief and, perhaps, slightly silly question. What area does VisitScotland define as the south of Scotland? Is it the two local authority areas—Dumfries and Galloway and the Borders—or does it expand beyond that?

Malcolm Roughead: Part of the reason why we have not started on the strategy is because the final area has not been defined.

Emma Harper (South Scotland) (SNP): I will make a comment. I have done some work with

Doug Wilson for South Scotland—like Rachael Hamilton and Joan McAlpine, I am from that region. People keep telling me that the Borders is different from Dumfries and Galloway. We need to highlight the fact that people from Dumfries and Galloway do not see themselves as borderers and vice versa. That needs to be clear in the way that the areas are marketed.

Malcolm Roughead: People from Kelso do not see themselves as being the same as people from Hawick.

The Convener: With the tourism stream moving into Ms Hyslop's portfolio—previously, it was in the economy portfolio—how do your plans match with those to create a south of Scotland enterprise network? Will you work with that network at all or will you be completely separate from it?

Malcolm Roughead: No, we will be part of it. We always have been wherever we have sat. That comes back to what I said in my preamble about tourism being everybody's business. In whichever portfolio we have been, we have always worked with the cultural organisations, the heritage organisations and the enterprise agencies. From our perspective, being in Ms Hyslop's portfolio is no different because we will continue to work with everybody.

Stuart McMillan (Greenock and Inverclyde) (SNP): I have a few questions, which are predominantly on tourism, although the first one is probably for both organisations.

There is an additional £17.7 million for major events. How will both organisations play a part in helping to spend that money and to promote the tourism and cultural elements?

Janet Archer: The focus for us is the Glasgow 2018 European championships. We are in discussion with Glasgow Life and sit on the board. We are looking at how we can build on the fantastic work that happened in 2014 with the Commonwealth games and in 2012 with the Olympics. There are long-standing relationships to grow.

2018 is also the year of young people, so we are considering how that theme can weave through everything and how we might lift Scotland into celebrating the international context in which the championships are taking place and connect young people from Scotland with young people from other parts of the world through that process.

Those are some of the things that we are doing in that space.

Malcolm Roughead: I endorse that. It is the same for us. The model that we have taken is that of the Commonwealth games and the Ryder cup. It is about considering how we work with partners to maximise the benefits of those major events.

We have a pretty long track record of doing so and I do not think that it will be any different with the European championships.

Stuart McMillan: That takes us on to my next area. The VisitScotland submission touches on the

“Countries ... increasingly looking to Scotland as a model of success.”

How much cost impact does that have on VisitScotland and will there be any effect on what you do in that area as a result of the budget that you will have next year?

Malcolm Roughead: Is that in relation to the international partnerships that we have?

Stuart McMillan: Yes.

Malcolm Roughead: Over the last decade or so we have been building up our strategic relationships. A lot of it is about knowledge exchange, so it is pretty low cost. In other areas, we have been actively involved in giving advice and support, so we have strategic relationships with some of the Canadian provinces, across Europe, and with Norway, Sweden, Iceland and Malta.

We have put in place quality assurance schemes on behalf of Northern Ireland and Namibia and, on the marketing front, we have been helping some of the European destinations to look at how they measure impact—how to do an evaluation. As I think I mentioned earlier, accessible tourism is a particular area in which we are seen as a leader.

It is not all one-way traffic, however; we partner up with a number of countries so that we can learn from them as well. The social tourism initiative was based on work that VisitFlanders has been doing since the first world war, as a kind of necessity post that event. We also work with some of the Australian states, and just recently we seconded someone to New Zealand Events to help them to develop their event strategy. That activity is relatively low cost, but the return in terms of reputation and the knowledge that we gain is pretty high.

Stuart McMillan: You mentioned accessible tourism. I know that VisitScotland had an accessible tourism conference only a couple of years ago and that it is estimated to be worth £1.3 billion to the Scottish economy—that is a 20 per cent increase. In the cross-party group on visual impairment, which I convene, I raised one, quite simple element of accessibility: Braille menus. I know that there are two organisations that produce Braille menus: Morrisons, in their cafes, and McDonald's. In relation to VisitScotland's approach, and with the budget in mind, is there anything else that VisitScotland could do to

highlight the opportunities of accessible tourism and what it offers to the wider community?

Malcolm Roughead: Yes; we are nowhere near the end of that particular journey. First, the approach that we took was very much looking at it as a business opportunity. At the start, when we did the research we found that somewhere in the region of £9 billion went unspent in the United Kingdom, because people were not aware, or did not know, that their particular disability would be catered for.

To get industry buy-in, because it is about perception and people think that it is going to cost a lot of money, we have to get across the fact that it can actually just be very simple things that make a huge difference, as you have outlined. We built a number of case studies of people who have been very successful in that particular area; it is far better that that is peer-to-peer, rather than us telling people what to do.

Over the last few years that figure has grown; I think that there was a 20 per cent increase to £1.3 billion. We are not finished yet; there is a lot more that we can do. We work very closely with an organisation called Euan's Guide, which has been particularly helpful, but there are others that we work with, such as Hearing Dogs for Deaf People, and we will carry on pushing that particular message. We have accessibility toolkits online on visitscotland.org, but, as I say, there is much more that can be done.

Stuart McMillan: My final question is on marine tourism. I am sure that you will not be surprised to hear that. In 2016 we have had the year of innovation, architecture and design; 2017 is to be the year of history, heritage and archaeology; while 2018 is to be the year of young people. For 2019 or 2020, would it be worth considering a year of marine tourism, or marine and wildlife tourism?

Malcolm Roughead: I would like to see something like that. We have been out consulting with the industry on themed years and have pulled together a summary of the industry's feelings on that and the types of themes that it would like to see taken forward—obviously the industry has to buy into it. There is definitely support for such a theme.

10:00

Stuart McMillan: It is clear that the huge increase in cruise liner traffic in Scotland, on the west coast and in the northern isles, and the increase in recreational boating, with folk coming from Scandinavian countries, is a huge opportunity. As you know, I have been knocking on that door for some time.

Malcolm Roughead: Thanks to you, Mr McMillan, and the cross-party group, a lot of good work has gone into the marine strategy. That strategy is now in place and Sail Scotland is in far better shape. It is not just about the coastal waters, we also have inland waters and it would be good to build those into such a theme, if it were to emerge.

Richard Lochhead (Moray) (SNP): Just as it was predictable that Stuart McMillan would raise marine tourism, I will, predictably, raise whisky tourism. First, let me thank VisitScotland and Creative Scotland for their contributions in 2016 to what is a very vibrant arts and culture scene in the country. Tourism has a huge buzz that is phenomenal to witness—as I did in Skye during the summer. A lot of good things are happening and I hope that that buzz will continue in the future.

The budget pressures will continue, given the pressure on public finances, so what is the private sector doing to help boost tourism in Scotland and the creative sector? I look at the Scotch whisky sector, for example, which exports 34 bottles of whisky around the world every second, and I wonder what the sector and the multinational companies behind much of it are doing to promote Scotland overseas.

Creative Scotland has hopefully found a role for the private sector to contribute to our arts and culture, too. I would like to get a feel for that. There is also a debate over tourism levies in Scotland. What is the private sector doing to help?

Janet Archer: We fund Arts & Business Scotland, which is set up to encourage private sector investment and to help organisations to diversify their income streams. It does some very proactive work in that space. There is more that we can do. We could better understand the way in which the organisations that we fund have connections with the private sector. Some of our large cultural organisations have fantastic relationships with the private sector and we see sponsorship coming to festivals and programmes of work.

