



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Relations Committee

Thursday 21 December 2017

Session 5



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Thursday 21 December 2017

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CULTURE, TOURISM, EUROPE AND EXTERNAL RELATIONS COMMITTEE
30th Meeting 2017, Session 5

CONVENER

Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Lewis Macdonald (North East Scotland) (Lab)

COMMITTEE MEMBERS

*Jackson Carlaw (Eastwood) (Con)
*Mairi Gougeon (Angus North and Mearns) (SNP)
*Ross Greer (West Scotland) (Green)
*Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con)
*Richard Lochhead (Moray) (SNP)
*Stuart McMillan (Greenock and Inverclyde) (SNP)
Tavish Scott (Shetland Islands) (LD)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Janet Archer (Creative Scotland)
Kate Forbes (Skye, Lochaber and Badenoch) (SNP) (Committee Substitute)
Fiona Hyslop (Cabinet Secretary for Culture, Tourism and External Affairs)
Iain Munro (Creative Scotland)
Karen Watt (Scottish Government)

CLERK TO THE COMMITTEE

Katy Orr

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Relations Committee

Thursday 21 December 2017

[The Deputy Convener opened the meeting at 09:01]

Decision on Taking Business in Private

The Deputy Convener (Lewis Macdonald): Good morning and welcome to the 30th and final meeting in 2017 of the Culture, Tourism, Europe and External Relations Committee. I remind committee members and members of the public to turn off mobile phones. Any members using electronic devices to access committee papers during the meeting should please ensure that they are switched to silent.

Apologies have been received from Joan McAlpine, the convener—hence my chairing of this morning's proceedings—and from Tavish Scott. I welcome Kate Forbes, who is substituting for Joan McAlpine.

Agenda item 1 is a decision on taking agenda item 4 in private. Are members agreed to take that item in private?

Members indicated agreement.

Draft Budget Scrutiny 2018-19

09:01

The Deputy Convener: Our main item of business is evidence on the Scottish Government's draft budget 2018-19. Later, we will hear from the Cabinet Secretary for Culture, Tourism and External Affairs. First, I warmly welcome our first panel from Creative Scotland: Janet Archer, chief executive officer, and Iain Munro, deputy chief executive. I believe that Janet Archer wishes to make an opening statement.

Janet Archer (Creative Scotland): Thank you very much. It is very good to be here. I thank the committee for inviting us to give evidence. As always with such evidence sessions, we are here not only to represent Creative Scotland, but to represent the people and organisations working in culture and creativity across Scotland. We have made 1,130 funding awards, worth a total of £66.2 million, to those people and organisations over the past year.

We welcome the increase in our grant-in-aid budget for 2018-19, announced in the Scottish Government's draft budget last week, including, importantly, an additional £6.6 million to support regular funding. That commitment from the Scottish Government fills the gap left by the decline in income from the national lottery and brings the amount of money available to us to support the next round of regular funding, 2018 to 2021, into line with current levels. It is particularly worth noting the Scottish Government's commitment in the draft budget to our budget for the next three years. That will help us to provide more certainty for those organisations that we are able to support and has been warmly welcomed by the cultural sector.

I formally thank the cabinet secretary, Fiona Hyslop, Government officials, Creative Scotland staff and the board, MSPs, this committee, the cross-party group on culture and everyone in the culture sector who has worked hard to raise awareness of the cultural, social and economic value that creativity brings to all our lives. I am in no doubt that that has been a significant factor in the delivery of a positive budget settlement for culture at a time when public finances overall continue to be under pressure.

We currently support 118 regularly funded organisations with a combined total of £32.7 million through grant in aid, supplemented with national lottery funding. The organisations are across Scotland, across art forms and across different scales, and they include the Edinburgh International Festival, Celtic Connections, An Lanntair in Stornoway, Mareel in Shetland, the

Beacon arts centre in Greenock, The Stove Network in Dumfries, Hospitalfield in Arbroath and Peacock Visual Arts in Aberdeen.

However, although our settlement from the Scottish Government is positive, we are mindful that demand for regular funding continues to be high. We have received 184 eligible applications and, overall, the applicants have requested £153 million over three years. We are in the process of finalising our recommendations to our board. We will carry out an impact analysis of each recommendation and undertake an equality impact assessment. Creative Scotland's board will meet on 18 January 2018, when it will set the 2018-19 budget and, importantly, make decisions about regular funding. Our provisional date for the announcement to applicants is 25 January.

I will look back to highlights from our annual review of 2016-17. We have shared the review with the committee and have now published it on our website. Over the past full year, regularly funded organisations delivered an 8 per cent increase in the number of performances, festivals, exhibitions, projects and events, reaching 23 per cent more people in more parts of the country, particularly in the most deprived 20 per cent of areas. That funding has supported jobs and skills development as well as the local and national economies. It is interesting to note that, across the creative industries, there are 11,000 more jobs now than there were a year ago, which is a tremendous uplift.

In the same year, we made nearly 600 awards averaging £19,000 each to creative individuals and organisations through our open project funding programme, awarding almost £11.5 million of national lottery and grant-in-aid funding to projects across Scotland. The increase in the funding that is to be made available from the Scottish Government next year means that we will be able to continue to allocate national lottery funding to project funding and to strategic funding.

Our open project funding, which runs throughout the year, sits alongside the 436 awards that we have made through targeted funding, which is time-limited funding for a specific strategic purpose that amounts to more than £22.7 million for key initiatives including our screen funding, the youth music initiative and the cashback for creativity programme. We have worked closely with young people through our creative learning work, developing current and future opportunities. That is particularly important to us in the run-up to 2018.

In 2018, we will have 12 separate funds for young people. We recently announced the year of young people traineeships, a nurturing talent fund and our really exciting our shared world project, which will bring together young people from across

the world to voice their views on what they want their world to be.

Another key part of our 2018-19 budget is an additional £10 million that is to be invested in screen, which will double our annual screen budget to £20 million. That will help us to build on the record level of film and television production that we are seeing in Scotland.

In 2016, spend in that area was £70 million, which is up 200 per cent over the past decade and up 30 per cent over the past year alone, so there is much to build on. That proves that Scotland's talent, crews, facilities and award-winning locations continue to be huge attractions to film and TV productions. In the past year, those have included "T2 Trainspotting", "Outlander", "The Wife" and "Outlaw King", which has just finished shooting. The overall budget of "Outlaw King" is \$120 million, so what has been achieved here is significant.

Growth will be accelerated by the new screen unit. The cabinet secretary signed off the proposal for the unit, which was published last week. The collaborative proposal was developed by Creative Scotland and screen unit partners including Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Further and Higher Education Funding Council, with input from people and organisations working in the screen sector. I particularly thank the screen select leadership group, whose chair is John McCormick, for its invaluable input into the process.

Combining the expertise of creative skills and enterprise partners, the screen unit proposal sets out the shared vision and ambitious targets for the Scottish screen sector. We have begun the work to implement the plans and realise the ambitions that are set out in the proposal.

Creativity really matters to Scotland. This year's figures show that 90 per cent of Scotland's population think that public funding for culture and creativity is a good thing, and the arts and the creative industry currently contribute £4.6 billion to the Scottish gross value added, which is up from £3.7 billion last year. The industry also supports 86,000 jobs, and we know that 90 per cent of the population regularly take part in cultural activities. Culture has a huge role to play in the successful future of our country, and it is fantastic that the Scottish Government recognises that in the draft budget. The budget recognises the talent, energy and ambition of our creative sectors and clearly positions culture as a vital part of the fabric of our society.

I look forward to the discussion.

The Deputy Convener: Thank you very much. I know that colleagues will have questions on a

range of issues; perhaps we can start with the screen unit proposal. A number of committee members visited Creative Scotland a few weeks ago, but we were not able to get the level of detail that we had hoped for. Would you like to say a little about the meeting that we had two weeks ago at Creative Scotland?

Janet Archer: I am pleased that we are able to speak openly about the content of the screen unit proposal in this forum, and I am sorry that we were not able to discuss the detail of it when we met at Creative Scotland. You will now all have seen the proposal and will have a sense of its vision. It is founded on a partnership not just between agencies but that involves agencies, Government and the sector working together. A governance structure that sits within Creative Scotland will bring in industry expertise, our partners and Creative Scotland's board members, who will hold responsibility for ensuring that the outcomes that are set for the screen unit are delivered.

The Deputy Convener: You are right to say that we have now had the opportunity to see the detail of the proposal. Can you explain the reasons for the difficulties two weeks ago? Was there a delay in the completion of the proposal or was there another reason why you could not share the detail with us?

