OFFICIAL REPORT
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Culture, Tourism, Europe and External Affairs Committee

Thursday 1 November 2018

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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
27th Meeting 2018, Session 5

CONVENER

*Joan McAlpine (South Scotland) (SNP)

DEPUTY CONVENER

*Claire Baker (Mid Scotland and Fife) (Lab)

COMMITTEE MEMBERS

*Annabelle Ewing (Cowdenbeath) (SNP)
*Kenneth Gibson (Cunninghame North) (SNP)
Jamie Greene (West Scotland) (Con)
*Ross Greer (West Scotland) (Green)
*Stuart McMillan (Greenock and Inverclyde) (SNP)
*Tavish Scott (Shetland Islands) (LD)
*Alexander Stewart (Mid Scotland and Fife) (Con)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Professor Alan Manning (Migration Advisory Committee)
Iain Munro (Creative Scotland)
Robert Wilson (Creative Scotland)

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 1 November 2018

[The Convener opened the meeting at 08:45]

Immigration Inquiry

The Convener (Joan McAlpine): Good morning and welcome to the Culture, Tourism, Europe and External Affairs Committee's 27th meeting in 2018. I remind members and the public to turn off their mobile phones. Any member who uses an electronic device to access committee papers during the meeting should please ensure that it is set to silent.

Agenda item 1 is an evidence session for the committee's inquiry into immigration. We will hear from the Migration Advisory Committee's chair, Professor Alan Manning, via videoconference. I welcome Professor Manning. Good morning—can you hear me?

Professor Alan Manning (Migration Advisory Committee): Good morning. I can hear you—can you hear me?

The Convener: Yes. I will focus on one of the headlines from your committee's report on migration. You proposed restricting the low-skilled migration route, so that European Economic Area citizens would apply through the tier 2 visa system in the future. That would rule out 75 per cent of current EEA migrants. Applying the salary threshold of £30,000 for migrants would severely restrict the number of people who could come to the United Kingdom and to Scotland in particular.

On the £30,000 salary threshold, you propose to include 142 new medium-skilled jobs in the umbrella of the tier 2 visa. What percentage of those jobs in Scotland would meet the salary threshold?

Professor Manning: You raised a number of questions. Would you like me to take the last one first?

The Convener: Yes—or whatever you feel is best.

Professor Manning: To take the first point, we proposed looking carefully at whether a lower-skilled migration route is needed. It is a little misleading to say that the proposal would mean that 75 per cent of existing migrants would not be eligible to be here, because the existing stock would remain. The proposal should be seen as restricting the future flow, rather than influencing the current stock.

Even in the absence of an explicit lower-skilled work route, there are always quite substantial flows of lower-skilled migrants through other routes, such as the family route. For most non-European Union migrants, there is no explicit lower-skilled migration route, but quite a lot of non-EU migrants are in lower-skilled work. I accept that our proposal would restrict the future flow, but it should not be seen as threatening people who are already here.

Our view on why the £30,000 threshold is appropriate is that, first, the figure is close to median earnings in the UK as a whole and in Scotland. Any migrant whose salary was below median full-time earnings would, in a little way, make the UK or Scotland a lower-wage economy, which is not our vision for the future.

You are correct, convener, in saying that the medium-skilled occupations to which we propose extending the current tier 2 will find it harder to meet the salary thresholds. In Scotland, something like 52 per cent of jobs at levels 4 and 5—the upper medium-skilled jobs—pay more than £30,000. For the lower medium-skilled jobs, the proportion is 36 per cent. Those proportions are very close to the national averages.

Although there is a bit more of a stretch for jobs in such sectors, we think that the approach is appropriate, because the reason for wanting to allow migrants to enter those jobs is to alleviate potential problems with skills shortages, and if there are skills shortages we think it appropriate that there be upward pressure on wages in those sectors. We see the salary thresholds as helping to ensure that.

The Convener: Thank you for that answer. You talk about the UK as a whole, but the median salary for a worker in Scotland is less than the UK average. During this committee's immigration inquiry, several employers said that the £30,000 threshold is far too high. Do you acknowledge the regional variations across the UK?

Professor Manning: We looked at the regional variations. The most recent figures on median full-time annual earnings were published a week or so ago and relate to April of this year. I think that the difference between the UK average and the Scottish average is a few hundred pounds, on a base of slightly less than £30,000. The median level of earnings in Scotland is not very different from the UK average.

That is one of the reasons why we did not think that the regional differences in earnings were sufficiently large to justify different salary thresholds in different parts of the UK. We looked at the question and thought that, if one was to go

down the route of regional differentiation, it is much more likely that there would be higher salary thresholds for London and south-east England than that there would be a lower salary threshold for Scotland.

The Convener: Businesses also told this committee that there is no obvious ready supply of local, UK-born workers to fill low-skilled and medium-skilled roles. Where do you suggest that such workers come from, given what businesses are telling us?

Professor Manning: Individual businesses sometimes see migration as a solution to shortages and difficulties with recruitment, but the evidence—when one looks at the economy as a whole—is that that is not really effective.

Let me give an example. An employer who has a vacancy at the moment will naturally think, "If I hire a migrant, I will have solved the shortage issue." However, that migrant earns money and spends money, and when they do so they create demand for labour elsewhere in the economy, so really all that happens is that one shuffles shortages around the economy.

The evidence that we considered suggests that migration into an economy adds to labour supply and labour demand in roughly equal balance, which is why it does not really alter the balance between labour demand and labour supply.

The Convener: Oxford Economics said that if your recommendations are implemented and there are fewer EU workers as a result, we might have to have tax rises to compensate for the loss of the money that EU workers currently put into the economy. Is Oxford Economics wrong in that regard?

Professor Manning: No, I do not think that it is wrong. We commissioned Oxford Economics to do some work for our report, which makes clear that, at the moment, EEA migrants as a whole are paying more in taxes than they are receiving in benefits or public services. However, that does not mean that every one of those migrants is contributing more in taxes than they are receiving.