We can do more to build on that. We want to convene a conversation with a representative group of individuals from across the private sector who have indicated interest in building a platform from which we can move on. There are lots of different things that can be done; it is about not just cash, but expertise, space, networks and brokering opportunities for conversations that can benefit the different ways that Scotland's creative businesses work.

We are pointing towards that goal. At our last board meeting we discussed the need to develop a strong sense of what our development strategy

in Creative Scotland needs to be. We are working on that at the moment.

Malcolm Roughead: We have seen a growth in whisky tourism in terms of numbers of visitors to distilleries across the country. It is encouraging that there is a growing realisation that tourism is good for the industry, too.

Having said that, we work very closely with a number of the distilleries. With malt whiskies in particular, there is always a back story to the brand itself, which is very helpful in that it feeds into the narrative that we use for positioning Scotland. If you think of the Corryvreckan and those kinds of things, there is a very rich history that goes with them.

At a corporate level, we tend to work with distilleries, particularly overseas. When we have events or bring people in, that is all part of the food and drink proposition that often is at the centre of what we do. On another level, I would not forget that those organisations bring in many distributors, sales agents and their own staff on incentive trips, who then go away as ambassadors for Scotland.

We should look at it in the round and from a slightly different angle, rather than just looking at whether they bring in visitors. They do, but in a slightly different way.

Richard Lochhead: I think that the Scottish whisky sector is doing a fine job in Scotland. The most popular visitor attraction in my constituency is a whisky distillery. However, I want to know what the chief executives of Pernod Ricard and Diageo are doing to work with VisitScotland to promote Scotland overseas.

Malcolm Roughead: I have not had that conversation with either chief executive, but I can tell you that we work with their subsidiaries overseas. I have not been an employee of Diageo, although I can tell you how difficult it is to get through their various corridors. However, we work very closely with brands. A good example is The Macallan, made by Edrington; we do a lot of work with it in North America. We work with some of the other brands in Asia, in a slightly different way. It all depends on what their relative strengths are. We are there to work with as many as possible, rather than just a few. We tend to find that the smaller distillers are much more proactive, because they are trying to break into markets, rather than defend a market share. In many cases, it is horses for courses.

There is also the Scotch Whisky Association, which is pretty active and tends to represent all whiskies rather than individual brands. It tends to be the malts that have the attraction rather than the blends.

Richard Lochhead: I will leave you with the message that there might be potential to engage at the highest level with some of the multinationals to promote Scotland overseas.

I have one more question. From previous conversations we have ascertained that a large part of the grants in Creative Scotland's budget goes to Edinburgh. I would be grateful if you could clarify that and address how we support the rest of Scotland and cultural and artistic events there.

Janet Archer: We now have more organisations in our regularly funded portfolio in Glasgow than in Edinburgh, so there is balance across those two cities. However, an increased amount of work is supported across the rest of Scotland. We have seen quite significant shifts, both through the regularly funded portfolio—we are reaching out into more local authority areas than we had reached out to previously, through both Creative Scotland and the Scottish Arts Council—and through our open project funding. We have just announced open project funding awards in the past few days. If you look at that release of funding, you will see that our work is reaching out into a very broad range of different kinds of places. We have committed to doing that as part of our investment strategy, and we will continue to mobilise funds to as many places as we can.

If you want to rebalance and even out how you invest funds, the challenge is always what not to do. That is a big challenge for any public funder.

Clearly we want to build on our strengths. That is vital if we are going to amplify and maximise the investment that we have. Iain Munro might want to add to that with data.

Iain Munro (Creative Scotland): We take the responsibility to work across the country very seriously. Figure 18 in our annual review for 2015-16, which we are just publishing, contains the local authority breakdown. We will track that year on year so that we understand where there is movement.

One of the underlying issues is the capacity of people in different geographical areas of Scotland to make applications that end up being successful. When we look at the volumes, we find that although the application numbers are sometimes quite low, the success rates are quite high relative to that. Part of our job is working across the country to connect with people and to make sure that they have a good understanding of what the opportunities are and of how we can help them to get into a better position to make those applications.

That is on the open application side of things. We also have a strategic programme of place-based working, whereby we have time-limited

strategic partnerships with different parts of the country to work with their local communities—the local arts and creative community as well as the wider public and the organisations in those areas—to establish how we can help to bring about a step change in the offer in those areas, to build that capacity and to give rise to a ripple effect that flows into the open applications.

Janet Archer: You will see that, as part of our project funding, we funded the Shetland folk festival, the East Neuk festival and the screen machine, which is a touring cinema. We are very focused on reaching out to everyone in Scotland; we are not focused only on Edinburgh and Glasgow.

Richard Lochhead: Do you think that a tourism levy in Edinburgh or Glasgow would help to address some of the budget issues?

Malcolm Roughead: From my perspective, the industry view is that it would not like a levy to be introduced. The industry looks at the issue from a competitiveness perspective. We would have to look at the business case, how money from the levy would be distributed and where it would go. There would have to be transparency around all that before the industry could give serious consideration to the idea.

Janet Archer: From a cultural perspective, it is important that we get to a point at which there is a recognition of the inherent value that culture offers in respect of tourism and an understanding of the interdependencies that allows people to make sense of that. As we move forward—in not just the next three but the next 10 or 20 years—it will be vital for us to find solutions, and a levy could play into that, but we all understand the sensitivities. There might be a way in which we can work together to open up that conversation in a constructive way.

The Convener: I was struck by the submission from Festivals Edinburgh, in which it broke down the income from ticket sales and the VAT on the income from ticket sales. Given that, in future, Scotland will get an allocation of VAT, will that change the context of the budget debate, particularly for the arts, in light of the amount of tax revenue that the arts raise?

Janet Archer: I think that that should be explored. It is critical that we do some remodelling and look at how Scotland can maximise the new powers that it holds. That applies not just in the context of taxation, but across the piece. Consideration must be given to what can be done in relation to the contribution that artists make to social welfare, health and education. Are there ways in which one can incentivise a greater contribution from artists?

For me, in the cultural space, it is a question of not just seeing the arts and culture and tourism as a drain on resources, but looking at what those industries contribute back on a societal and economic level, as well as a cultural level. We need to change the way in which we look at things so that we can make proper sense of that.

The Convener: That brings me to another question, which I was going to ask later but will ask now. We received a very interesting submission from Sistema Scotland, in which it talked about exactly what you are talking about: the social value of cultural activities. One of the Scottish Government's priorities across its budget is tackling inequalities to make Scotland fairer.

Sistema Scotland's submission mentioned a piece of work that it commissioned Glasgow Caledonian University to do on part of its project, which showed that there was a negative cost over time. The money that was saved by investing in those young people in terms of education and perhaps even in terms of criminal justice in the future meant that there was no cost. It seemed a very interesting piece of work. Have you done similar pieces of work in your projects?

10:15

Janet Archer: We have not done a similar piece of work as such. Sistema Scotland is one organisation and we fund many organisations and individuals. From my perspective, we have been sorting out the resetting of Creative Scotland, which I think we have done successfully.

We are now in a position where we have to really understand how culture and creativity can play into prevention and look at what culture and creativity can contribute to society, and disaggregate the value of what that offers. We are most definitely thinking about doing that.