Janet Archer: No. It was an administrative reality that the letter that approved the screen unit proposal had not arrived with us on that date. Rather than try to adjust in order to accommodate that, we had to be straightforward and honest with you. There was no issue with the timeframe that we presented to the cabinet secretary on 7 November. After that date, we obviously wanted to take feedback into account in producing the final blueprint proposal and, to do that, we needed to work with our partners, of which there are many. We needed to go through that process before we could produce the final proposal—that is all that we were doing in that window of time.

There were no issues. The partners are all very positive about their contribution. We have met as a project board over that period, and I am very excited about the new way in which we are working with our agency partners, which I think stands us in good stead for collaborative working in the future.

The Deputy Convener: Excellent. You mentioned that the letter had been an issue. Whose letter was it?

Janet Archer: The letter was not an issue—we were expecting it, and it was inappropriate for us to talk about the detail of the proposal before it was in the public domain. We published the proposal immediately after receiving the letter, and

it has been welcomed positively by the screen industry.

The Deputy Convener: How do you anticipate the additional funding being spent? How much of it will go towards the creation of the unit and how much of it is additional funding for the various creative initiatives?

Janet Archer: Broadly speaking, our screen budget is £20 million. Of that, £12 million will be invested in different types of content development and production, £3.85 million will support audiences and exhibitions, £1 million will go into skills and talent development, and £2 million will go into business development and infrastructure. We also estimate that there will be extra investment of around £1 million in staffing, some of which will support the new data hub, which is a critical part of the new project.

The set-up process began a few weeks ago and will continue until the start date of 1 April. We are building the cost of that into this year's budgets.

The Deputy Convener: The coming year will be critical for the establishment of the unit. What do you anticipate the future funding requirements of the unit will be? How much of the funding for the coming financial year will meet needs that will continue beyond that and how much will be recurrent?

09:15

Janet Archer: The screen unit proposal is predicated on outcomes that are set over a five-year period. We are building that into our budget plans, and we will need to look at how the screen unit is resourced once it is set up and once we have started to ascertain exactly what our needs are. We have set high targets over a five-year period and, as with our other work, the screen unit will need to be resourced over that period in order to deliver. However, until we start to generate specific outcomes—and until we can measure the input that we need to generate them in a really founded way—we should not make assumptions at this stage about future needs.

Kate Forbes (Skye, Lochaber and Badenoch) (SNP): I have a question about Gaelic, Scots and traditional arts. Last year, you were able to make awards worth almost £1 million particularly to Gaelic. Do you expect to make similar awards to Gaelic, Scots and traditional arts in the year ahead?

Janet Archer: All our awards are based on applications; in other words, what we award is subject to the applications that we receive. We are pleased with the increase in the awards for Gaelic over the past period, and we hope to continue to receive applications over the next year. We have a

Gaelic language plan and an increasing number of Gaelic speakers in the organisation, and we are genuinely starting to embed Gaelic in a much more meaningful way across everything that we do, including in screen. In fact, we supported MG Alba with “Bannan” in a really proactive way. It is an important part of our work.

Rachael Hamilton (Ettrick, Roxburgh and Berwickshire) (Con): I have a number of specific questions. I am wearing a pair of the clerk’s glasses, so you will have to bear with me.

Can you tell us about the £1.8 million capital funding for the rural development fund that is being spent on promoting the south of Scotland? Do you have any more information about who is responsible for spending that capital funding and when it is likely to kick off?

Janet Archer: Are you talking about capital funding through Creative Scotland?

Rachael Hamilton: I am talking about Historic Environment Scotland’s major events budget. Is that question more for the cabinet secretary?

Janet Archer: Yes—or Historic Environment Scotland.

Rachael Hamilton: Okay. That is fine.

My second question is about local authority funding. Clearly, you get more applications for funding than you have funding to award, but can you talk us through the process of allocating those awards?

Janet Archer: Would you like to take that question, Iain?

Iain Munro (Creative Scotland): I am happy to do so.

We run a range of programmes and have different funding routes, but, in a broad sense, we have a model process. We receive the applications, we have set timescales and criteria that we publish, and the specialist officers and teams in Creative Scotland apply their expertise to assessing the proposals. We know what the budget allocation is as we move through the year—particularly the allocation through our open project funding, which is a rolling programme—and we manage the budget throughout the year to ensure that there are continuing opportunities for people. The specialist assessments are moved to a panel of combined staff who have a different set of expertise—this year, we have been working with a pool of external specialists who have been sitting with staff as they make decisions on applications—and the decisions are then communicated accordingly.

We know that artists, practitioners and organisations have many more fantastic ideas, projects and so on than we are able to fund. The

application of that expertise therefore has to be open and transparent, and it is captured in the assessment reports on the decision-making process that are available to any and every applicant. We often engage in a positive and constructive way with unsuccessful applicants in order to give them positive feedback and help them to consider how they might strengthen any future proposals, although we recognise that there is never enough financial resource to support everything that we might want to support.

Rachael Hamilton: There is obviously a huge creative sector in Scotland, with people bursting to receive funding to kick off their ideas. Do you allocate an amount in your budget to support people to get to that stage?

Iain Munro: We have good data collection and analysis which we try increasingly to share visibly so that people can see it. That is done principally through our website, on which we publish monthly grants listings. We recognise that there are parts of Scotland, particular communities and, indeed, individuals who would welcome a more engaged dialogue with Creative Scotland to support them to build capacity to make confident applications. There is always a tension between our capacity and demand, but we absolutely proactively ensure that our staff are out and about across Scotland, engaging with people in dialogue and trying to support them to talk about their ideas and explain what the opportunities are and how they can make an application. We monitor that activity through the data that we get in the applications that we receive and the awards that we make to understand where we might need to make targeted interventions.

For example, we do a very proactive analysis of the geography of applications and spend in our open streams of funding, which allows us to see where there are particular needs. We have what we call the place partnerships, which involve the local authority and principal organisations in an area, and which try to build capacity to enable them to make future funding applications. We have 12 of those partnerships active across the country at the moment, many of which are in the constituencies of committee members.

Janet Archer: To follow on from that, it is important to recognise that Creative Scotland is not the only player in the game and that there are many other funders. Local authorities are a key part of Scotland’s cultural landscape. Our regular funding, through which we invest £33 million, generates £109 million through other sources, which includes other public funding but also private and trust funding. Our role is to understand how best to utilise our money, not just in and of itself, but to leverage and unlock partnerships so that, collectively, we can create the best conditions for the creative sectors in Scotland to thrive.

Rachael Hamilton: An example of that, in Galashiels in the Borders, is that £2.5 million of your funding will go to the great tapestry of Scotland, and the rest of the funding for it will be provided by the local authority. Of course, there is a benefit from a social and economic point of view, but my constituents are split on whether it is a good idea to progress that now, given local authority budget cuts. However, such things are arranged way in advance and we cannot necessarily predict cuts that will happen in the future.

Can you give us an overview of the responsibilities of your partners in sectoral development, including Arts & Business Scotland, Creative Carbon Scotland, the Cultural Enterprise Office, Culture Republic and the Federation of Scottish Theatre. The committee has not heard anything from those groups, so could you give us an overview of what they do, given that they support the making of financial decisions?

Janet Archer: They are all very different. The Federation of Scottish Theatre is a membership organisation for theatre and dance that provides support for that particular sector, so it is very specific. Creative Carbon Scotland works with us to encourage more consideration of our carbon footprint. We work with it in a strategic way to ensure that all the organisations that we fund take environmental concerns into account. Culture Republic is an audience development agency that applied to us for funding to deliver a service. Arts & Business Scotland provides a range of support for the broader creative sectors and exists to unlock private sector investment and to provide training and development for individuals and organisations to drive that. I am trying to remember the last one.

Rachael Hamilton: Did you mention Culture Republic?

Janet Archer: Yes.

Rachael Hamilton: The Cultural Enterprise Office is the last one.

Janet Archer: Thank you. The Cultural Enterprise Office was set up after identification by Scottish Enterprise that the sort of business services that the cultural sectors require are different from the services that Scottish Enterprise would provide in relation to driving high growth. The Cultural Enterprise Office was set up to provide that service.

Rachael Hamilton: How are those organisations scrutinised?

Janet Archer: We have a funding relationship with all our organisations. We can attend board meetings as advisers and we have one-to-one relationships through relationship management.

An office is allocated to the organisations and we conduct annual reviews in which we formally sit down and ask them to account for the work that they do. We also require organisations to complete an annual statistical survey, from which we gather data on the outcomes that they have set for themselves to measure whether they have been successful in achieving them.

The Deputy Convener: Thank you. We have a couple of supplementary questions on Rachael Hamilton's line of questioning.

Stuart McMillan (Greenock and Inverclyde) (SNP): Localities were mentioned a few moments ago. Are there any parts of the country from which you feel you could have more applications or where there could be more output in terms of performances and cultural activity?