Under our proposals, we think that the contribution would be even more positive. We think that, if the changes that we propose are made correctly, the public finances would improve. I do not want to exaggerate the likely benefits, but the public finances would not get worse, because one is being more selective about migrants and, if one selects in part on earnings, one is selecting for people who generally pay higher taxes.

The Convener: I want to press you on that. Oxford Economics has said that tax rises may be necessary to compensate for the disproportionately high contribution that EEA nationals make to the UK finances. Is Oxford Economics wrong?

Professor Manning: That does not distinguish between different types of EEA nationals, and there is a huge difference between—

The Convener: It is about EEA nationals overall.

Professor Manning: Overall, they pay more currently, but our proposal is not to restrict all of them; it is to shift towards the more highly skilled. Since 2004, EEA migration has predominantly been into lower-skilled employment, and that now accounts for about 60 per cent of EEA migrants. The work that we commissioned from Oxford Economics suggested that the 60 per cent of EEA migrants who come from the accession countries contribute only 6 per cent of the total surplus of all EEA migrants, and some of those accession migrants will be highly skilled. Therefore, if we restrict lower-skilled migration, that will improve the public finances.

Claire Baker (Mid Scotland and Fife) (Lab): I have questions on regional variation in the immigration system, which the MAC considered. In a debate on the issue in Parliament at the start of the year, there was broad agreement across the chamber. All the political parties were in a different place on the scale, but there was support for a coherent UK immigration policy that allowed for regional variations to respond to Scotland's sectoral needs, declining birthrate and elderly population.

However, the MAC has ruled that out and suggested that it is not possible. One comment suggests that it would be a political decision rather than an economic one. However, the consensus in the Parliament, with all parties committed to a degree of variation, showed that it is a response to our economic and demographic situation rather than a political choice. Will you explain your committee's thinking behind that?

Professor Manning: The issue that we saw as being for a political decision was whether immigration should be devolved or reserved. We do not express any view on that one way or the other—we had no view in favour of the status quo or of immigration becoming a devolved matter. Even within the current system, it is obviously possible to have a degree of regional differentiation, and there is already a separate Scottish shortage occupation list, although the differences are relatively small.

Our argument was that the economic case for having a distinctively Scottish migration policy was not particularly strong. You mentioned the demographic issues, for example—

Claire Baker: I am sorry to interrupt but, although you did not think that there was an argument for a specific Scottish policy, you recognise that Wales and the north of England have similar issues to those in Scotland. Did the committee consider a variation model across the UK that would meet the needs of not just Scotland but other areas and which would be a proper regional system, with a degree of flexibility for regional needs?

Professor Manning: The issue that comes up here, which is not unique to migration policy—the national minimum wage is a similar issue—is that there is a trade-off between having a system that is relatively simple and easy to understand and dealing with differing economic needs. One complaint that many employers make about the current system is about how complex it is. Obviously, regional differentiation would introduce a new level of complexity into the system. Our view is that the regional differences are not so large as to justify having a regionally differentiated policy. If there was to be one, the policy for London and the south-east would be different from that for everywhere else.

Let us imagine that it is easier to migrate into some parts of the UK than it is to migrate into the others. One of the issues with a regional migration policy is whether those migrants stay in the long run. If they do not, you would not be addressing the demographic problem that you had hoped to solve.

Canada and Australia have region-specific visas. The evidence on the success of those schemes is a bit mixed. The remotest parts of Canada struggle to retain immigrants who enter under regional visas.

09:00

Claire Baker: Did you look in detail at the Canadian system? It is held up as an example of a national immigration policy that contains regional variations.

Another issue is that the proposals focus very much on work visas, which can be short term. An issue that we have with those who come in on a visa is encouraging them to settle in Scotland, become part of our society and continue to live here. I am not convinced that the proposed system would give people that long-term settlement option; rather, the model focuses on the immediate economic needs, and once those are served by those who are allowed to come, their time is up.

Professor Manning: The tier 2 work permit system has a path to settlement. It is possible for migrants to come under that scheme and, after a number of years and meeting certain criteria, attain indefinite leave to remain and eventually citizenship. That system is fairly common around the world. I would not describe it as a work immigration system that is primarily temporary in nature.

We have looked at the Canadian system. The most interesting part is looking at how successful different parts of Canada have been in retaining medium and longer-term migrants who come under regional visas. As I said, areas such as the Atlantic provinces manage to retain only about 40 per cent of migrants who enter under those schemes. It is not an effective way of preventing, for example, depopulation there.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, professor. Has the MAC done any modelling on the likely impact of its proposals on future patterns of migration in Scotland?

Professor Manning: We have not produced estimates of what we think the consequences would be on migration flows in Scotland or in the UK as a whole. We think that it is more important to ensure that the migrants who come to the UK are providing value—those are the ones that we would like to have. We are not so concerned about what the actual numbers are. Those numbers can be extremely volatile, because they are influenced not just by UK migration policy but by economic circumstances in other parts of the world and how the UK economy is doing.

Stuart McMillan: That is an interesting answer, particularly your comments about the numbers.

Have you ever heard of a location called Inverclyde?

Professor Manning: Sorry?

Stuart McMillan: Have you ever heard of a place, or a local authority area, called Inverclyde in Scotland?

Professor Manning: My guess is that it would be close to the Clyde, but I would not be able to locate it exactly on a map.

Stuart McMillan: Given your comments a few moments ago, it is really important that I highlight some numbers for you. Between 1997 and 2017, Inverclyde's population has decreased by 8.9 per cent, while Scotland's population has increased by 6.7 per cent. During that period, the 25 to 34 age group has decreased by 28.6 per cent and the 75-plus age group has increased by 20.9 per cent. For the 2016 to 2026 period, it is projected that Inverclyde's population will decrease by 3.8 per cent, while Scotland's population will increase by 3.2 per cent. My final point is on the population projections for the age categories. Between 2016 and 2026, the 16 to 24 age group will decrease by

13.2 per cent, but the 75-plus group will increase by 20.8 per cent.