It is complex when we are looking at the overall ecosystem of not only publicly subsidised organisations but organisations that sit within the creative industries that do not receive regular public funding—and, of course, there are many more of those. Some 14,000 businesses operate in the creative industries. They all contribute back on a societal and an economic level and it is absolutely vital that, as the national funder and development agency, we have a proper understanding of that, so the short answer is, "Yes, it is something that we are interested in."

Malcolm Roughead: We have been looking at the social, economic and reputational impacts of events. Again, the catalyst for that was 2014. I mentioned earlier the social tourism project that we have been running throughout the year. We are looking at the health impact in relation to

attributing a cost to that, because clearly it is about wellbeing.

It is quite interesting that tourism is no longer being seen in a one-dimensional way. People are seeing how it can deliver social good, if you like, which has perhaps not been people's perception of the industry in the past.

Janet Archer: We need to properly understand the interdependency of everything that sits within the arts space, which will always require public funding, and everything else.

We also need to tell stories of value in a way that has resonance. One point that struck home for me was when I went to the Glasgow Women's Library to meet a group of young women who were volunteering at the library. One of the young women was reflecting on why she was interested in pursuing culture as a career. Her father was in the medical profession—he was a consultant in a large hospital. She had studied science all her life but was passionate about the arts. She had a chat with him and they talked long into the night and resolved that she would come to the Royal Conservatoire of Scotland in Glasgow, because that was where her heart lay. The rationale behind that was her dad saying, "When it comes to the end of life, which is what I deal with, and I ask people what they really want to get out of their existence, the things they want to do are to go and see a show, read a book, watch a film, and commune together with other people and celebrate human existence."

That is what adds value and that is what helps people; not just the people who are about to die but the people who are close to them—their families and friends. That is what makes sense of them as human beings. That is why the young woman decided to go into a cultural life, which she and her father saw as being absolutely pivotal to all of us.

Being able to tell those stories, as well as the hard data and numbers, in a way that has coherence and connection is really important.

Emma Harper: I have a quick supplementary. Richard Lochhead has described the whisky industry's success in his area. Gin has also been a great success recently. Is there a way to promote that—or have you planned to promote that—in lowland Scotland as well? We have a great whisky history, and we now have two whisky distilleries—Annandale and Bladnoch—and the Crafty gin distillery at Newton Stewart. Is part of the promotion plan to support south-west Scotland?

Malcolm Roughead: You also have some fantastic craft beers. You can tell that I am not a gin drinker.

Emma Harper: Yes, we have some great craft beers.

Malcolm Roughead: They are all part of the asset base. We need to look at what is unique to an area and promote it. The rise in gin production across the country has been phenomenal, and Scotland is now the gin production capital of the United Kingdom. When all the elements are added together, the sum of the parts is a much more attractive proposition. We will build all that into what we do.

Lewis Macdonald: I have a question on the level 4 figures for VisitScotland. The capital budget for the coming year has been reduced. The Scottish Government's note says that the capital budget is

"For refurbishments to VisitScotland's estate and investment in VisitScotland's digital strategy and ICT resources."

Where is that reduction coming? Does it reflect a planned reduction in spend or does it simply involve investing less in the future strategy?

Ken Neilson: We are yet to commence allocation of that resource to next year's budgeting programme. We have a budget set aside for a refurbishment programme that will not run through capital, so the money that you mention is secure for on-going preventative maintenance. We are currently seeking to use the money for two potential projects. One is in Edinburgh, where we are looking to work on Princes Street visitor information centre, which gets the most use by far of all the VICs across the country. The other project involves our digital infrastructure, including the content management system and the destination management system, and some of the elements that underpin the website.

Lewis Macdonald: My point is that you have had flat cash for the last couple of years, which you will not enjoy this year. Which of those projects is likely to take the hit?

Ken Neilson: We will probably seek to do both projects. We will just need to plan very well and make sure we can run them through.

Lewis Macdonald: I have a more general question about the impact on the agencies—it will certainly have an impact on your sectors—of the low-value pound over the past few months. There is not much that is predictable about the wider economy in the next few months, but it is a fair guess that the pound will continue to struggle. What has been the impact on your sector thus far, and is there an impact on your agency?

Malcolm Roughead: The impact on our ability to operate overseas is relatively limited—at this stage, anyway—because the bulk of our expenditure is in the UK. A lot of our contracts

have been signed in advance, so we have not immediately been impacted by the variances.

For the industry, the weakness of the pound works both ways. It means that it is a bit more expensive for people to leave these shores—you will not hear me complaining about that—and it is therefore attractive for them to stay in and around Scotland. It is also attractive for people coming to Scotland.

However, we must remember that short-term currency fluctuations are no answer for long-term strategic and sustainable practices. Although we are taking advantage of the situation tactically, we need to look beyond that and consider our competitiveness overall, which is not just about price.

Janet Archer: From an arts perspective, 80 per cent of our organisations work internationally, and it is clear that there are barriers to some of the work that takes place in other countries. Touring internationally is becoming harder. We have commissioned and published some work on the impact of Brexit, which is available on our website if members want to reference it.

From a screen perspective, we are seeing enhanced numbers of productions wanting to come to Scotland and the UK, because they are taking advantage of the tax credit. That is great, and it is fuelling more employment opportunities in Scotland because productions need crews and so on. That is a positive side.

The Convener: Finally, the Government has announced plans to reduce air passenger duty. What budgetary impact is that likely to have on your sectors?

Malcolm Roughead: We have had a look at some average prices. It is always difficult, because airline pricing fluctuates according to demand, but we had a look at new markets including India, and we found that if we took the average current price of a flight into London from Delhi and transferred that to Scotland, the APD reduction could take about 7.5 per cent off the price that a visitor would have to pay. The biggest part of our market is still Europe. Sixty per cent of international visitors come from Europe, so the impact of reduced APD would perhaps be slightly lessened because the duty on the ticket price is not so great, but it would certainly have a positive impact.

Janet Archer: Creative Scotland also welcomes the reduction. As I have said, cultural organisations trade internationally quite prolifically. We have not done the numbers, but we do a certain amount of direct international travel ourselves for staff who are brokering opportunities for the cultural sector, so one could look at how that saving would contribute to accommodating the £100,000 that we have lost from our grant in

aid. I am not sure that it would offset it completely, but it would certainly contribute to it.

The Convener: I know that some members still have supplementary questions, but the cabinet secretary has arrived, so I will have to suspend the meeting now. I thank our witnesses for their evidence.

10:31

Meeting suspended.

10:31

On resuming—

The Convener: Our final item of business is an evidence session with the Cabinet Secretary for Culture, Tourism and External Affairs on the Scottish Government's draft budget for 2017-18. I welcome the cabinet secretary, Fiona Hyslop; Bettina Sizeland, the deputy director for tourism and major events; and David Seers, the head of sponsorship and funding at the Scottish Government. Thank you all for coming to speak to us today.

I understand that the 2017-18 draft budget shows a cash increase of £2.4 million in the total external affairs budget, which, in real terms, equates to an increase of 16.2 per cent. However, I also understand that the European line of the budget has been reduced. In the context of Brexit, many people who look at that on the surface will find it rather surprising so perhaps you would like to comment on that.

The Cabinet Secretary for Culture, Tourism and External Affairs (Fiona Hyslop): The external affairs budget includes manifesto commitments that are being realised, particularly in areas of international development and humanitarian aid. The strategy on international development that was published yesterday by Alasdair Allan is supported by an increase of £1 million to £10 million as part of the external affairs budget. We also have a manifesto commitment on humanitarian aid that is covered in the budget with a new funding line of £1 million. That covers quite a lot of the increase in the budget.