Iain Munro: In section 3 of our "Annual Review 2016/17", which we have published and submitted to the committee, you will see the latest analysis around place. It gives a sense, local authority by local authority, of the numbers of applications and awards. You will be able to identify from that list that there are some local authorities, tracked over a number of years, with which we need to continue to be proactive to build the capacity that I mentioned earlier. That is why I referred to the place partnerships, which are about targeting the local authority areas with which we recognise we need to work more proactively.

There is on-going review and analysis of that data. At this point in time, there are some local authority areas, particularly the larger cities, with which we are proactive. However, we are also proactive with rural and remote areas in the north and south of Scotland. We need to continue to engage proactively with them to build capacity and have a fuller dialogue in order to generate ideas.

It is not just about the number of applications, which in some instances is quite low; it is also about the quality of submissions. In the kind of competitive environment that you can see from the statistics—we fund roughly one in three applications—we want to ensure that we get ambitious high-quality ideas coming through. We are proactively engaged on that at a more local level.

Janet Archer: When I joined the organisation, I observed that we were building on a historic practice of investing in the central belt. When you look at our budgets, you will see that a significant amount of our funding goes into Glasgow and Edinburgh.

09:30

We have two options: we can either find new forms of funding to extend what we do and for

which we know there is demand, or we can disrupt and change the way we fund, which will not go down well with some of the important organisations that have been built up in the central belt. That is a conundrum. We have rebalanced and extended reach and we are committed to continuing to do that. However, if we are going to unlock the full potential of Scotland's creative endeavour, we will have to find a way to inject new resources.

The rewards are great. We have seen the increase in terms of GVA and jobs. We have seen towns across Scotland being rejuvenated through creative and cultural endeavour. Walk along the high street of Aberfeldy, for example, and you will see that almost every other commercial enterprise relates in one way or another to some form of creativity. If we are serious about that approach, we have to find a way to unlock new investment in all forms to generate the step change that Scotland could achieve.

We have the talent base, the ideas and the ambition, but we need to find a way to give life to all that in a dynamic way.

Jackson Carlaw (Eastwood) (Con): You referred to the areas that are represented by members of the committee. I notice that the second-least successful area in Scotland is Richard Lochhead's constituency and the third-least successful is the one that I represent. The committee is not doing terribly well in that regard.

I have had representations from disappointed groups, so I want to be sure that the local authority spread is an outcome rather than a design. From the way in which it is presented, some might draw the inference that there is a quota at play, and a design assessment of the relative merits of particular areas in respect of what might be a desired outcome. I would like to be reassured, and for others to understand, that the table setting out your funding awards by local authority is an outcome and was not designed in the assessment of the awards. I also want to be reassured that, if I were to look back over previous years, I would not see a parallel result.

Iain Munro: We can give you absolute assurances that the spread is not by design. There are two sides to this. The first is that the application, as driven by the local applicants, is put into a competitive process in the round, and our analysis of that enables us to make proactive decisions. The other side is the work that we do proactively, where we identify things—for example, through place partnerships—and target human and financial resource at a local area, in order to have a dialogue, open up ideas, explain what the opportunities and options are and unlock the local partnerships that help to develop confidence and drive up capacity in an area.

It is a combination of what comes naturally into the competitive process and our understanding the analysis and intervening where we see that there is a need to lift up the opportunities for communities.

It is also worth recognising the work of the regularly funded organisations, which work across the whole of Scotland and internationally. There are also targeted national programmes, such as the youth music initiative or cashback for creativity, for example, which look at how intervention across the geography of Scotland can be proactive and not just a reaction to what naturally comes from a local area.

Jackson Carlaw: Thank you for that assurance.

Mairi Gougeon (Angus North and Mearns) (SNP): A few of the areas that I wanted to cover have already been touched on.

I want to hear a bit more about your relationship with local authorities and how you work together. I know that a lot of councils are looking at other models and are transferring their cultural organisations over to trusts, rather than managing them directly.

Janet Archer: We work with local authorities in different ways. We have a place team whose remit is to work in all 32 local authority areas. As Iain Munro said, we monitor what we deliver in each area and we maintain a dashboard of data to ensure that we can invest wisely. I chair Scotland's creative industries partnership, which includes representation from local authorities. We have been working with local authorities through the city deals, and local authorities are our partners in investment in regularly funded organisations. We also work strategically with them through place working, in which we work with a local authority and genuinely identify local need. Our place partnership work is interesting because it is a ground-up process: it is very much about us working with the local authority to identify the strategic needs from a community perspective, and then to allocate resource in accordance with what communities' ambitions are.

We have 12 or 13 place partnerships, and you can see that communities in various areas have come together to identify how they can deliver cultural endeavour in different ways. I have relationships with chief executives in many local authorities, so we have an open line if we want to have a discussion about how to find new opportunities to embed creativity—not just in terms of budget, but in terms of policy—in local authority work. Increasingly, we are seeing a move to culture not just being thought of as a box that is far away from everything else, but as something that is central and that provides cultural, social and economic value. It sits in policy in both the cultural

and leisure spaces, but increasingly it is also in education, health and economic development parts of local authorities, in really tangible ways.

Mairi Gougeon: That leads nicely into the next point that I was going to raise, which is probably not a budget-related question. It is about the education element. When we met a couple of weeks ago, unfortunately we did not get a chance to go into much detail, but in the session afterwards I had interesting conversations with some people—young film producers and others from all sorts of backgrounds. It was interesting to hear about the various routes that people had found into the careers that they are in. Could you say more about your work with education, especially about the plans for the new screen unit and the variety of roles that are available in film and screen? How can we make people more aware of the full range of possibilities that exist, and how can that be filtered through education, if it is not happening already, to highlight the opportunities and show people what is available?

Janet Archer: We work with Education Scotland and we have a partnership agreement and a creative learning plan, which has focused on using creativity to generate skills to drive employability. I have had a lot of anecdotal feedback that schools that benefit from it are starting to use the new attainment fund to deliver creative activity in order to increase attainment. I am interested in mapping that to see the outcomes of that work, because that will give us a good basis for what we should look at amplifying in the future. We have a creative learning team at Creative Scotland; they are involved at leadership level on a global basis, so we are involved in many networks and we draw on learning and good practice in other places, which we bring into the practice that we are delivering in Scotland.

We welcome the curriculum for excellence because the arts is a key component of what young people benefit from. We want to work with schools to help to skill up a wider workforce in teacher practice to deliver against that proactively. All those things are part of our thinking in relation to the education space. We know that engaging in creativity and cultural practice opens curiosity and enables young people to see beyond their life experience and to understand what their wider opportunities might be. It increases confidence. Culture and creativity offer many things to young people: we see our job as being that of the broker who brings together creative practitioners, and the wealth of talented film-makers and artists in Scotland, with teachers and schools. It is really important that we do that.

Mairi Gougeon: I completely agree with you. It was interesting having those conversations, and hearing about the different routes that people had

taken to get themselves to where they are now. In rural authorities such as mine, children need to be exposed to that and know that opportunities will be available.

I will get back to the budget. You talked in your opening statement about the meeting that you will have on 18 January to finalise decisions about regular funding. Can you give us any idea today of what sort of percentage of the organisations that have applied for regular funding will be successful, or is the decision still to be made?

Janet Archer: No, I cannot. All the applicants have applied for different amounts of money so it would be wrong of us to give you a percentage at this stage. Our recommendations will be evaluated by our research team, which is looking at them in the context of geography and art form. We will take all that data into consideration when we make our final recommendations after Christmas. They will go into our board papers, which will be considered on 18 January.

It would be inappropriate to give you a percentage figure at this stage.

Mairi Gougeon: What were the figures for last year?

Janet Archer: We had a significantly greater volume of applications last year than we have received this year; we had about 100 more.

The Deputy Convener: It might be useful for the committee to have those numbers.

Iain Munro: We are talking about this year and last year but, just to be absolutely clear, we should be talking about this round and the last round. The last round was funding for 2015 to 2018, which ends on 31 March. The analysis of that is painted on the website, and we would be happy to provide a further briefing on that, if the committee would welcome it. You can see that analysis but we are going through due process at the moment, which will conclude in January. There is no predetermined outcome; it is an application-based process with the application of specialist expertise and strategic judgment being used to determine the final outcome.

Richard Lochhead (Moray) (SNP): You talked about trying to help different parts of Scotland to build capacity so that they can apply for more and be more successful—Jackson Carlaw made a comment about certain local authorities. What does that mean in practice? Your table shows that, of the £41 million that has gone to Scottish local authorities, roughly £29 million has gone to Glasgow and Edinburgh. That is quite a big chunk. I expect that quite a lot of the £46 million that is under other headings will also go to Edinburgh and Glasgow. What are your plans to address that?