Where are we going to get the people to work in the social care sector and deal with our ageing population?

Professor Manning: The area that you are describing sounds like one that used to have quite a lot of heavy industry and those industries are not doing so well at the moment. I am not sure whether that is accurate in relation to Inverclyde.

The problem with asking whether migration is a solution to Inverclyde's problems is that the reasons why people are leaving Inverclyde will also apply to migrants. An area may be able to recruit migrants to work in social care in the short run, but it is likely that they will, as soon as they have the freedom to do so, leave for better economic opportunities elsewhere. Canada's live-in caregiver programme, which has some similarities, although it is not identical, has had some of those problems. It offers a specific social care visa, but after 10 years, only 10 per cent of the people who came in through that route were still working in social care, because the fundamental problem is that working in social care is not very attractive.

Social care faces some very serious problems, and the MAC is not convinced that migration is the solution. The answer is much more about ensuring that social care jobs have attractive terms and conditions that appeal to UK residents and migrants alike. That means solving the financing problems. I am not saying that they are easy problems to solve; that is simply our view on social care.

Stuart McMillan: In Scotland, 25 local authority areas are experiencing negative natural change, out of 32 local authorities. We have an ageing population and people will move between different authorities—we all agree and accept that reality—but the population has reduced in 25 local authorities. People have to come from somewhere to work in the social care sector—although it is just one example—across Scotland and not just in areas where there is a population increase. Where are they going to come from?

Professor Manning: Our view is that there are plenty of domestic workers—current residents—who are capable of working in the social care sector. However, those people think that they have better opportunities elsewhere because the terms and conditions in social care are very unattractive.

I go back to the point that an area might be able to recruit migrants to plug those gaps in the short term, but unless we address the underlying and fundamental cause of the problems, they will not be solved in the medium to long term.

I described the Canadian system and the problems that it ran into, which resulted in the programme being closed to new entrants in the spring. Canada does not have a problem with an ageing population; it has a problem with social care, as do many countries, and the scheme was not very successful in addressing the problem.

Stuart McMillan: People who work in the sector have a special skill set and businesses have to train people to get them into work in the sector. I accept that the problem cannot be solved by migration on its own. However, at the same time, we want to ensure that people who go into the sector have the relevant skill set. Consider the difference between people whom it would take some time to train to get the skills, and people who already have the skills and could go to work in the sector immediately.

I gave the example of my local authority area to show how acute the issue is. I have not heard anything from you that would provide a solution that would help my local authority or other local authorities in Scotland.

Professor Manning: The role of care assistant is the biggest occupation in social care. Employers do not require a person to have done much training before employing them at the moment, and a very big fraction of care assistants are paid the minimum wage. There are arguments made that there should be more training, but training costs money and the sector is short of money. At the moment, training is not an issue for the bulk of employment in the sector.

Migration is not an effective way to solve the problem. If, for example, we consider whether free movement is a solution to social care's problems, we see that social care has a lower share of EU migrants in its workforce than the economy as a whole has. The same is true of the national health service. If you are worried about social care, you should note that our existing migration system is not an effective way to solve its problems.

We flagged up social care as being a lower-skilled sector that we are concerned about. Migration might provide a short-term fix, but it is not a medium-term or long-term solution.

The Convener: You have mentioned on a couple of occasions the situation in Canada, and suggested that your inquiries showed that the regional variation did not work. As you know, our committee conducted its own immigration inquiry, in which we were advised by Dr Eve Hepburn of the University of Edinburgh. She pointed to a Canadian Government evaluation of its regional migration scheme that used income tax returns to find out where people stayed. It found that 82 per cent of migrants stayed in the region to which they were originally allocated. Was your research on

Canada more in-depth than the Canadian Government's research?

Professor Manning: In the Canadian Government research that I am aware of, there were big differences in retention rates across Canada as a whole and in the provinces. In parts of Canada that are doing well economically—for example Ontario, British Columbia and Manitoba—there were very high retention rates, but in the Atlantic provinces, which have more remote communities and bigger geographic challenges, retention rates were much lower, but those are the areas that migration was supposed to help.

The Convener: I am sorry to interrupt. I accept your point that there are variations in retention rates, but according to the Canadian Government research that we have, the Atlantic region that you mentioned has the lowest retention rate, but it is still 56 per cent. I would have that where there are challenges a 56 per cent retention rate would be rather good.

Professor Manning: I am not sure that we are on the same page. The time horizon over which that 56 per cent is retained makes a bit of a difference.

When I first started talking about it, I described the evidence as mixed. We are not convinced that migration is a particularly effective solution to the problem of depopulation. The roots of depopulation are economic disadvantage and so on, so the policies that are used to reduce regional inequalities should be much more about addressing economic disadvantage. There is a danger that migration might be used as a way of avoiding addressing the fundamental causes of regional inequalities.

Annabelle Ewing (Cowdenbeath) (SNP): I note that all the members of the Migration Advisory Committee are drawn from one nation of the UK—England. Can you clarify why?

09:15

Professor Manning: The application process is open to people from all parts of the UK and there is a process to select the most suitable candidates. It is not the case that members are thought of as representing a particular geographical constituency. I think that it would not be appropriate for the MAC to have members who represent particular constituencies.

We make a lot of effort to make sure that we come to Scotland, Northern Ireland, Wales and the other regions of the UK so that we have an accurate picture of what people feel about migration in all parts of the UK.

Annabelle Ewing: Scotland is not a region of the UK; it is a nation.

In drawing up your report, what modelling, if any, was carried out vis-à-vis Scotland, to inform your recommendations?