Regarding the changes, if you look at the level 4 spending plans that were produced for you, you will notice that there is a new budget line that was not previously there, which is for the Brussels office. If you look at the European strategy line and the Brussels office line, you will identify that there is a net increase in activity. We have had to readjust for not just next year, but within the year, because we have had to deal with changes and to ensure that we are geared up to deal with the consequences of the European referendum in our engagement in Brussels. That explains the new

line for the Brussels office, which is where a great deal of the European strategy funding is now located.

Prior to May, the culture, European and external affairs strategic function sat as one unit. Since the election, culture now lies in a different part of the Government—in enterprise—and the external affairs budget line and organisation is separate. We used to have one directorate and we now have two, so some of the funding that would previously have been in that budget line is now between two areas. The important thing is that there is a net increase in the resources that are available to support European activities post-Brexit. It is organised in different budget lines and the Brussels office budget line—more than £1 million—is new.

The Convener: I am sure that that is very welcome. In the previous culture committee's scrutiny of the budget, concerns were raised about underspend and about miscellaneous allocations of the budget to other departments. Given the Brexit situation, will that be eliminated in the future?

Fiona Hyslop: If we were to specify absolutely everything, particularly for this portfolio, which is relatively small in terms of budget expenditure compared with other areas, we would not have the flexibility to deal with a European referendum result that we did not want, for example. We have to have flexibility to deal with such things in year.

The evidence that I gave to the previous committee emphasised the fact that we can mobilise more resources across Government by being flexible across Government. For some areas, such as climate change, climate justice and working with other departments on certain aspects of enterprise, some of the in-year changes last year—I know that you are discussing next year's budget, not last year's budget—relating to issues such as advice on immigration and identifying the best places to provide that related to business. Some of last year's changes therefore involved working with some of the enterprise lines to transfer some of the business advice for immigration in relation to talent and skills over to enterprise.

Similarly, in relation to local government, support for refugees and some of the issues around the migration budget line, those things have moved. They are moving for good reasons and for flexibility. Such movement is not always one way: we can sometimes get flexibility back. That is the point of it.

I know that I must be accountable to the Parliament on where the spend is but, in a budget such as ours, there are not large amounts of underspend, although some flexibility for

movement is allowed. When there is change and movement in year, I am more than happy to ensure that you are aware of when the movements are happening so that the committee can track them.

The Convener: You have answered my next question, which was going to be about the migration budget line, which has reduced slightly. The committee has taken a lot of evidence about the importance of migrants. You are saying that that budget line has moved to different departments.

Fiona Hyslop: Yes.

The Convener: I will move on and invite colleagues to contribute soon.

You will be aware of the leaked Deloitte paper advising the UK Government about the implications of Brexit. It warned that another 30,000 civil servants would be needed, which is quite eye watering. Given what Deloitte outlined to the UK Government regarding the impact on bureaucracy and the budgetary impact, are you concerned about that? Presumably that will have a knock-on effect here. If the UK needs 30,000 additional civil servants, there is presumably a resource implication for us, too.

Also, if the UK Government has to hire all those additional civil servants, will there be Barnett consequential for Scotland?

Fiona Hyslop: As you are aware, the Scottish Government does not have powers over the civil service, which is still a reserved and retained responsibility for the Westminster Government. If additional resource is required as a direct consequence of a UK Government decision, such as the EU referendum and the result, there are impacts in many areas, particularly around the devolved competencies of agriculture, justice, fishing, health and education—all the different areas in which there is some European competence. We would need to identify what we need to do as a consequence.

The gearing up of UK civil service numbers would have a direct consequence for us. Therefore, given the responsibility as a direct result of the actions of the UK Government in causing the consequence of the activity that Deloitte has identified—the UK Government has subsequently denied that, although everyone recognises the amount of resource that will be required—I expect that there should be a consequential in how the civil service resourcing could have an impact for Scotland.

As for how we have organised ourselves, we have worked very hard across Government, where every department will clearly be impacted by the decision. The activity to date has involved every

part of Government—even those who work on the culture side of my portfolio have been and will be involved in identifying the issues of concern. That includes tourism, too.

On the strategic work and thinking and the publication of the document this week, that activity has primarily been led by civil servants in my department. Mike Russell is the Minister for UK Negotiations on Scotland's Place in Europe, and he has very much been part of that at a ministerial level.

We have good and talented people, and we have had a European focus for some time. As I have said to committees in previous sessions of the Parliament, I have tried hard to ensure that across Government there has always been awareness of the European dimension, so I expect every part of Government to be involved. However, if this committee wants to make the case to the UK Government for resources for staffing and civil servants, such help would be welcome.

The Convener: The question of what happens to Scotland's interests if trade deals, for example, are all negotiated at UK level has certainly been raised in this committee. Who will be in there, representing Scotland?

Lewis Macdonald: One of the front doors for European funding for communities around Scotland is the provision of structural funding. The cabinet secretary helpfully responded to the convener last week with a letter about where we are with some of the issues, and I want to pursue a couple of points in that regard.

We are halfway through the 2014 to 2020 programme for European structural and investment funds. It appears that the level of commitment is still less than 50 per cent, but I am interested to know the level of spend. I think that you said in your letter that €383 million out of €800 million or so has been committed, but I am keen to understand how much has actually been spent.

Fiona Hyslop: I provided a letter on the budget, which is the subject of this committee's meeting, but I know that the convener had asked for additional information. I am not the minister with responsibility for structural funds, so if you have questions beyond what was provided in the annex to the letter to the committee—we provided just one letter, given the timing—I will be more than happy to get the appropriate minister to reply to you.

Lewis Macdonald: That would be helpful. I understand that the day-to-day responsibility for the area lies with Keith Brown, but given the Government's accountability to this committee, and as a member of the Cabinet, you will be aware of some of the issues that have arisen

around European programme funding, and I am sure that you are aware of some of the anxieties about where we stand with the current programme.

Fiona Hyslop: On the Government's general approach, we are conscious of the importance of ensuring commitment on spend and particularly the allocation that is the responsibility of the UK Government for the period 2014 to 2020, and we recognise that because of the potential difficulties that we anticipate as a result of the Brexit vote we must ensure that there is an early stimulus to economic activity, just as there was during the 2009 recession—you will remember that we brought forward and front-loaded some European funding, to help to counter some of the issues in 2009-10.

That is our general approach, but I do not want to talk about spend levels, because I do not have direct responsibility for the area and I would not want to mislead you.

Lewis Macdonald: Fair enough. That is completely understood.

We have had the UK Government's assurances, which have been reiterated by the Scottish Government, but when will the gate close for EU-funded projects? Will it be in 2020, or will it be in 2019? Are you able to give an answer to that question?

Fiona Hyslop: I think that it depends—and not on us, unfortunately; the ball is most definitely in the UK Government's court as to when it seeks exit, what type of exit it wants and, whatever solution it comes up with, whether there will be a continued commitment to funding arrangements in any shape or form, in which case we might expect something further.

The real problem that we have as of now—this is an area on which I probably have more direct responsibility and more understanding—is that if there is an exit before 2020 that is a clean break, a hard Brexit and the end of everything, no one will anticipate any funding streams continuing, unless arrangements are made for things like horizon 2020, which is very important to us, or some of the other good programmes and relationships that we might want to continue, such as Erasmus and Interreg.