Iain Munro: We recognise that a creative concentration in some of the major cities lies behind some of that. It reinforces the need for us to understand the wider geography of Scotland so that we can ensure that those opportunities are clear and available. That is where we are proactive with the staff who are out and about in those local authority areas. They engage with the key partners and the individuals. You will see that the breakdown of the awards shows that roughly a quarter of all funding awards goes to individual artists and three quarters goes to organisations, and we should recognise that organisations support individual artists. Understanding that picture of being proactive is key. Members might understand that we have limited staff capacity, so it is about making our staff engagement and interventions as effective as possible, which we do in a variety of forms.

09:45

It is not just about how we are able to go out; it is also about people across the geography of Scotland feeling that they can have a connection back into Creative Scotland. Some of that is done online. We have a great inquiry service, which people engage with all the time. As well as going out and about to engage on an individual basis, we take part in different fora. There are often funding fora that a range of funding partners get together to deliver in local areas. We also have strategic funding interventions, such as through the place partnerships, which we have mentioned a few times. There is a range of practical mechanisms.

Richard Lochhead: That is helpful. I think that that issue came up the first time that we, as a new committee, took evidence from you. You say that there is still an issue to be addressed. Is there any chance that, in due course, we can get more details on how you can inject urgency into that? Some local authorities have, of course, scrapped their arts budgets and some of them receive the lowest amount of money through Creative Scotland, as shown in the table in your annual review of performance. It is like a double whammy for those local authorities. Perhaps those areas are losing out compared with the rest of Scotland.

There is an on-going debate about Edinburgh benefiting greatly from the arts and culture. That is understandable, as it is a capital and it has an amazing richness of culture and all the festivals. There is also a debate about the tourist tax. Have you given any thought to whether that would be a good or bad thing? Would it help to take some of the burden off national agencies having to fund the arts and culture in Edinburgh?

Iain Munro: Before we give an answer to the question about the tourist tax, I will talk a wee bit more about your previous point.

The local authority analysis is only one lens through which to view things. We recognise that ensuring that we are able to work across the geography of Scotland is forever a challenge. A combination of factors is involved, which include things such as the local authority's own individual commitment to culture. That is not statutory. We have a strong creative learning network of local government officials across Scotland, but specialist cultural officers in local authorities are patchy, and that sometimes makes it harder to engage at a local level. That is why things such as the place partnership approach, which is about engaging not just with local authorities but with key active organisations and individuals in different areas, come to the fore. We tap into, work with and build capacity, including with financial resource, around that energy.

Ensuring that we are able to respond to all of that and to be as proactive as we can be will forever be a challenge, but we absolutely recognise that we need to continue to meet that challenge, and we will be proactive. We are working at a very local level as well as we can right across the geography of Scotland and beyond those cities.

I do not know whether Janet Archer wants to talk about the tourist tax.

Janet Archer: I will add something about reach. Without defending the position on investment in the central belt, which is historical and is, in many instances, based on many building-based organisations that provide really exciting programmes for the people of Scotland and people who are visiting Scotland, who often enter Scotland through the central belt, we know from looking at VisitScotland's figures that about 33 per cent of tourism in Scotland is driven by culture and heritage. That is quite an incredible figure. It is higher than the figure for the rest of the United Kingdom, and we need those anchor organisations to bring that tourism into play.

Digital technology has transformed access to organisations in the central belt. We have already started to see some of the work of organisations in the central belt being made available much more widely. A recent example of that is the work of Scottish Ballet, which we do not directly fund. "The Rite of Spring" is now on the BBC's Space platform, and anybody can see it anywhere. That is one way of ensuring that the work can be enjoyed by people in different places, although I completely accept that it is not the same as a live experience.

We welcome any initiative on tax that can be brought into play. The culture and creative sectors have benefited from tax credits at a UK level, which has made a real difference to people's budgets by freeing up resource.

Our interim chair, Ben Thomson, wrote to the Secretary of State for Digital, Culture, Media and Sport about the lottery and about freeing up the regulatory environment to enable Camelot, which runs the UK national lottery, to compete on equal terms with the other commercial lotteries that have been set up recently. There is not a level playing field at the moment, which creates challenges to generating lottery income for UK lottery distributors, which include us.

We are interested in examples of the use of planning gain in other countries to drive cultural regeneration more rapidly in towns and cities.

Other tax initiatives come into play. The tourist tax is contentious—different people have different views of it. Our view is that that discussion needs to play out and that decisions need to be made about whether the Scottish culture secretary will be able to benefit from it.

Jackson Carlaw: I have a brief follow-up question on place partnerships. I see that there were 13 operating in 2016-17. How many were initiated in the course of that year? How is a place partnership initiated? I see from the structure around what they seek to achieve that they are a mechanism that might assist, but where does the initiative to establish, identify and progress a place partnership come from?

Iain Munro: I will check how many place partnerships were initiated last year and get that information to you after the meeting. You asked how they are initiated. That happens in a variety of ways. We have sought to put a structure around that. People have recognised that they can be successful in galvanising local energy and bringing in resource to deliver change and strategic improvement. We are looking for a framework that enables us to understand the picture from the data that we publish and allows individual local authorities or organisations within them that are interested to approach us to open up a dialogue and establish whether there is the opportunity for a place partnership.

Jackson Carlaw: What comes first—the chicken or the egg? Do local authorities and people within a community come to you, or do you look to build something in a community?

Iain Munro: It goes both ways. The basis on which the 13 partnerships have come to the fore varies. We are seeking to develop the structure and process of how the partnerships come about and to make it clearer who we will actively engage

with through the partnership, on a time-limited basis.

Janet Archer: I can almost feel Gary Cameron, who leads our place work and is probably watching this meeting, wanting to say something at the moment. He is a new appointment who came to us from Aberdeen City Council. He is stimulating a different way of thinking about how we approach place partnership working. As Iain Munro said, we are reviewing our approach. Our current place partnerships are mainly based on historical working. We now need to take stock, understand what has worked and what has not and identify how we will move forward.

We are entering into a period of strategy review, as you would expect. Our 10-year plan is nearly four years old, so we are moving into the middle part of it. We are taking stock of all the outcomes that we have achieved over the past period and looking at how we position ourselves in the future.

One of the interesting things that Gary Cameron has done is bring all the place partnerships together for the first time. We had a very dynamic meeting, and a lot of pan-local authority learning came out of it. We want to record that and make it available more widely so that local authorities are able to utilise the lessons learned from ground-up community development through culture. That could have value in a much broader forum. Gary Cameron wants us to join the dots across all the place partnerships in a proactive way in the future.

Ross Greer (West Scotland) (Green): Following on from Mairi Gougeon's point about young people, I note that the cultural sector has quite a significant role next year in marking the year of young people in Scotland. What has been the administration process for funding awarded to projects and events directly relating to the year? Has the funding gone through the normal grant funding processes, or have there been separate streams for the year's events?

Janet Archer: It is a combination of both. We can certainly give you a more detailed report on what we are doing for the year of young people if you would like. There is a range of projects. For example, we have just funded a project—we have put about £80,000 into it—that in effect enables organisations to have a young person as part of their workforce for a year, which will benefit both the young people and the organisations in refreshing their thinking.

There is also a leadership programme that is being led by a young woman from Orkney called Amy Firth, who is tasked with developing a project that will bring together young people from across the world. I am mentoring her directly in the framing of that. She has been with us for just over a month, so she has just begun that work. She is

pulling together a partnership around that project, which is linked into the cultural summit that is taking place in the Parliament next year. At that forum, she will be sharing the stories of young people from Scotland in dialogue with young people from across the world—that is an important aspect of it.

Ross Greer: Brilliant. I would be more than happy to follow that up once we receive the report.

Rachael Hamilton: The committee should be addressing the potential problem that the fall in funding from the national lottery may have caused. MSPs received a number of letters of concern—as did the Scottish Government—from culture bodies. You mentioned the loophole in that there is a distinction between betting and the national lottery. Clearly, the additionality of lottery funding means that it will fund projects that the Scottish Government currently cannot fund. I have a number of questions. How can you further strengthen the connection between the national lottery, cultural bodies and Creative Scotland in order to absolutely define and make people aware that there is a need for national lottery funding?

Secondly, if you were speaking in the future, how would you allay the fears of the culture bodies when we are looking at an increase in the budget, which will potentially mitigate the loss in national lottery funding?

Iain Munro: There are two parts to your question. With the other lottery distributors and Camelot, we are very proactive in stressing the need to paint the picture of what the national lottery is supporting currently and make those connections in a visible and tangible way. We have funding contracts that are bespoke to national lottery-funded activity and require the national lottery brand to be applied alongside the Creative Scotland brand, but that goes only so far. Things such as our annual review publication enable us to paint the picture using our website and make visible where national lottery support shows up. There is a clear correlation in the analysis, of which Camelot and the distributors are aware, between ticket sales and brand positivity, whereby people are able to see the benefits of national lottery funding at a local level.