Professor Manning: The Scotland-specific aspects were discussed more in the interim update that we published in March than in the final report that we published in September. Many of the issues in Scotland are issues in the rest of the UK, because—

Annabelle Ewing: I am sorry to interrupt. That might be your assessment, but did you carry out modelling specifically for Scotland, given the particular issues that we face in the context of the powers of the devolved Government? For example, I am thinking about the need to pursue economic growth by using our devolved income tax powers, which is why I asked whether there was modelling that specifically reflected the Scottish position.

Professor Manning: We analysed, for example, the impact of salary thresholds in different parts of the UK, including Scotland. We also looked at the demographic projections for different parts of the UK. We have not done an assessment of how different migration policies would affect the fiscal position of the Scottish Government, specifically.

Annabelle Ewing: That raises a question about the validity of your conclusions, as far as Scotland is concerned, given the key importance of the issues that I mentioned.

You argued that one way to address Scotland's demographic challenges might be to increase the pension age. What pension age do you suggest?

Professor Manning: We did not propose an increase in the state pension age. We showed what would happen to the dependency ratio under the proposals for increases in the state pension age that are currently Government policy. The point that we were trying to make was simply that policies to increase the state pension age—which are already in place—are more effective than migration in changing the dependency ratio.

Annabelle Ewing: Did you model an increase in the state pension age beyond 67 years?

Professor Manning: I think that the current proposal is for the state pension age to rise to 68, over quite a long period. I cannot give you exact dates. In looking at projections for 20 years out, as we have been doing using Office for National Statistics projections, that is what is proposed.

Annabelle Ewing: The suggestion that Scotland's demographic challenges could be met by increasing the state pension age to some

unspecified age has been met with incredulity quite widely across Scotland, on the basis that such increases would be unsustainable.

I know that other members want to ask questions, so this is my final question. I think that you said in response to an earlier question that if it were considered appropriate to have regional variations in the approach, such variations would be reflected in London and the south-east—it is in those areas that a differentiated approach would be appropriate. In light of the questions that I just asked and the answers that you gave, I put it to you that what you have come up with is a policy for London and the south-east, which does not reflect the interests of Scotland, as far as this Parliament is concerned.

Professor Manning: I do not quite understand why you would say that. Will you elaborate on how you think that our proposals do that?

Annabelle Ewing: You have just accepted that you did not carry out any specific modelling reflecting the particular position of Scotland, including this Parliament's current taxation powers—a key issue. Absent such an analysis, the report does not reflect what we need to see in Scotland. Rather, it seems simply to reflect the interests of elsewhere in the UK—specifically, London and the south-east.

Professor Manning: I do not accept that. Just as we did not do any specific modelling of the situation in Scotland, we did not do any specific modelling of the situation in London and the south-east. When it comes to the fiscal impacts of the changes that we propose, I would be surprised if Scotland was very different from the rest of the UK, because its actual economic situation is really quite close to the UK average. It would be wrong to assume that you would get very different answers if you took our proposals about the impacts on the public finances and applied them to Scotland.

Annabelle Ewing: Thank you.

Ross Greer (West Scotland) (Green): I have been really frustrated by this debate, because it is being conducted purely in narrow economic terms. We are not talking about units of labour; we are talking about people, who are so much more than their net economic contribution.

What evaluation have you made of the system changes that would be required to implement the policy changes in your recommendations? For example, the proposed changes to tier 2 are considerable; a far larger number of people would be involved than are involved at present. The Home Office is not famous for its efficiency and accuracy, or the robustness of the systems that it currently employs—some people wait three years or more for a decision. Did you undertake any evaluation of how long it would take the Home Office to grow its capacity and change and improve its systems in order to be able to implement the recommendations?

Professor Manning: As a committee we are not expert in and do not generally get involved in such operational issues. However, it would be naive of us to be completely unaware of them. Part of our proposal was that the tier 2 system would bear a much greater burden under the future system that we propose than it bears currently. There are concerns about how fit for purpose some aspects of the operation of the current system are. We are very serious when we say that the Home Office really needs to engage much more with users of the system—it does not seem to do that much at the moment—to make sure that it is fit for purpose. However, our proposals are based on the assumption that the Home Office is capable of operating a system that is efficient, transparent and fair.

Ross Greer: Will you explain a bit more what your report says about the review or analysis that would be required of tier 2? Much of what you have done has resulted in some relatively specific recommendations. There are specific recommendations in relation to tier 2, but there is also a section in your report, which I think was written in response to a lot of the evidence that was submitted to you, particularly by business, on the need to conduct a much more in-depth review or analysis of the tier 2 system.

Given the timescales to which we are operating, with Brexit fast approaching and the transition not lasting that long after it, the challenge of conducting such a robust review—and then implementing the changes that would be required off the back of it—would seem to be beyond the capabilities of a department that managed, 60 years on, to screw up the application documents of the Windrush generation.

Professor Manning: The proposals are for the end of the implementation period—early 2021 at the earliest. There is time, although it is correct to say that the Government would need to come forward with pretty specific proposals in the not-too-distant future in order to give business adequate time to plan.

We said that we are not convinced that the resident labour market test serves much purpose at the moment. That would simply mean that we remove that from the evidence that is currently required. That would not be particularly difficult. It should be relatively easy to remove those sorts of requirements from the current tier 2 system, because it is about stripping out bureaucracy, rather than adding in a set of questions and criteria that people have to satisfy.

Ross Greer: The evidence that you collected was robust in showing the clear and substantial economic benefits that freedom of movement brings. The UK Government's policy position is to end freedom of movement. Were you able to find or produce any data that shows that there would be a net economic benefit of ending freedom of movement, or were you limited in the scope of what you were able to do in designing a system based on the assumption that that policy decision had already been made? Were you trying to find something that reduced the negative economic impacts as much as possible?

Professor Manning: I would not describe our conclusions as being that freedom of movement has had clear benefits. We looked at a wide range of outcomes—

Ross Greer: I am sorry to interrupt, but did you find any evidence that freedom of movement has not had clear economic benefits to the UK?