That will very much depend on the type of exit that is negotiated and whether there is a transition programme or any phasing. The problem that we have is that if there is anything further—it is in Scotland's interests that we can be involved in as many of the useful programmes as possible, such as structural funds and horizon 2020—the negotiation periods for that will start much sooner, in 2018 and so on.

As of now, whether in relation to the digital single market—I know that the committee has also been interested in that—or other areas, we want to ensure that we maximise our position come what may, but the negotiating clout, influence or impact that the UK Government can have is already rapidly slipping away, and that will be to the detriment of Scotland.

10:45

Lewis Macdonald: I am not asking you to look beyond what we can see at present, but is it your understanding that the commitments that have been given around structural funding for the 2014 to 2020 programme are for the duration of that programme, regardless of the precise date of Brexit?

Fiona Hyslop: Yes. That is my understanding, but the information on the actual financial commitment still leaves a lot to be desired. The UK Government has not given us as firm a commitment as we need in a lot of these areas. However, as I said, I will get Keith Brown to give the committee more information. Perhaps your clerk could compile the areas of interest and we can follow that up in the new year.

Lewis Macdonald: Thank you. That is appreciated.

The Convener: Tavish, is your question a supplementary?

Tavish Scott: I have a supplementary on that and a couple of other questions.

The Convener: Okay.

Tavish Scott: Further to Lewis Macdonald's question, can you confirm that the issue of structural funds has been discussed regularly at the intergovernmental meetings that have been taking place, which Mr Russell has been informing this committee of?

Fiona Hyslop: Mike Russell's involvement with the UK Government is about negotiation on Brexit. Alasdair Allan has been attending the joint ministerial committee on Europe, which is related to on-going issues. It is really important that we do not just think that everything is about the Brexit situation. It is also about how we ensure that we do not lose ground between now and the UK leaving. Unfortunately, the time and attention that the UK Government is giving to the regular, continuing work until 2020 or otherwise have not been at the levels that they should have been at. We are impressing that on the UK Government and we will continue to do so. Part of our responsibility is to keep it to pace on the existing items.

There have been problems with the holding of the joint ministerial committee on Europe. There has been one meeting since the EU referendum, but my concern is that the committee has not been given the attention that it needs. That is where the on-going issues around the structural funds should be addressed.

The point that you might be getting to is what the future relationship will be on structural funds. Mike Russell will be involved in that and what might come as a result of it. Again, a lot of the thinking in Scotland is ahead of some of the thinking elsewhere.

We know the importance of horizon 2020. Your committee has done a huge amount of evidence gathering on that, and it has been really useful to identify the areas where, whatever happens, we want a continuing relationship. If we drill down into some of those, Interreg is an interesting one because other EU countries have an interest in working with us in that regard, and horizon 2020 is clearly important because it is not just financial but is about the relationships that people have with the fantastic academics that we have here. We will do more work to keep pace on what the UK is doing on that, and we will provide you with our understanding of what the priorities are.

However, we need to separate and note the difference between the day-to-day operation of the existing relationship and what the future one might be.

Tavish Scott: I totally get that. The UK Government is now providing a running commentary. It is all very entertaining to watch, in the sense that it used to say that it was not going to provide a running commentary, and now it is absolutely doing that.

My other question is a supplementary to the convener's questions. When we had Creative Scotland and VisitScotland before us, they not so much argued for but said that they would welcome a return to three-year funding in order to provide continuity across Government and their work. Does the Government plan, in overall terms, to get back to something that I think we all agree with in principle—an approach to finance on the basis of three-year funding rather than yearly settlements?

Fiona Hyslop: My understanding is that we want to be able to return to that. This is a very unusual year for lots of reasons—our election, the late autumn statement and the consequences of the European referendum.

Tavish Scott: I totally understand that.

Fiona Hyslop: We are conscious of the importance of being able to plan ahead. A lot of organisations, particularly cultural organisations, arrange what they do years in advance. As the

culture minister, whatever the challenging circumstances, I have tried to give organisations a sense of stability, and we try to support them as well as we can. That stability has been helpful, although it is obviously easier if the funding is over a longer period. That is not a decision for me; it is for the finance secretary and the Cabinet more widely. However, from my point of view, I would argue in favour of that, particularly for our organisations.

The interesting thing about the culture brief in particular is that most of the resources go out the door immediately to the organisations and companies. They have to rely on different funding streams and not just funding from us, but having the Scottish Government underpinning that gives them the confidence to go out and seek other funding from philanthropists, private donations or whatever. We are very conscious of our role in that.

Emma Harper: Good morning, cabinet secretary. You mentioned international development and humanitarian aid. I will read from our briefing, just to make sure that I get the numbers accurate. It states:

“The International Development Fund accounts for a large proportion of the External Affairs budget”,

and it has been

“increased ... by £1 million to £10 million.”

What are the objectives of the fund and how will the increase in budget be spent? How will the new funding for humanitarian aid operate and complement the international development fund?

Fiona Hyslop: Yesterday, Alasdair Allan published the international development strategy, which has been subject to consultation through the best part of this year—the committee might want to come back to the policy side of that with him at some point. Scotland has a strong commitment internationally on charity and international development. The commitment of the Scottish Parliament and the people of Scotland to Malawi is very strong, and we value that. We need to tackle inequalities globally as well as at home—that was a commitment in our manifesto.

I can give you some shorthand on what is different. We have focused on four countries, whereas previously we were involved in other countries. A previous iteration of the committee said that we were spreading ourselves too thinly. The fund is a relatively small amount in the big scheme of things—obviously, the Department for International Development’s budget is far bigger than anything that we have. We are concentrating on Malawi, Rwanda, Zambia and Pakistan, particularly in relation to women’s education. That is our focus.

In a lot of what we are doing, we are trying to work with other areas. I referred earlier to the climate justice fund, which is funded not from my portfolio but from another part of Government. I have always been clear that that should be separate and additional. I think that we were the first country in the world to commit to allocate funding to a climate justice fund, but that is a separate part of Government and is not in the international development budget.

We are also working to deliver on the millennium goals, domestically and internationally. A lot of the focus will be on women. We are doing some work on peace and reconciliation, which has been identified as an area of work by the United Nations. We have done some training and work with Syrian women in that regard. The United Nations has been keen to work with us on that activity because the Parliament as a whole has a strong commitment to women in democracy and has three women leaders.

On humanitarian aid, you will be aware that, in the past few weeks, the Scottish Government announced funding to provide support for Yemen. That is important because we know from experience that, when there is a Disasters Emergency Committee appeal, a commitment from Government can encourage other people to give. Well over £1 million has been donated from Scotland since the DEC appeal was launched just the other week—I think that the UK-wide figure is about £11 million.

With previous humanitarian disasters in places such as the Philippines, when the Scottish people wanted the Scottish Government to step up to the mark, we sometimes had to go to other parts of Government. However, that can be difficult when budgets are tight and there might not be the underspends that there might have been in previous years, and our ability to deliver humanitarian support at a time when it would help, particularly around Disasters Emergency Committee appeals, was getting quite stretched. We work with the DEC in Scotland and to the timings for DEC appeals that come from the UK, so it was felt that it would be better to have a standalone fund. Alasdair Allan is the lead minister in that area and I am sure that the committee will want to engage with him at some point.

The Convener: Is there an understanding among the wider public that Scotland already contributes to the UK international development budget through its taxes and that what you provide is in addition to that? Do you think that is understood out there?