10:00

Therefore, it is important that we are all proactive and that everybody across the sector—not just in Creative Scotland but all the individuals and organisations that we support—understands the source of funding and that, if it is the national lottery or grant in aid, they are able to paint that picture for people. We can elevate that through the channels that we have. That is a key aspect and we need to keep working harder on it.

There is also a need for Camelot, the distributors and the Department for Digital, Culture, Media and Sport to create a level playing field for the marketing that is needed to generate the national lottery ticket sales that drive the income that flows through to the good causes. At the moment, there is no such level playing field. We have a clear sense of how the national lottery is regulated in comparison to other society lotteries, which are not so regulated. As distributors, we need to work with Camelot and the DCMS on that regulatory framework and what we might do to unlock marketing budgets to lift up the profile of the national lottery's positive work to generate the ticket sales that flow back into the good causes, of which we are one.

The funding is formula based. We get 1.78 per cent of the overall national lottery good cause expenditure. The Scottish Government budget settlement is welcome in helping to address the volatility of that. National lottery income has always been subject to ticket sales, so it has always fluctuated, but it has been more volatile in recent years, which has led us to the current position. There is very active work across the distributor family with Camelot to try to address that, but it will take time for that to flow through. In the meantime, the Scottish Government settlement has enabled us to have a more confident planning horizon on regular funding over the three years, which we recognise is exceptional in the current climate for public finance. We will continue to work hard with recipients, distributors and Camelot to ensure that the national lottery picture is painted.

The Deputy Convener: I thank Janet Archer and Iain Munro for giving evidence. We have been able to consider a range of the issues that are in front of Creative Scotland. We will hear shortly from the Cabinet Secretary for Culture, Tourism and External Affairs, so I suspend the meeting briefly to allow the changeover of witnesses.

10:03

Meeting suspended.

10:06

On resuming—

The Deputy Convener: We will now take evidence on the Scottish Government's draft budget from Fiona Hyslop, the Cabinet Secretary for Culture, Tourism and External Affairs. I welcome her to the meeting along with her officials: David Seers, head of the sponsorship and funding team in the culture and historic environment division; and Karen Watt, director of external affairs. The cabinet secretary would like to say a few opening remarks.

The Cabinet Secretary for Culture, Tourism and External Affairs (Fiona Hyslop): Thank you very much, convener. I will make a short opening statement.

I consider the draft budget 2018-19 to have delivered a good outcome for the portfolio, particularly culture and external affairs. We have worked hard over a number of months to deliver that, demonstrating the value of the portfolio's work and the benefits that it delivers right across the Government's priorities. I will highlight a few points from the draft budget.

First, I was pleased to be able not only to give Creative Scotland a positive outcome on its core grant in aid—that being a small increase to cover staff pay awards—but to deliver an additional £6.6 million to allow it to maintain its regular funding programme budget level so that its decisions on funding are based on the merits of individual organisations rather than a serious restriction in available resources. I was also pleased to be able to deliver the programme for government commitment to provide a further £10 million for investment in screen, bringing public spending to £20 million. Finally on the arts budget, as we go into the year of young people 2018, I was pleased to be able to protect the £9 million for the youth music initiative and meet the commitment to increase funding for Sistema Scotland.

Secondly, I have been able to expand the scope of our external affairs work with funding for additional staffing in Brussels and to develop a new hub in Paris, which will be particularly important as Brexit unfolds. We will also enhance our presence in Canada. I have managed to maintain the £10 million funding for international development and our new £1 million humanitarian aid fund to tackle poverty and inequality and provide immediate and effective assistance to deal with disaster, disease and conflict in some of the world's poorest countries.

Thirdly, Historic Environment Scotland continues to draw in huge numbers of tourists and visitors and has forecast further growth in its income levels for 2018-19. That has allowed it to reduce its reliance on Scottish Government funding, which means that I can deploy valuable resources elsewhere in the portfolio. At the same time, Historic Environment Scotland will see a significant increase in its spending power from the increased income.

Finally, VisitScotland's capital budget will almost quadruple, from £600,000 to £2.25 million. That funding is for investment in modernising key visitor information centres, developing partnership arrangements and improving digital and online information provision. It is also for investment in the Scotland is now project, which will involve the building of a new joint digital infrastructure, which

will act as a shop window for Scotland and combine the marketing activities of VisitScotland, Scottish Enterprise, Scottish Development International and the Scottish Government and so extend the reach and impact of existing operational marketing budgets.

I hope that the committee agrees that that is a positive budget settlement at a time when public funding is under severe pressure. I am happy to answer any questions that members have.

The Deputy Convener: Thank you very much, cabinet secretary. We will approach the questions broadly in the order in which you approached your opening statement, so we will start with questions on the cultural aspects of your brief.

Members of the committee have received correspondence—as you and others will undoubtedly have done—from many organisations in the cultural field that are concerned about the prospect of a loss of funding. As you indicated, you have sought to address that. Given the importance of that core funding for those key creative organisations and the steps that you have taken this year, what assurance can you give about the way in which the Government will approach that in future years?

Fiona Hyslop: The budget settlement is a strong statement by the Scottish Government of our belief in the role of culture in the life of Scotland. The issues and concerns that have arisen in recent times have been related to changes in the level of lottery funding that Creative Scotland receives—40 per cent of its funding comes from lottery funding. Deregulation of the UK lottery has had an impact. Reductions in lottery funding have affected not just my portfolio but areas such as sport. The issue is not new—we have been trying to address it for some time. I initially contacted the UK Government back in March to find out whether it could mitigate the impact of its decisions about deregulation. It has communicated to us what measures it might take, but we do not know whether that will result in increased income from the lottery. We are not responsible for the lottery—it is completely independent of the Scottish Government—but it clearly has a major impact on the cultural life of Scotland.

You asked what we will do to help in the future. Our protection of Creative Scotland's core budget for three years will provide stability for the organisation in making its decisions. Its regular funding cycle—which it is about to embark on—is a three-year cycle. In relation to the loss of lottery income, funding has been identified that I have managed to secure for this year, and for the next three years, should it be required to ensure that we can provide the necessary stability. That means that the decisions that Creative Scotland

takes about which organisations should receive regular funding will be made purely on the merits of their applications. Those artistic decisions will be made independently by Creative Scotland.

I have provided stability, as I have tried to do throughout my tenure as minister. Part of the issue is about having confidence in the sector. People say that Scotland has a confident cultural sector, and I want it to thrive. I think that I have managed to provide stability—assuming that the budget proceeds and is supported by members of the Parliament when they take the final decision on it.

The Deputy Convener: An important part of the cultural sector's creativity is in the area of film and screen. You described the steps that you have taken on that. To what extent is funding for the screen unit coming into your budget from, for example, that of the enterprise agencies in order to support and sustain that work?

Fiona Hyslop: It is a collective Scottish Government budget that has provided the additional £10 million that is going into the screen unit. That is currently sitting in the "Other Arts" line of the budget, but it will be transferred to Creative Scotland. That is a major investment. I explained to the committee on my most recent appearance before it that we expected the blueprint to be ready by the end of the calendar year. That was the case, and I circulated it to the committee. We expect the screen unit to be up and running in time for the new financial year so that we can start to spend the £10 million.

There has been other funding, such as last year's £1.75 million production growth fund, which has been very successful. It will be up and running, too. As you will know if you have read the blueprint, we expect that other agencies will still carry out some of their functions. That is very important. Although Creative Scotland will play the lead role and will recruit high-level, impactful individuals who can help to drive the initiative forward, Scottish Enterprise will still carry out some of the functions that it has in relation to business development and Skills Development Scotland will still provide funding in relation to its activities. Creative Scotland will be the driver as far as the blueprint is concerned.

If you are asking whether £10 million is the be-all and end-all of the funding, the answer is no, because we still have the additional support that has been set out in the blueprint.

10:15

The Deputy Convener: You may be aware that, two weeks ago, members of the committee met Creative Scotland to address the blueprint, but it was not made available to us at the time, although we perhaps expected it to be. This

morning, we asked the witnesses from Creative Scotland for the reasons for that, and they said that they were not in a position to publish the document two weeks ago, which was surprising at the time. They explained the partnership process that they had followed in developing the document, but it appears that the committee was not included in that consultation at the last minute. Was there any reason for the delay in making that available?

Fiona Hyslop: No. I met Creative Scotland on 7 November, when we discussed the blueprint. I was broadly content with it, although I asked it to address some issues that I had with it and to return the blueprint for me to approve. I finally received the blueprint to approve on, I think, the Wednesday evening before members' visit to Creative Scotland. I was at the UK and China Governments' people-to-people event on the Thursday, and I think that I wrote to you on the Friday. I received the final blueprint on the Wednesday evening, approved it, sent it to the committee—as I agreed to do—on the Friday, and I think that it was published for general awareness on the Monday.