Professor Manning: Our view is that the effects have been fairly small—there have been neither big costs nor big benefits. Our view is that if we alter the system, we can accentuate the benefits and mitigate the costs. The issue with freedom of movement is that there is no control on the numbers and the mix of migrants who come to the UK. If we have some control of the mix, by making it easier for higher-skilled workers than lower-skilled workers, that would accentuate the benefits and mitigate the costs.

A proposal that makes migration easier for more skilled people is in line with what most other countries, such as Canada, Australia and New Zealand, are doing. The reason that those countries are not choosing freedom of movement is that they want to have some control over the number and mix of migrants.

Alexander Stewart (Mid Scotland and Fife) (Con): Given the increasingly competitive nature of international student recruitment and the decline in the number of students coming to the UK from countries such as India, would not a post-study work visa scheme make the UK a more attractive place to come?

Professor Manning: A post-study work visa, with unrestricted work rights, would probably increase demand for places in our educational institutions, but we think that demand should be based around the quality of education offered and the opportunity to move into skilled work. We did not propose a specific post-study work visa, but we proposed extending the length of time that masters and PhD students have to find skilled work after the completion of their studies. We also proposed that the advantages that students currently have, if they want to move to a tier 2 work permit while they remain in the country, should continue for some years after graduation, even if they leave the UK.

It is important to build demand for our higher education around work opportunities for graduates, but it is important that that is skilled work and not just any work.

Alexander Stewart: Universities wish to remove students from the net migration target, so why does the MAC recommend that students remain within that target?

Professor Manning: We said that if there is a problem with students being in the net migration target, the problem is with the target itself, rather than with the inclusion of students in that target. If we removed students from the net migration target, it would require an awful lot of work because we do not have good statistics, particularly on student emigration. Furthermore, it would make almost no difference to the net migration statistics because most students leave at the end of their studies—currently, they are counted as an immigrant when they come in and as an emigrant when they leave. If we do not count them in and we stop counting them out, all that we do is alter the timing of when they affect net migration. However, it makes almost no difference to the net migration figures.

09:30

Kenneth Gibson (Cunninghame North) (SNP): I think that one of the reasons why colleagues on the committee are concerned about the rigid salary criteria is that they give London a competitive advantage. Members raised that issue, so I will not go into it further.

Of course, we have never had completely free movement across the EU, because when the accession states came in a decade and a half ago, the UK was one of only three countries that did not put up barriers against accession-state citizens, as you will probably recall.

Migration is a two-way street. In your report, you focused on the work route—I think that that is a weakness of the remit that was set for you. You said that you see no compelling reason for having different inward migration policies for EEA and non-EEA countries, following Brexit. What will be the impact on UK citizens who want to live, work and study in the EU if there is no differential in that regard? Will EU countries immediately feel obliged to put up barriers against UK citizens?

Professor Manning: Our recommendation was for a scenario in which immigration has not been part of the negotiations with the EU and, in some sense, the UK is setting its immigration policy on its own after the end of the implementation period. We expressed no view at all on whether

immigration should be part of the negotiations. I think that the natural place for providing for some preference for EU citizens in the UK and, correspondingly, UK citizens in the EU, would be as part of the negotiations, rather than in a situation in which those issues have not been part of the negotiations.

You are quite right to say that freedom of movement is a reciprocal right and that there is a risk that UK citizens will lose their rights to go to European countries. Prior to 2004, I think that freedom of movement was reciprocal not just on paper but in practice—it was more or less balanced. What happened after the accession of the eastern European countries in 2004 was that it became not reciprocal in practice: there were many more people from eastern Europe who wanted to exercise their treaty rights in the UK than there were UK citizens who wanted to exercise their treaty rights in eastern Europe. That is probably one of the sources of the concern that people have had about freedom of movement, which I think was of less concern to people before 2004.

Kenneth Gibson: As I said, only three EU countries did not restrict the number of accession-state citizens who could come in, initially, and the freedom of movement policy was not thrown out at that point. The baby was not thrown out with the bath water.

You looked at the impact of restricting migration to the UK. Surely there is a quid pro quo. If we restrict immigration, our citizens might be restricted in their ability to go to the continent. What economic impact would that have? Surely such an approach would diminish the UK and the remaining EU states.

Professor Manning: One has to be realistic. If immigration does not end up being part of the negotiations and, as a result, the UK ends up in a situation in which it sets its immigration policy more or less on its own, as countries such as Canada and Australia do, we will be a third-party country in the eyes of the other European countries in the context of how they treat immigration of our citizens into their countries. That is something to bear in mind in considering whether immigration should be part of the negotiations.

Kenneth Gibson: If restrictions were to be imposed on our citizens, that would be detrimental for the considerable number of UK citizens who want to live and work in the European Union, would it not?

Professor Manning: It would be; it would be a restriction of choice. It would not be that unusual: Canada, Australia and other countries restrict the right of our citizens to immigrate to their countries and do not consult us when they make changes in that regard. It would not be a completely new situation, in the global sense, although it would obviously be new in relation to Europe.

Tavish Scott (Shetland Islands) (LD): I want to understand the arguments that Professor Manning made at the start about the £30,000 salary cap and how it impacts on industries across the UK that rely heavily on people who are paid less than that. Is it your contention that that is for those industries to sort out? If I heard you correctly, you said that migration will absolutely not be part of the solution to the problem of such labour shortages.

Professor Manning: Our view is that migration can address skills shortages when we are talking about jobs using skills that require a relatively long training period, but it does not really solve the problem of generalised skills shortages. A shortage is essentially labour demand running ahead of labour supply. Migration increases labour supply, but because those migrants spend money and so on, they also increase labour demand. Migration, therefore, does not solve the problem.

Since 2004, most EU migration has been for lower-skilled jobs. Earnings of migrants from the accession states are 30 per cent below the average. The availability of labour for those lower-wage and, generally, lower-productivity sectors gave them a tail wind, which led to expansion. However, it is not obvious that such migration has contributed to the vision of making Scotland a high-wage, high-productivity economy, and there has probably been a little bit of movement in the other direction.