Fiona Hyslop: I think that it is generally understood, although I am not sure to what degree. Scotland is a humanitarian country—I am not saying that the rest of the United Kingdom is

not—that has a very strong response to international charity work. What is interesting in Scotland is the personal commitment and people-to-people activity.

I remember speaking to a former European Commission international development commissioner who found it interesting that, because we do not provide funding directly to Governments—because, as you said, international development is reserved, so we are not able to do so—a lot of our international development work is agreed with other Governments, such as Malawi, but is done project to project. Our civic reach is phenomenal: I am sure that everyone around the table will know of someone in their village, town or constituency who has a relationship with Malawi in some shape or form. Activity in Rwanda and Zambia will also be important from now on.

The Convener: There has been criticism by the more rabid tabloid press of UK Government funding of other Governments. Do you think that the fact that, as you have said, your money goes directly to projects and non-governmental organisations makes it easier in budgetary terms to track where the money goes and the outcomes that are achieved as a result? It is perhaps more difficult for the UK, given that large amounts of money go to foreign Governments.

Fiona Hyslop: It is easier. I remember speaking to a minister in the Foreign and Commonwealth Office in Whitehall when direct funding was being withdrawn from the Malawi Government. They were interested in our model and were considering doing something similar in the interim. The European commissioner was also interested in that people-to-people approach, which is more sustainable because the relationships are strong. I am not saying that direct funding can be replaced, and I would not change a model that allowed the UK to fund Governments directly, but our model is interesting, and that civic relationship is very important.

We have found additional funding to provide support for hardship in relation to the Malawi floods, but that is not the only initiative. Malawi has issues with the state, with prison standards and with mental health, which are areas where relationships between professionals have been very important. That approach mobilises different parts of civic society to think about what they can provide.

A lot of the interest in climate justice has come through relationships that universities have identified and fostered. There are lessons to be learned from projects that people are interested in.

Sustainability and sustainable, resilient communities are a main issue for international development. Some of the issues related to

tackling HIV and AIDS in Malawi are about civic society and power relationships, particularly in relation to the position of women. Empowering women has been a very important part of what we have been doing, including with people on the ground.

Our challenge is how we monitor that effectively—as any international aid provider must—with what is a relatively small budget in the big scheme of international development. We would be criticised—rightly—if we spent too much time and resource on administration. What you really want to do is ensure that your spend has a direct impact on people.

The Convener: Do you think that the UK can learn from the approach that you are taking?

11:00

Fiona Hyslop: I think that people are interested in our approach, and our job is to share best practice where we can. We have many effective professionals operating and working out of East Kilbride, where DFID is located. They are interested in what we are doing, but I am not going to preach to them. I am sure that, when we have the opportunity, we can and we will share.

Ross Greer: My question is on the international trade hubs that the Scottish Government has announced. The First Minister announced the opening of a trade hub in Berlin, and I wonder whether it will have a specific focus on trade or whether it will have a wider focus, similar to that of the North American and Brussels offices that come under your remit.

Fiona Hyslop: Part of my wider responsibility is to ensure that we promote Scotland internationally, and on my international visits I always pursue the trade agenda very strongly indeed. We have strong export opportunities for our food and drink, which have been remarkably successful, particularly in the European market, but we face some challenges post-Brexit in the sector. We have recently opened a hub in Dublin, and the aim is very much to reinforce and emphasise the activity that we have been doing around Irish relations and the opportunities for trade in food and drink as well as in other sectors such as energy. On her recent successful visit to Dublin, the First Minister made energy one of the key focuses for development.

There is clearly an economic drive behind our approach to all our innovation and investment hubs, but a lot of economic activity depends on relationships with Governments, which vary from country to country. That is less the case in the States, but it is absolutely central to activity in other countries where intergovernmental relations are really important, and having a ministerial visit

or ministerial connections can make a difference to investment. I expect the Berlin office to cover business, but culture and creativity as well—it is important to have a hub for that as part of our international relations.

To promote tourism, we also work with Scottish Development International and VisitScotland. I did not hear all the evidence that was given earlier in the meeting, but I know that VisitScotland operates internationally in terms of marketing. The innovation and investment hubs are about creating better value for everybody and providing a hub not just for Government but as a landing base for those who operate through universities. There are huge opportunities there, but that activity may be restricted by what is happening with Brexit. We want to ensure that we are open for business, and we are trying to pursue as many opportunities as we can for investment activity. Intergovernmental relations are also important. Having a base from which to conduct that activity is very important indeed—that goes for the London hub, too, which also provides a focus for us.

Ross Greer: How will success be observed, other than by economic measures?

Fiona Hyslop: That is a good question, to which there is no easy answer. Diplomacy and soft diplomacy are not things that we necessarily want to broadcast and shout about; we just get on and do it. We concentrate on the activities that allow us to have successful relationships with different Governments. Some of that is to do with common policy issues. In my two meetings with France's European minister, a lot of the focus was on education and culture, because the French are keen to continue the agreements and understandings that we have developed with them, which also gives us an opportunity to have exchanges around common interests. On my visit to Paris, I also met the head of the refugee and immigration service. We met in an empty shell of an office just after he had been appointed to gear France up to deal with a large influx of refugees. At that meeting, people were interested in what we were doing to support refugees and in the community and social aspects of that effort. How do you measure the success of that sharing of information, knowledge, experience and common agendas? People write extensively about soft diplomacy and soft power. I do not particularly like those terms, but how to measure that activity is a big challenge.

The fact that more than 20 Governments were represented in this Parliament during the culture summit in August is a very good sign of Scotland's value—in a Government sense, but primarily in a cultural sense. It would be a misunderstanding to think that we can measure some of those activities in pounds and pence. However, I think that it is

worth asking whether they are important to us, and the answer is yes, they are. We can also ask whether they have an impact on Scotland's profile, and again the answer is yes. We can measure Scotland's positioning through the Anholt-GfK nation brands index, for example, but some of this is actually far more subtle and nuanced.

The Scottish Parliament and, indeed, the Scottish Government have developed since 1999, so comparing where we are now in our international relations and where we were in 2000 would be like comparing night and day. That gives a sense of the maturity of the institutions and their relationships, and the credibility, integrity and experience that they have developed. That applies as much to the Parliament and its committees as it does to the Government.

Ross Greer: Finally, and very briefly, with our relationship with the rest of Europe changing, are you considering expanding the number of trade hubs, particularly in eastern Europe and Scandinavia?

Fiona Hyslop: I have asked Alasdair Allan to pursue our Nordic-Baltic strategy and policy thinking, because there are great opportunities there that we need to enhance further. I will not commit to hubs, locations and buildings, but the doubling of the number of SDI staff in Europe is a key indication of where we want to be. We have been very clear that, if we could achieve doubling, which we have done, reconfiguration in London, Brussels and Berlin would be a strong statement of that direction.

Stuart McMillan: Good morning, cabinet secretary. The draft budget contains an additional £17.7 million for major events. How will that money be spent, and how will the Government measure its impact and the impact of money previously assigned to major events?

Fiona Hyslop: I was quite up front in the letter that I sent the convener, because, on the face of it, the committee might say that that is a very big increase for my budget line, and that that is good for culture and heritage. However, there are two big items within that: one is the census, and the other, as Stuart McMillan has identified, is for major events. Clearly, the budget line will gear up to support events, as happened for the Commonwealth games, for example. We have the Solheim cup, and in 2020 we will have the European championships. Those events will see a steady increase in their funding until their delivery.