The blueprint is available and has been well received. The Scottish screen leadership group, from which the committee has taken evidence, has also been consulted to ensure that the blueprint meets its requirements. The blueprint is in a very good place, and we now have the funding, should the budget be approved, to ensure that we can recruit and take forward this very exciting next stage in screen development.

Mairi Gougeon: In your opening statement, you mentioned the successful year that Historic Environment Scotland has had, with more visitors and additional income. Does that additional income remain with Historic Environment Scotland or is it used more broadly across the portfolio?

Fiona Hyslop: Historic Environment Scotland looks after the properties in care on behalf of the Scottish ministers. Every year, when we agree what its budget will be, we discuss with it its requirements, spend and likely income and reach an agreement as to how much of that income can be retained for reinvestment back into the historic environment and how much can be released to support the wider portfolio interests and wider Government interests if that is required.

This year, Historic Environment Scotland will have an increase in the income that it has available to spend. It needs to spend more because it has more visitors, which obviously means that more provision of basic facilities and so on is required. We are in a very comfortable place with Historic Environment Scotland. It is comfortable with the resource that it has available, which has increased.

Importantly, last year, for the first time ever, I achieved capital investment of £5.6 million, which is an increased figure. I have not only maintained that for a second year but increased it, which the organisation very much appreciates. It is really important that we reinvest in our historic environment. We have big challenges such as climate change and, indeed, footfall, which can have an impact. Therefore, it is very important to reinvest in our estate, and I am pleased with the work of Historic Environment Scotland in that regard.

Mairi Gougeon: Have there been any discussions with Historic Environment Scotland about how it could use those funds to improve the visitor experience by improving accessibility to visitor attractions and by addressing the arrears in building repairs?

Fiona Hyslop: Absolutely. We all want accessibility to improve for all our facilities, although of course, with castles, and particularly some of the very historic ones, that is challenging. Historic Environment Scotland is conscious of the need to make improvements where that is possible. It has carried out a comprehensive asset management exercise, which I am impressed with, and which will be released at the appropriate time. It is looking at how it can systematically work through the repair requirements.

A lot of improving accessibility is about using new technologies to help people's understanding. For example, when I visited Caerlaverock castle in the summer, I learned about some very interesting digital work that is going to be done to enhance that facility, which is part of our commitment to the south of Scotland. That work will enhance visitor experiences and help families get in the habit of visiting with young family members. They will realise that not only are there things at the castle that young people enjoy, but that young people will be able to use the digital as well.

Historic Environment Scotland is cutting edge in so many different ways, whether that is digital or conservation. We should be very proud of its work, and I am very pleased with its investments. I am delighted that we can help it to reinvest.

There will always be challenges—for example, in relation to what property is dealt with and when—but we have to rely on Historic Environment Scotland's judgment.

It is also important that we as a Government are investing in the skills for the historic environment. There was a period when we had 30 modern apprentices in traditional building skills. It is really important to ensure that we have the skills base.

The committee will also know that the Engine Shed in Stirling opened this year. I do not know whether the committee has visited it, but I would

strongly recommend that if you can. It is very much an investment in supporting understanding and awareness of the importance of traditional building skills for Scotland. It is a very good educational resource and it works with sectors such as architecture and the building trades. It is a very good example of our investment in skills and the historic environment sector, and I am delighted that it opened this year.

Mairi Gougeon: That was going to be my next point. When Historic Environment Scotland came to the committee, we asked what it was doing in the area of traditional skills. Has it raised any concerns with you about potential reductions in the Heritage Lottery Fund? I know that my home town of Brechin has been a big beneficiary of that fund, which has had a big impact on lots of other places across Scotland. Have you had those discussions with HES?

Fiona Hyslop: Unlike Creative Scotland, Historic Environment Scotland does not administer National Lottery funding. Obviously however, within the heritage sector there is complementarity. Quite often projects come to fruition because they have a package of investments from Historic Environment Scotland, the Heritage Lottery Fund or other places.

The Heritage Lottery Fund in Scotland deals with funding at amounts of less than £5 million, I understand. The majority of the large-scale investment is on a UK-wide basis. The fund, too, obviously has concerns about the impact of reduced lottery income. Its situation is slightly different from that of Creative Scotland, which, as you will have heard, tends to receive lottery funding for individuals and organisations that deliver something, whereas a lot of Heritage Lottery funding is for capital works, which can obviously be scheduled. I understand that the Heritage Lottery Fund has published what it expects from the National Lottery, and it is downgrading its funding plans from, I believe, £300 million to about £190 million for 2018-19. It anticipates that the reduction in the lottery will have an impact on its funding. I imagine that it does not want to have to claw back grants that it has already made, so it is having to make adjustments. There will almost be a pause while it realigns.

That will have an impact. It means that there is less capital for very important works in Brechin, as in other places. We will obviously work to align with not just Historic Environment Scotland's investment, but also the Heritage Lottery Fund. That organisation is independent and we cannot direct it in any shape or form, but some of the successes that we have had in the past have come about when we have been able to coalesce or align funding from Government, Historic

Environment Scotland and the Heritage Lottery Fund. I cannot speak for the Heritage Lottery Fund, so if you have an interest in that area, the committee might want to contact it directly.

Ross Greer: Cabinet secretary, the bread and butter of the screen sector in Scotland is domestic business but, as Janet Archer mentioned in the previous panel, there is a significant role for international big budget projects; “Outlaw King” was given as a good recent example.

In an answer to a written question that I lodged recently, it was entirely unclear whether the Scottish Government’s North American office plays any role in supporting the industry. Given the geographical nature of that international industry, one would expect a high level of interest in Scotland in being able to attract investment from America. Can you clarify what role the Washington DC office plays in supporting the screen sector?

Fiona Hyslop: When I have visited the US in the past, the North American office has supported me—for example, when I was in Hollywood and I met with Lionsgate and Warner Brothers. We were specifically discussing issues around investment—at that time, I think that it was the King Arthur film that I discussed with Warner Brothers. There is also the aspect of inward investment, so SDI has an interest in some of those areas as well. That is a practical example of what has happened in the past.

Ross Greer: Excellent—thank you. I should say that the written answer was not from you. That was part of my confusion—I was expecting the answer to come from you and I knew that there would be more useful examples.

Fiona Hyslop: Perhaps I should have answered the question.

Ross Greer: It was not your fault at all. I am just trying to clarify things.

Can you explain a little bit about how the budget for the year of young people is being allocated? It is somewhat challenging for us to scrutinise it effectively because—naturally—it is distributed across a number of streams. Can you outline the details?

Fiona Hyslop: It is important that everybody contributes to the year of young people, not just one minister or one portfolio. I have had responsibility for all the themed years—this year is the year of history, heritage and archaeology. Budgets are available for events related to the year of young people and the overall budget is about £3.4 million. We had a debate in Parliament just the other day on the year of young people.

A lot of the budget will go to help support major events. There will also be streams in relation to community activity in particular. There is a lot of

volunteer work; young people want to get engaged with themes such as equalities and some of the issues that are involved there.

It might be helpful to the committee and the rest of the Parliament if I try to bring all that activity together in one place, so that people can see what is being spent where from the different portfolios. I am quite happy to do that. I would not limit your thinking to, “Oh well, it has to be a year of young people budget line in the Scottish Government budget for it to count as spend.” In my portfolio, a lot of work is happening with our national galleries, our collections, and the National Theatre of Scotland, so although it will not necessarily appear in a budget line labelled “year of young people”, everybody has been gearing up for this and the impact of the spend should be quite critical. For the purposes of understanding what is there, however, I will work with Maree Todd, the lead minister for the year of young people, to see whether we can give you a better understanding of what is being spent where.

The year of young people is being well resourced and well supported right across Government, in different portfolios. Right through the year, I am quite keen to show how different portfolios such as justice and health are contributing, because if this year is to be as impactful as we want it to be, it has to change how we do things and mainstream those changes. We want young people to have a central role and we want to raise the profile of what they are doing.

Perhaps we can talk to the committee clerk and the Education and Skills Committee about how we might best present that information to those committees as well as to MSPs more widely.

Ross Greer: That would be very welcome. I will drill down to one specific area that is not about the year of young people but is very timely—the youth experience fund. Previous evidence that we have taken as a committee, which I raised with you the last time that you were here, is that the fund is very welcome but the sector seemed to feel that directing the funding towards secondary schools may prove more beneficial than directing it towards primary schools. That is because they do not have as much of a challenge attracting primary schools to their venues. Has the Government done any further work on that or had any further discussion with the sector?