Tavish Scott: Last Thursday, I was at an event here in Edinburgh for the UK hospitality industry. I sat next to a person who owns a hotel in the west country of England, where I have family, and who also has hotels in Scotland. He told me that they simply could not get staff to do some of the lower-wage jobs in those hotels without hiring people who come from different parts of Europe, who currently work for them. If the salary cap is £30,000 he will not have those people, will he? Have I misunderstood the proposals that your committee made?

Professor Manning: Many of the jobs in hospitality would not be eligible under our proposals. The hospitality sector has been fantastic in creating a large quantity of jobs, but it has not been very good at creating quality jobs—95 per cent of jobs in hospitality pay below average earnings. It is obviously an important sector in the west country and parts of Scotland—no one is saying that it will not be important—but if we want to move towards a high-wage, high-productivity economy, hospitality, as it runs at the moment, paying really rather low wages, is not a

sector in which we would want to encourage growth. Since 2004, the hospitality industry has found it rather easy to grow, but our proposal is that such growth should not be so easy in the future. It is about restricting growth, not getting rid of what is there already.

Tavish Scott: Are you saying that the hospitality industry should not grow or that the number of people who come in from different parts of Europe, who work in the hospitality industry, should not grow?

Professor Manning: On average, every extra job in the hospitality industry makes the UK a lower-wage, lower-productivity economy. In considering which sectors we want to grow as a share of employment in the UK, we should not focus on hospitality. However, since 2004 we have had a migration policy—not by design but by accident—that has favoured lower-wage, lower-skill sectors. We are saying that we have to sit back and think about whether that is really the way that we want the UK to go.

Tavish Scott: I am a bit puzzled. Tourism is Scotland's biggest industry, and as the hotel owner from the west country said to me last week, it is the biggest industry in that part of England, too. Your analysis—I do not mean this personally, in any sense—suggests that we should give up on tourism. The only people who will be able to afford to stay in hotels will be those who can afford to pay £500 a night for a room in the middle of Edinburgh or London, because if we follow the logic of your argument, everyone's wages will have to go up and, by definition, businesses will push up their costs, so staying overnight will cost a huge amount more than it currently does. That cannot do anything other than destroy the tourism industry in the west country.

Professor Manning: I do not think that it will destroy it—

Tavish Scott: But it will be just for rich people—

Professor Manning: It is important that the sector competes for labour with other sectors, such as retail. Many jobs in hospitality could be done by people who are not currently working in hospitality, but the problem is that hospitality often pays very low wages. As I said, 95 per cent of hospitality jobs pay below-average earnings. The sector needs a little pressure on it to increase productivity and provide quality jobs, rather than the quantity of jobs. Making migration harder—but not impossible; we are not saying that there is no source of labour for the sector—is an appropriate nudge for the sector to go down that route.

Tavish Scott: Has that Government policy been advised to the owners of the hotel chain that is letting out rooms in London and Glasgow for £19 a night?

Professor Manning: Ultimately, we are interested in providing high-quality jobs and a high quality of life for UK residents. I do not know about the hotel chain to which you referred, but if we were to look at the wages that such chains pay their workers, we might ask whether they are contributing to the provision of a high quality of life for UK residents.

Tavish Scott: Thank you.

The Convener: Another important area of the Scottish economy is agriculture. The National Farmers Union is concerned about your proposals, because 99 per cent of seasonal agriculture workers in the UK come from EU countries, and if employers have no access to those workers there is a real possibility that crops will go unharvested.

I am concerned by some of your comments in response to concern that the seasonal agricultural workers scheme was not sufficient to meet the needs of the industry. You said in your report:

> "While the failure to have some type of SAWS would be bad for the sector it is a small, low-wage, low-productivity sector in the wider UK context so this should not be seen as catastrophic for the economy".

Do you think that crops going unharvested is not catastrophic for the economy?

Professor Manning: First, we proposed a seasonal agricultural workers scheme, for exactly the reason that you gave, which is that close to 100 per cent of seasonal agricultural workers are migrants and we see no realistic prospect of sourcing that workforce in the resident labour market.

We also said that we must recognise that productivity in agriculture as a whole is 40 per cent of the national average—some parts of agriculture are more productive but, overall, agriculture is a very low-productivity sector. We have nothing against the sector; we would like it to produce output in a more productive way. We do not want crops to go unharvested; we want the sector to be more productive in producing crops, which means that it will be able to pay higher wages than it currently pays. Like tourism, agriculture tends to be a rather low-wage sector at the moment.

The Convener: The NFU has said that the pilot seasonal agricultural workers scheme is not enabling employers to recruit the number of workers that they need. You seem to be saying that you want some agriculture businesses to collapse; they are not productive and you would like to see them go to the wall. Is that what you are saying?

09:45

Professor Manning: No. We want to see those businesses increase their productivity. We want to

see all businesses thrive, but at the end of the day there is the question whether a business is productive enough to pay competitive wages. I am afraid that no business has the right to be in business if it is paying wages that it says it cannot afford. I am afraid that that is true not just in agriculture, but everywhere.

We recognise that the agriculture sector is very dependent on seasonal labour. The pilot is a Government proposal; it is not the MAC's proposal. I think that the NFU was concerned that the numbers involved were rather small relative to the total seasonal agricultural workforce.

It is important to understand that the problems that farmers in Scotland and the rest of the UK have had over the past two seasons have occurred without changes to the current migration system. They have primarily been driven by the fact that, when the pound fell in value after the referendum, the wages of seasonal agricultural workers who were earning in pounds essentially fell by 15 per cent, and they could earn more if they went to Germany or other parts of the eurozone. The recruitment problems have come about because the sector struggles to compete for labour with farmers in other parts of Europe.

The Convener: Does that being the situation before Brexit make the point that things will get even worse after Brexit?