On the impact of the additional money, I refer the committee to how we measured activity around the Commonwealth games. These are big events. Tourism is expanding, as is our opportunity to showcase Scotland as the place to

come to for people who are looking for the perfect stage for major events.

There is a challenge there. We had the Ryder cup and the Commonwealth games, and we have done very well at achieving big events. That has involved a co-operative effort with previous Governments as well, because the committee will remember that pitching to get major events is a process that starts much earlier than their actual delivery. We have allocated the funding that is required for that area.

On monitoring, I expect the committee to be interested both in major events and in the census, which is the other big budget item that I mentioned. We will work with the committee on how it wants to be involved in or follow the progress of the development of the census. It is still quite early days in that regard, and I am sure that it is something that we will come back to as the process continues. However, this the first year in which we are seeing a major shift in gearing up for those events.

Stuart McMillan: On future major events, I posed a question to Malcolm Roughead in our previous evidence session. I know that it was not related particularly to the budget, but it was about the targeted years, which you and I have discussed previously. Next year is the year of history, heritage and archaeology, and 2018 is the year of young people. Beyond that, could the Scottish Government think about having a year of marine tourism or marine and wildlife tourism? We could also target some of the larger marine events that could take place in Scotland.

Fiona Hyslop: I am aware of your keen interest in and championing of marine tourism. The themed years have been very successful. In fact, in the past year—the year of innovation, architecture and design—attendance at the different events far surpassed what we expected. That reflects the fact that, with the buildings that we have in Scotland, there is a real cultural connection between people and place. There has been a huge number of very successful events. The approach allows everyone to focus on what they can work on together. However, it is quite a challenge to do one every year, so we are thinking about whether we want to continue with that model.

The year 2018 is an unusual year but it is a big year because it is the year of young people. Mark McDonald is the lead minister for that year, which is to be co-produced with young people. We might be the first country in the world to have a year to celebrate our young people. It is also an opportunity to say that Scotland is a great place in which to live, work, study and bring up your children, and a great place to visit. Perhaps the view of our culture—of the dour Scots and of

children being seen and not heard—will be smashed to pieces in 2018 when we put young people centre stage. I am keen to see that not only for our culture but for visiting families, as it will allow people to think about a family approach to holidays and activities.

Going forward, the suggestion of celebrating Scotland's marine tourism is a good one. There are other candidates, however, and the question that I am wrestling with is about doing something that reflects all of Scotland. We have a very extensive coastline but perhaps something that reflects our canals, lochs and rivers might allow them to share in the celebration and opportunity. Our outdoor exploration activity and a lot of the marine activity are really strong. There will also be a lot of challenges for tourism post-Brexit, so maybe that would be an opportunity to reinforce the sector.

I am committed to the themed years and want them to continue, but we still have to resolve their shape or form. That is more of a policy issue than a budget commitment, but the budget is still there.

We are about to enter the year of history, heritage and archaeology and lots is happening all over. I encourage members to go on the VisitScotland website and identify what is going on in their constituency. Help from members to promote that would be a great step towards helping to tell the story of Scotland so that, at any time of the year, in any place, tourists from within Scotland, from the rest of the UK or from the rest of the world can find out about the amazing story that we have to tell.

Stuart McMillan: I have one final question, if I may.

The Convener: I am aware that the cabinet secretary is short of time. Be very quick because I want to bring in Rachael Hamilton, who has not asked a question yet.

Stuart McMillan: It is on the wider opportunities for cruise ship tourism. The Scottish Government is committing funds, through the city deal projects across Scotland, and there are great opportunities in the cruise market. Has the Scottish Government got its strategy correct in terms of helping to promote those wider opportunities for Scotland?

Fiona Hyslop: I suspect that the question is about the rural versus urban approach to economic development and tourism. We have to try to help both, which is why our manifesto contains a commitment to tourism in the south of Scotland, of which I am very conscious. I am also conscious of the fact that we need to make sure that there is a strong cultural, heritage and tourism aspect to any city deal. Of course, the impetus, focus and priorities for the city deals should come from local government and the cities.

You should not worry; I am conscious of my responsibilities. My portfolio is probably the one that reaches every single part of Scotland, from the most remote, rural or coastal area to tourism in our burgeoning and vibrant cities.

Rachael Hamilton: I want to go back to the migration strategy budget. I understand that £150,000 has been transferred to the migration, population and diversity team at the Convention of Scottish Local Authorities to help with immigration advice and policy support. However, that leaves £480,000 to spend on promoting and attracting talented and skilled individuals to live, study and work here. How do you propose to support Scotland's workforce planning, particularly in the hospitality and agricultural industries?

Fiona Hyslop: I propose to do that primarily by persuading the UK Government not to have a hard Brexit and to support single market membership and freedom of movement. Yes, we want to develop the skills and capabilities of our own young people and those who are returning to the area. However, because more than 50 per cent of staff in hotels and restaurants not only in Scotland but throughout the UK are EU nationals, the most useful thing that we can do immediately to ensure that we have the skills that we need is a policy matter as opposed to a budget matter: it is to persuade the UK Government to ensure that we continue to have freedom of movement and the single market. We put that proposition this week.

11:15

I know that this is a budget discussion, but that is probably the biggest impact that we can have. Part of the other activity can be about promoting the country but, with the best will in the world, how can we advertise to encourage more people to come to Scotland to live, work and study when the Prime Minister has yet to make a commitment to the EU nationals who live here? A large part of the solution must be a reality check of what the real drivers are.

We will continue to do as much promotion as we can to encourage people to come to Scotland. For example, we have decided that we will honour the tuition of European students who are applying to study at our universities from 2017-18. We made a decision about 2016-17 early, but it also impacts on that.

The message is still that we are open for business and want people to come here to work and study, but the paramount issue is how we support our tourism industry, as more than 17 per cent of the wider tourism industry is dependent on EU nationals. I spoke to the Scottish Tourism Alliance only yesterday, and that is still its biggest concern.

We must put the matter in proportion. We will continue business as usual on promotions, but we need the policy position to be made clear. The problem with Theresa May is that she lost the moment. Had she made a commitment to EU nationals much earlier, we would be in a better position. She tried to get the European Council to discuss what would happen to British citizens who live and work in the EU but, because she left it so late, by which time it had been stated that there will be no negotiation before article 50 is triggered, nobody would say anything or discuss the matter. She could have had the opportunity to discuss it much earlier. Therefore, we are left in a challenging position, but the solution is to do with policy not the budget.

Rachael Hamilton: Since 2010-11, there has been an underspend of £1 million in the external affairs budget. Will you address that and how will you go about it?

Fiona Hyslop: That reflects the question that the convener asked at the beginning. That budget has to respond to events and different initiatives that happen in year, so there has to be some flexibility within it. We do not spend for the sake of it, so there may sometimes be an underspend on international development, for example. Over the piece, we have fulfilled our commitment of spending £9 million a year on international development and £3 million on Malawi but, in some years, we spend more. If people are delivering a programme and it is not ready to be delivered within the financial year, that counts towards an underspend. Therefore, some of the underspend has to do with when and where programmes spend internationally. Some of them do not necessarily fit neatly into the financial year.

I am not particularly concerned about the underspend, but I recognise it. We have to ensure that, whatever happens, it is an efficient and effective use of Scottish public money, but we will not rush funds out of the door just so that there is no underspend. That would be inappropriate. It is important that we spend effectively but, sometimes, that means that we must have a bit of year-to-year movement on some areas.