Fiona Hyslop: I listened to what you said and to the evidence that was provided. I have to consider how we best use that fund. During the experience of the year of young people, we will have a better idea about what works and what has an impact. Also, I hope that some of the things that happen as part of the year of young people may end up being mainstreamed as regular activity by different organisations in relation to how they help young

people access facilities and get access to different experiences.

It is worth taking stock of where we stand during the year of young people to see what has an impact and then ensuring that the youth experience fund has maximum leverage so that it is not just displacing something but adding value through new experiences. The key issue—it comes back to this time and again—is transport. There are a lot of opportunities for young people, and a lot of free and subsidised ticketing and all the rest of it, but if we are really going to tackle the fact that some young people can access culture and other experiences and others cannot, the big issue is transport. If we can find innovative ways to tackle that, it will be one of the legacies of the year of young people.

10:30

Rachael Hamilton: The draft budget mentions the culture strategy. Will you allocate additional resources to take the strategy forward? When might it be published and how did it come about?

Fiona Hyslop: The culture strategy has developed over time and came about when people realised that, as a country, it would be helpful if we had a statement about the importance of culture and what culture means to us. Creative Scotland has responsibility for some aspects of culture, but our national performing companies and others are independent of that process.

We have had quite comprehensive engagement. There have been nine or 10 public sessions on the culture strategy, and I have taken part in numerous sessions. There have also been bespoke sessions, where people have shared their views. We have come to the end of the first phase of engagement and are beginning to bring forward something that we can consult on. I want the strategy to be developed by and for Scotland; this is not the Government saying, “This is the state view of culture.” The culture sector will determine the speed at which the strategy is developed. The statement in the budget will give people more confidence that they can plan for a stable future and be ambitious about what they want from culture.

On resourcing, there is not a budget line that says “Culture strategy”, as if some additional resource will come for the strategy. Instead, what has been a very good settlement will enable people then to identify what matters to Scotland. What are our priorities? Is it young people? Is it access? Is it geography? Is it traditional or is it modern? People’s views about what matters to them can help to shape the distribution of resources in future.

It is a collective process, so it would be wrong to predetermine it. There is not a specific budget line that we can point to and say that the culture strategy will leverage in extra resource. However, if we can set the strategy out clearly and comprehensively, and give it a clear direction, it can help to ensure that we see the contribution that culture makes in other areas, such as health or justice. Not all culture spend sits in my portfolio. Cashback for creativity, for example, has had a big impact. Although we benefit from it, it comes out of the justice provision. One of the big things that we can get from the culture strategy is a clear articulation of how culture has an impact in all areas and not just what is the traditional responsibility of the culture portfolio.

Rachael Hamilton: Can you give us more detail on the rural tourism infrastructure fund that is mentioned in the budget?

Fiona Hyslop: To an extent, yes. I am delighted that we have got the funding for that. We want to ensure that facilities are available across Scotland. Working with partners, we will identify the key areas that will need support. It will be basic stuff, such as parking and toilets, to help pressured areas in particular. I have recently had correspondence from the leader of Highland Council expressing its interest. I have asked my officials to put a scheme in place so that we can move swiftly to deploy investment. Some of the funding is in the major events line at the moment. It is important that that is identified as tourism capital. We have not really had a tourism capital fund before, which is why it is not as clear in the budget as it might have been. I would like to see that changed in a future revision, which would help the committee and others to identify where tourism capital funding is.

Rachael Hamilton: You mentioned the capital funding in the rural development fund, which I think is £1.8 million. Part of that is for the Ayrshire coastal path and part of it is for the south of Scotland. Is that part of the rural tourism infrastructure fund?

Fiona Hyslop: No. The new rural tourism infrastructure fund is to help in pressured areas. There is also half a million pounds for the south of Scotland to help with tourism. We are, as you would expect, working with local partners on things such as adventure and forestry tourism and additional international promotion.

There is also an element of funding for the Ayrshire coastal path, which will help in the Ayrshire councils’ areas. We are also working with local partners on that; collectively, the councils in the area asked us to develop that with them. That funding, too, is additional to the funding that is available through the rural infrastructure fund.

Rachael Hamilton: Finally, who will drive the fund? Will local authorities be responsible for allocating that Scottish Government money?

Fiona Hyslop: Councils will be key partners in what we are doing, as will Highlands and Islands Enterprise and the new south of Scotland enterprise body. The work will be done through co-ordination and agreement with them, and we are likely to establish a group of key individuals to help us to determine which projects can go ahead. However, we will certainly involve the councils.

Rachael Hamilton: Thank you.

Kate Forbes: I, too, welcome the commitment to moving quickly on the tourism infrastructure development fund.

I note a very welcome 275 per cent increase in VisitScotland's capital budget for maintaining and upgrading visitor information centres. Can you sketch out for us a little bit more VisitScotland's capital priorities, particularly in the light of recent announcements about closing some centres and moving things in-house?

Fiona Hyslop: Obviously VisitScotland can answer for itself on its programme and priorities, but part of our guidance is that we expect it to market and promote Scotland through its digital activity. As I have said, there has never really been a capital line for tourism in the budget, which is why I have highlighted the rural infrastructure fund, the south of Scotland fund and the funding for the Ayrshire coastal path. Moreover, there is, for the first time, funding available to help with delivery models in order to harness the marketing that is carried out by all the different agencies more effectively and efficiently, and to get better value from existing operational budgets.

With regard to deployment, the fact is that VisitScotland needs to refresh some of its visitor information centres. There has been a 58 per cent reduction in footfall, as well as a big reduction in the number of people booking accommodation through VisitScotland premises. That is why it is changing the way it operates: it needs to rely more on a digital platform to support between 1,400 and 1,600 visitor information partnerships. For example, people will be able to access information that they would previously have got from a VisitScotland office through Historic Environment Scotland or the extensive range of other partners in an area. We should look at some of the responses to this. For example—Kate Forbes will know more about this than I do—the community in Lochinver took over what is being said about the area and promoted. The information is still available. The investment that Kate Forbes referred to is to support digital online activity that underpins all that.

Kate Forbes: That is quite impressive. Obviously, responsibility for developing digital connectivity lies with your colleague, the Cabinet Secretary for the Rural Economy and Connectivity. How are you working with him to roll out digital across Scotland, particularly in rural areas, and to assist businesses in the tourism industry in harnessing and developing their digital capability? For example, one of this year's priorities was to develop a tourism app for the A9 corridor. What do the priorities look like for the coming year, and in what ways are you working with Fergus Ewing to develop the digital agenda?

Fiona Hyslop: Actually, all ministers are responsible for digital, and are all to some degree carrying out the Scottish Government's digital programme. I am responsible for certain inclusion issues, in that respect.

The impact of digital is considerable. By the end of 2017, we will have 95 per cent roll-out of fibre broadband, which is very important. This week's announcement of £600 million to provide speeds of 30 megabits per second is a big development. What does that mean? It means that more people will be able to transact. We are living in a world with new markets, including millennials and those who travel to Scotland for adventure tourism. Furthermore, Rough Guides says that Scotland is the most beautiful country in the world so, internationally, a lot of people will want to make bookings online to come here. Unfortunately, to date, not as many people have been transacting digitally as could—and should—do so, which might be because of broadband speeds or accessibility issues.

We are co-ordinating the digital tourism Scotland programme with VisitScotland and the enterprise companies. Ayrshire will be a key focus of the activity. There will be an intensive period of training and support for companies, whether they be small hotels, bed and breakfasts or other tourism businesses that are not transacting online, to encourage them to do so. That should increase the figures.

I think that I have shared this information with the committee before, but I was quite shocked to learn that, in previous years, 60 per cent of those who were advertising on VisitScotland's website were not transacting digitally. That figure has fallen to 50 per cent. Furthermore, we have seen a big change over the summer, because the roll-out programme means that more people have broadband access that enables them to transact digitally. However, many of them are so busy over the summer running their businesses that they have not been able to do the training sessions. Therefore, we are working with the Scottish Tourism Alliance and VisitScotland to ensure that, over the quieter period, training sessions are in

place to help people to learn how to transact online.

I convene a high-level tourism working group. It comprises the Scottish Tourism Alliance, VisitScotland, Scottish Enterprise and Highlands and Islands Enterprise, and we will be joined by the south of Scotland enterprise body when it is established. I have made digital tourism a key issue that we keep coming back to.

There is a journey to go on, but we are well on the way to helping to deliver that digital work.

Richard Lochhead: I congratulate the cabinet secretary on securing a good settlement for her portfolio. I am sure that the negotiations were very tough.

This would not be a meeting of this committee if we did not discuss Brexit. Will you comment on the implications of Brexit for your budget? How fleet of foot might you have to be, moving forward?

Fiona Hyslop: I thought that we were going to get through the meeting without discussing Brexit, so thank you for that. A lot of what we are dealing with is unknown. Some of the impact will be about how we as a Government deal with the day-to-day issues within the resources that we have. Therefore, the Government's overall protection of the administration budget has been very important in making sure that we have the resource and the skilled people to deal with the issues as they arise, particularly in relation to the potential frameworks and future trading as we go into phase 2.