Professor Manning: In the report, we showed that, since 2004, land that is planted with labour-intensive crops has increased a lot. Agriculture is one of the sectors that have had a tail wind with the ready availability of lower-skilled workers from eastern Europe who are prepared to work for lower wages, and it is possible that it will not expand as fast as it has over the past 10 to 15 years. Indeed, it is even possible that it will contract a bit. However, it is important to have a sense of perspective. That contraction would send the sector back to where it was a few years ago; it would not be a matter of the sector being completely destroyed in a way that we have never seen before.

The Convener: Is contraction in the food and drink sector in Scotland an acceptable price of Brexit?

Professor Manning: There are very low unemployment rates generally in Scotland and in the UK, at the moment. Therefore, our problem is not really with the quantity of jobs; it is with the quality of jobs and real wages. It is important that the sectors that we really want to grow are those that pay higher wages. We want upward pressure on wages in sectors because wages ultimately determine people's living standards. We want competition among employers for workers, but workers will go to employers that can pay them better wages, and they will generally be the more productive workers. That is the mechanism by which the economy and society become more prosperous.

Kenneth Gibson: To me, what has been said is like something that has been thought up in a laboratory. Ross Greer talked about real people. Will someone in his mid-50s who has a small guest house in the Highlands, employs four or five workers and is trying to compete for customers not just locally but internationally, suddenly work in the artificial intelligence industry as a result of wages being forced up and his business being made uncompetitive? A lot of those people do not have other options. It is simply not the case that the quarter of a million people who work in the Scottish tourism industry or the tens of thousands who work in agriculture can change, and it is quite flippant to talk about effectively destroying people's livelihoods and businesses by saying that we can go back to where we were in 2004. People have invested their time, money, skills and emotions in building up businesses, and you seem to think that, at the end of the day, they are not particularly economically productive and therefore, "So what?"

You talk about quality of life. If ordinary families cannot afford to stay in a hotel because it is no longer competitive, and instead take their money overseas and do not spend it holidaying in the Highlands, Cornwall or Wales, how does that help the UK economy? I simply do not understand the arguments that you are putting forward, even from an economic perspective.

Professor Manning: From an economic perspective, the employer of that guest house should be competing for workers with all other employers in the local economy. That is what is appropriate.

Kenneth Gibson: In small Highland villages, or other rural parts, there may not be available workers. Workers have to be brought in from elsewhere because there are simply not enough people available, who have the aptitude and attitude for the work. Working long shifts in far-off rural places is not an easy job. Many people might want to do it for a year or two when they are young, but then move on to something else in life. I do not see how strangling that opportunity because we are effectively making Scotland and the UK uncompetitive in the world tourism market—we have had an inquiry on that in relation to a possible tourist tax—helps the communities, the business owners, individuals or the UK economy overall.

Professor Manning: Such communities also often have a problem in retaining people who have grown up there. That is connected to the fact that the employment opportunities in those areas are

not terribly appealing. One of the things that those communities should be trying to do is provide higher-quality jobs. It is not just a question of the wages that they pay; it is also about productivity. There are often ways of using current employees more productively. No one is saying that Scotland should not be allowed to retain your current employees. That is the route that we would like to nudge business down. Ultimately, productivity growth leads to rises in living standards, which is what we are trying to achieve.

No one is threatening the businesses: we are saying that we would like those businesses to be less reliant on there being a continual flow of workers. I do not know about specific cases that members have referred to, but some such jobs are at the minimum wage. We want people to think more about how their business could thrive without the continual flow of lower-skilled migrants, who the businesses do not retain because they go on to better opportunities elsewhere.

Claire Baker: I understand the argument that we have identified low-skill, lower-wage sectors including tourism and agriculture, and that there is a desire to increase wages in those sectors. However, I am not convinced that cutting off the labour supply is the way to do it. Has the Migration Advisory Committee done any analysis of the impact on the sectors that members have identified this morning?

We have already spoken about Scotland's low birth rate and elderly population, and we can see that other areas across the UK are facing similar problems. If freedom of movement is ended, where in the UK economy will the workers come from to replace those who have been coming from overseas?

Professor Manning: There is the current stock of people who are already here. No one is proposing any change to those people—they have settled status and so on. Even under our proposals, the flow of lower-skilled migrants would not be cut off completely. There is always a flow through other non-work routes.

Claire Baker: What do you mean by "other non-work routes"?

Professor Manning: I mean the family route, asylum routes and so on. There are quite a lot of other routes. We see quite a lot of people—not trivial numbers—coming in through the family route and working in lower-skilled jobs.

What we mean to do is restrict the growth in the labour supply for those sectors. We are not proposing to reduce the overall labour supply. That would put more pressure on those sectors. Since 2004, growth in them has been relatively easy. It would get a little bit hard.

Claire Baker: It would be more than a little bit hard. Members have described the extreme difficulties that sectors will face. You have also expressed the opinion that we should be looking at restricting growth in tourism and agriculture. It is astonishing that you make those statements.

Professor Manning: If we ask people what sectors they would like to grow as a share of the economy, they find those questions easy to answer. They talk about tech, high-end manufacturing, universities and things like that. The other side of that coin is that we have to be prepared to see some sectors' share of total employment fall. People find that much harder to talk about because it might mean that it will be a little bit harder for people who have worked hard on their small businesses.

Those are the hard decisions that you will have to make. The UK as a whole has gone down a low-wage, low-productivity route by accident rather than by design, The question is whether you want to continue down that route or rebalance towards a higher-wage, higher-productivity economy. Our view is that if you are going to do that, you need migration to be easier for higher-skilled workers than it is for lower-skilled workers.

The Convener: Thank you, Professor Manning, for giving evidence today. I suspend the meeting briefly for a change of witnesses.

09:56

Meeting suspended.

10:02

On resuming—

Creative Scotland

The Convener: Our second item of business is an evidence session with Creative Scotland. I welcome Robert Wilson, the chair of Creative Scotland, and Iain Munro, the acting chief executive of Creative Scotland. Thank you for joining us.