Richard Lochhead: Good morning, cabinet secretary. One of the most impressive pieces of evidence that we had was from the artistic director and chief executive of the National Theatre of Scotland on behalf of the national performing companies, who says:

"The Headteacher of Port Glasgow High School attributed the 14% increase in attainment amongst one year group to their participation in the National Theatre of Scotland's Transform project that created large scale site specific theatre in collaboration with 20 schools across the country."

The national performing companies and other cultural and arts organisations are carrying out many good initiatives that take our arts and culture into communities throughout Scotland.

Last week, I had a fascinating meeting with the director general of the National Galleries of Scotland, Sir John Leighton. I am trying to persuade him to take some of the superstars in the National Galleries of Scotland's collections to Elgin, for instance. I would like an assurance that you think that it is important that those who receive the budgets pay due attention to getting our arts and culture into every corner of Scotland and that the really good initiatives that there have been from Scottish Opera and the National Galleries of Scotland over the past couple of years will not only continue but be enhanced so that they get to places such as Elgin and other places in Scotland that have perhaps not benefited as much as other places have.

Fiona Hyslop: I am very committed to that approach. A key driver in the programme for government and from the First Minister is that we tackle inequalities across Scotland. Some of the inequality is geographic, but obviously some of it clearly comes from poverty. I have seen Scottish Opera in Bo'ness, for example. That was fantastic outreach and connection.

The committee might want to take a continuing policy interest in the area, but there is probably far more activity happening throughout Scotland than people realise. The festivals have told me that they have work in every one of the 32 local authority areas. Therefore, the reach exists.

We are trying to gear up the capability of places to take valuable pieces of work. It is not necessarily that there is an unwillingness to share; the issue tends to be the capability of museums and galleries to house things securely and the quality of what they can receive. For example, I am very keen that the museums and galleries of Scotland can showcase things at Inverness castle, but the specification for the refurbishment there will have to be such that it can receive them.

It should also be remembered that we had the generation project during the Commonwealth games. That is part of our arts and culture legacy from then. That project went to every single part of Scotland. Douglas Gordon exhibited in Dornoch. The refurbishment of Dunoon burgh hall was specified so that it could take the Mablethorpe photographic exhibition. Therefore, we are getting much better at outreach.

A challenge in the budget is how we can deliver with the national companies and collections when a lot of their spend—particularly that of the collections—is on their staff. There is a large number of lower-paid staff in the portfolio. Flat-line

funding has been a very good result in the context of a really challenging budget for our companies.

Another challenge for outreach will be the youth music initiative, which has had to take a reduction this year. It is among parts of my portfolio that have not had reductions over the past 10 years. We now have the experience of how efficient we can be in delivering the initiative, and we have to provide more flexibility in it, but there is a reduction in that line.

I want to get a bit more co-ordination with everybody working across the country. I have had a conversation with John Leighton. I want the National Galleries of Scotland and others to work in the Fauldhouse primary schools of this world and not just in Edinburgh, whether that is in Castlebrae, Craigroyston or the more obvious places that regularly receive support because they are located in Edinburgh. I want Lanarkshire, the south of Scotland and other places to have that work. That is quite a strain on organisations, because they also do excellence, but I go back to the point that research has shown that young people are more likely to be the audiences of the future for companies and cultural activities if they have participated in arts and culture at an early age and have not just seen something, regardless of parental income. That is a huge thing for Scotland, because we can make life changes for people who do not have parents who have the income to be able to take them on visits.

Richard Lochhead: I went to the outstanding Scottish Opera production of "The Elixir of Love" at Elgin town hall. I would like paintings to go there, too, and elsewhere in rural Scotland. The town hall was packed out for that production, and a local person said to me that it was fantastic and that such things did not normally happen in Elgin. I welcome your comments on the objective being to ensure that those things happen normally in our towns and villages in Scotland in the future.

Fiona Hyslop: From a budget point of view, having a flat-line budget and no cuts for our national companies and collections is a good result. From a policy point of view, there is a commitment in our manifesto to develop a culture strategy. I am looking to have that based on the principles of access, equity and excellence. A lot of what you are considering underpins that. That is more of a policy issue, but it has an impact. Everyone who receives public funding will have to ensure that they deliver on those areas. There is a will to do that; we just have to get better at doing it.

The Convener: Thank you very much. I realise that you have to answer a question in the chamber very shortly.

Fiona Hyslop: It is Rachael Hamilton asking the question, so I had better make sure that I am there.

The Convener: Just before you go, cabinet secretary, can I bring you back to the youth music initiative? What evaluation have you done of how it tackles inequality?

Fiona Hyslop: An evaluation was published last year, and we will send that to the committee. The initiative has had a major reach and impact because it reaches all of Scotland. There are two aspects to it: local authority funding areas and additional out-of-school activity. We have just refreshed the youth music initiative, and what we are likely to do is to provide more focus on aspects that tackle inequalities, because we know that that can have the most impact. The best thing will be for me to send you a copy of the assessment of the youth music initiative.

It is about opening up the world for everybody, and it comes back to the point about participation; it is not just seeing or hearing something but taking part and having the opportunity to play. That is why I have been adamant right through my tenure as culture secretary that we should protect that as much as possible.

This year, the budget is having to take a reduction because, in order to protect other parts of the budget, everybody has had to take some reduction at some point. Because we have the experience and the efficiencies of 10 years of activity, we know that we can deliver the initiative a bit more flexibly. One of the changes is that we are not putting the limit at primary 6; even just saying that the target is the end of primary school will provide a bit more flexibility for delivery.

The impacts for young people for whom this might be the only chance they ever have to play an instrument can be transformational. There has been an impact on orchestras across Scotland. As an MSP, I have seen changes since I first started. It used to be that only those students who were studying for music exams would be in the school orchestra. Now, because of the youth music initiative and the demand that it has met, the numbers and reach are much wider and it has become a norm for everybody.

I reassure you that I am absolutely committed to the initiative. It is taking a budget reduction this year, but we will find different ways to deliver it more effectively and to be more targeted.

The Convener: It is quite a big reduction; the school-based music-making budget goes from £5.8 million to £2.1 million. It seems to me that that would be where most children would get access to musical instrument tuition.

Fiona Hyslop: No. It goes down from £10 million to £9 million over the piece. That will not kick in until a bit later, because of the school year. We will be able to plan in advance what we can do with it. I am being up front with the committee that, in order to protect the portfolios for Creative Scotland, VisitScotland, the national collections and the national performing companies, I had to take some reduction somewhere.

The Convener: Is it possible for you to write to the committee to explain what evaluation you have done on the impact that that will have?

Fiona Hyslop: I offered that at the beginning. There has been an evaluation of the initiative and there has been identification of how successful it is. I am a big supporter of the initiative and it is one of the reasons why I have not reduced it at all for the past eight years that I have had responsibility for it, when there have been budget reductions right across the portfolio and across Government.

At some point we were going to have to adjust and this is the appropriate time for that, because we have now had enough learning from the refresh and the evaluation that we think we will be able to manage the budget reduction to have the least impact. To go back to your point, we want to focus on those young people who are facing disadvantages and for whom music can be transformational in their lives. That is what the refocus is likely to do.

The Convener: Thank you very much. We will now have a suspension. I am sorry—we will close the meeting.

Lewis Macdonald: Before we do, can we agree to do as the cabinet secretary invited us to and write to pursue the questions about European Union funding that we mentioned?

The Convener: Yes.

Meeting closed at 11:29.

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