On presence, capability and reach, the Cabinet Secretary for Rural Economy and Connectivity has announced an expansion of the number of Scottish Development International resource staff in Europe. Again, that comes within his portfolio, not mine, but it is a signal of our long-term intent to have more intensive activity on the ground to support businesses in Europe.

We have established our innovation investment hub in Dublin, and the budget will allow for, I think, four more members of staff in the Brussels hub, which will support our resources there. We will open the Berlin hub, which will help our trade investment, as well as tourism—Germany is a major source of tourism for Scotland. Furthermore, the budget will help us to support the Paris hub. That funding will allow us to bring together and align better our Government deployment, whether it is in trade and industry, government or other areas.

That investment partly explains the expansion of the external affairs budget line. Some of the investment is about having people in place in capitals in Europe in particular and some is the resource that is available domestically to support that. However, there is also funding in the budget

for development of engagement with Canada. We want to make sure that we are expanding in Canada, too, so we are putting in a bit more resource there.

The Government will increasingly focus on international trade. That will include the practical delivery of the policy and supporting those who are seeking more business. However, there is also the operational aspect of how we prepare for Brexit.

Karen Watt might have something to add.

10:45

Karen Watt (Scottish Government): Yes. The fundamental point is that, with the retention of the resource element of the administration budget for the Scottish Government at £179.5 million, that is the envelope that we are working within across the Government.

Of course, every portfolio—not just the portfolio that we are discussing—is affected by Brexit, and our general approach in the portfolio and elsewhere has been to look at what assessments and preparations we can make for whatever outcome we face. That is part of the challenge in this portfolio and in other portfolios in trying to work through how Brexit might be effected. We are therefore looking at a range of scenarios, and we are constantly reviewing where our resources are and whether we have the right skills and requirements in place.

At this point, I think that we have the right levels of staffing and resources in the portfolio. We are investing in our overseas offices and our hubs in order to have people on the ground, and we are being quite resourceful in bringing in experts. We have people seconded from the University of Edinburgh, for example, the experts in the standing council on Europe, which the First Minister, the cabinet secretary and others can turn to, and a raft of external stakeholders whom we work with. Therefore, there is a mixed economy of people in post overseas and domestically and a raft of external experts who help us to look at the issues that we face.

Richard Lochhead: I want to ask about Scotland house and how you envisage its role being resourced moving forward with Brexit. I think that you said that four extra staff will be located in Scotland house. It has been reported that, during the Brexit transition period, the UK will not be represented in the European councils or in the taking of decisions on fish quotas, for instance. That means that the role of Scotland house and, indeed, the role of domestic civil servants in the fisheries section will be influenced. What will the four staff focus on?

Karen Watt: There is additional resource for a resident director post, so we have now put a director into Brussels. We also have other administrative and policy experts who will be in there.

The overall objective is to protect Scotland's interests in the round, to ensure that Scotland's voice is heard and to be more visible in key portfolios. You mentioned fisheries, but there are a range of portfolios including the justice and agriculture portfolios. By investing in the office and transforming it slightly into a hub that will bring together Scottish Government interests more generally, we aim to be more influential in the corridors of Brussels and to feed back on an ongoing basis more useful intelligence about what is happening. As you know, Brussels works through networks and contacts. By having a more senior presence and an enhanced staffing complement, we will be able to do more of that.

Stuart McMillan: Good morning, cabinet secretary. Your letter of 14 December was helpful, and I have a couple of questions about it. In that letter, you set out the benefits of the single market and, crucially, the impact of choosing not to be in it. Can you provide information on the analysis of the economic impact of Brexit that the Scottish Government has undertaken?

Fiona Hyslop: We will make public further analysis at some point in the new year, which will help the committee. I place on record my thanks to the committee for doing fantastic work in its various Brexit inquiries. It has provided a useful analysis, which has helped the Parliament and the country.

The letter that I wrote to the committee refers to the Fraser of Allander institute's forecast that

"Brexit will cost our economy around £11 billion a year by 2030, and result in around 80,000 fewer jobs, compared to remaining a member of the EU."

We do not know what Brexit will look like, but we are very clear that membership of the single market and the customs union is the preferable, least-worst option in respect of the negative impact from where we might be. It is important for us all to be vigilant and to set out what that would look like, particularly in the area for which we are responsible, whether that be tourism or the creative industries. We must be vigilant and set out decisions and options.

We are moving into a period when businesses will be making decisions without certainty about a transition—a steady-state transition is desirable—or what the Brexit deal will be. There are still many questions about that and I am not in a position to make a forecast. We must ensure that we are equipped to provide the country with an analysis, and we will do that. I cannot release that

information just now, but it will be available to you in the new year.

Stuart McMillan: Your letter also highlights EU funding up to 2020. Has the Scottish Government received the appropriate clarifications from the UK Government about the EU funding commitments that are contained in the joint report?

Fiona Hyslop: I am happy to be corrected, but we have yet to see what funding there will be to substitute in all the different areas that we are concerned with. In this portfolio, for example, it will be creative Europe funding, and in others it will be horizon 2020 funding. I sincerely hope that we can continue to be members of programmes such as Erasmus and horizon 2020 in some shape or form.

Obviously, there are other areas that are not my responsibility. For example, there are subsidies available to our farmers under the common agricultural policy and there is, as yet, no indication about what funding will be applied instead of those or how it will be applied. Perhaps some further information is available.

Karen Watt: I would simply add that, in the UK budget, the chancellor announced that he is setting aside £3 billion for EU exit preparations. There was discussion about how that money will be spent and what it might mean for a range of programmes and other activities.

Stuart McMillan: You mentioned the hub in Berlin. Is there any indication of when that will open?

Fiona Hyslop: Recruitment is now finalised, so we will make an announcement about the opening shortly.

The Deputy Convener: Thank you. If there are no other questions from members, I will finish with a relatively technical question.

Fiona Hyslop: Oh, thank you very much.

The Deputy Convener: I am sure that you have the appropriate expertise around you as well as at your own hand.

In a number of recent years, there has been a consistent underspend in the external affairs budget. The underspend has been only £1 million or so, but, nonetheless, that raises the question of how confident you are that the adjusted figure for the current year will be fully spent and in your projections.

Fiona Hyslop: It is an area in which the committee has shown consistent interest in various budgets. Some of what we do in external affairs is reactive, particularly around what can or should be spent on incoming and outgoing visits. There are also issues around humanitarian spend and whether that is made or not made. In this year's programme for government, we have tried

to consolidate humanitarian aid so that there is actually a fund. You recently had Alasdair Allan before you to go through how that fund operates. That should provide a bit more predictability.

When resources are tight, the fact that there is a budget does not mean that all of it has to be spent. It is important to spend only what is necessary. Some flexibility is required, particularly in an area such as external affairs, which might be a bit more reactive than others.

Most of my budget goes out immediately in grant in aid to VisitScotland, Historic Environment Scotland and so on, and it is very much front facing. However, some of it has to be a bit more flexible. We know that the committee keeps a close eye on it, and we will keep you in touch with it. *[Interruption.]*

I am sorry, convener, but I am losing my voice. I was not at the Christmas party last night—this is genuine illness.

If there is anything of a more technical nature that you need us to respond to, I am happy to do so in correspondence.

The Deputy Convener: That is thoughtful. I am disappointed that neither of your two officials is able to offer you a cough sweet for the occasion. I know that it is a tradition elsewhere.

Since I landed you with a technical question there, I will ask one policy question to finish. The trade negotiations will be relevant to many aspects of your budget and many of the things that we have discussed today because of the crossover between culture, trade, external affairs and so on. Have you had any indication from the UK Government of what role you and your colleagues will play in putting forward those trade negotiation positions?

Fiona Hyslop: Michael Russell is the minister responsible for leading on the Brexit negotiations, and we have had no indication as yet. The person with whom we have had dialogue on devolved matters was the former first secretary, Damian Green, so we will have to reassess our relationship with the UK Government and who will lead for it in those discussions as we go forward. I have nothing to add to that at the moment.

The Deputy Convener: Cabinet secretary, I appreciate your persistence in getting through all our questions—thank you. I also thank your officials.

Fiona Hyslop: I wish the committee a happy Christmas and a restful new year.

The Deputy Convener: Thank you. On behalf of the committee, I wish the cabinet secretary, her officials and all those here today a fantastic Christmas break and a good new year. At what

might be my last meeting as the deputy convener, I thank the clerks, all my colleagues and all the Parliament staff who have supported the work of the committee over the past 18 months. I also thank the Government for giving so much evidence as required.

10:56

Meeting continued in private until 11:09.

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