I invite Mr Wilson to make a short opening statement.

Robert Wilson (Creative Scotland): Thank you convener, and I thank the committee for inviting us to give evidence and for the opportunity to make some opening remarks.

The committee will have seen our written submission, which provides up-to-date information on a range of topics that have been of interest to the committee during the past year. I hope that the committee found it useful. Iain Munro and I will be happy to answer questions on any of the topics, or on anything else that you would like to talk about during the meeting.

As you know, this has been a challenging year for Creative Scotland, although a great deal has also been achieved. I joined the organisation as chair in February this year. Following the departure of the previous chief executive in July, we appointed Iain Munro as acting chief executive. I would like to recognise everything that he has done in recent months.

Everyone at Creative Scotland is committed to rebuilding trust and confidence in our organisation. We are all working hard to do that, while continuing to deliver with care effective on-going support for the arts, screen and creative industries in Scotland.

We have instigated and delivered some major pieces of work during the past few months that will help us to achieve that. In July, we commissioned an independent evaluation of the previous round of regular funding, the recommendations of which are included in our written submission to the committee. Along with all the other feedback that we received, that will feed into our broader review of our approach to funding. We aim to achieve that next year. We will involve the voices of the people and the organisations that we are here to support.

I have instigated, along with the board and Iain Munro, a process of organisational development, looking at our structures, our processes, our values and our behaviours. We are working with a Dundee-based company called Open Change to help us with that process.

Significantly, in August, we formally launched screen Scotland, the dedicated partnership initiative that will deliver a true step change for screen support in this country, supported by a £20 million budget from the Scottish Government and the National Lottery.

Alongside that, as the newly appointed chair, I have been overwhelmingly impressed by the dedication, expertise, commitment and sheer hard work of our staff in their support for the arts, screen and creative industries every day. In 2017-18, we made more than 1,000 awards, worth a total of £70 million, to artists, creative organisations and projects across Scotland.

All that makes a positive and continued difference to people's lives in Scotland, and I would like to take this opportunity to thank everyone whose work continues to drive the extraordinary cultural landscape that is Scotland.

I look forward to the discussion.

The Convener: Thank you, Mr Wilson. I am keen to get a little more detail about your organisational review. Why did you decide to embark on it?

Robert Wilson: As I said, Creative Scotland has come through a challenging time. When I came in, it was clear that we needed to instigate some fundamental changes. It is an extremely impressive organisation, but there are clearly aspects of it that need to be improved. From what I have seen in organisations in the past, I think that this is a perfect time to examine the organisation to see where the strengths and weaknesses are and to determine how we can improve it and move on in a much stronger way.

The Convener: Which independent consultant has been appointed to support the organisational review?

Robert Wilson: It is a Dundee-based company called Open Change. It has a strong track record and works closely with Historic Environment Scotland. We went through a rigorous procurement process and were impressed with the approach that Open Change will take. It will be working with us over the next six months.

The Convener: You state in your submission of 31 August that you are also reviewing the open project funding. Is the same company involved in that?

Robert Wilson: That is a separate review. Iain Munro can talk about that.

Iain Munro (Creative Scotland): We are making some internal refinements to the existing funding processes, particularly with regard to the open project fund and the small-scale grants—those under £15,000. That is different from the

bigger and fuller funding review that we are planning for all our routes to funding, which will take place over the next few months. That will variously involve not only the staff but the applicant organisations and the sector representatives, who will have a chance to feed into the review and explain their expectations and needs so that we can finalise what a funding model that will be more effective for the future will look like.

The Convener: That would be a review of both your regular funding and your open project funding—that is, all your funding streams. Does that mean that, potentially, you could change the whole structure of your funding as a result of your review?

Iain Munro: We are taking stock of all our routes to funding—regular funding, open project funding and targeted funding, which relates to time-limited strategic funds. It is really important that we understand what the most effective balance of those three types of funding is, as well as the detail of how the processes work.

The Convener: How do you intend to consult stakeholders in relation to the overall funding review and the organisational review?

Iain Munro: We are planning to take a five-step approach to the funding review, which is complementary to the organisational development process. The sector has told us innumerable times that it feels consulted out, so we are first taking stock of all the available information, including the evidence that has been given to the committee in its Creative Scotland regular funding inquiry. We will use the Wavehill evaluation report, which is the independent evaluation of the regular funding process this year, as well as horizon scanning to look at international examples of different funding models. We will assimilate all that information and reflect on it, then we will take the information out for consultation and conversation with the sector in a variety of ways, including through an online process and through group sessions that we are planning for the early part of next year.

That process will give us all the opportunity to understand not only the needs, but what the best models might be. Thereafter, we will refine what we have heard, propose some models and test them with representatives of staff in the sector, before we finalise the model and look towards the implementation period.

We understand that the work is quite broad in its scope, so there will need to be some form of transition between one model and the next. We will need to handle that transition very carefully, and we are sensitive to ensuring that we have a continuous offer that works for people in the sector, while we move to a different, more effective model.

We anticipate that we will still have an overall mix of regular funding, project-based funding and strategically targeted funding, in some way, shape or form. However, as I said earlier, there needs to be a balance across those three areas and an understanding of the dynamic and their complementarity. We will take stock of that, as well as look at the detailed processes.

The Convener: Your submission says that you have spoken to Arts Council England and, I think, the Arts Council of Wales. Have you looked at different models further afield?

Iain Munro: The initial scoping work will examine international models. We want to have further conversations with Arts Council England and the Arts Council of Wales, and if there is anything of significant international interest we will, of course, want to have those conservations, too.

The Convener: Will all that work be wrapped up in a report that will then go out for consultation?

Iain Munro: I cannot be absolutely sure of the form that the work will take yet, but there will be some form of documentation that we will be able to use to have conversations with people in a transparent way. It is fundamental that we are able to explain the steps of the journey that we are going on, and that we afford people the opportunity to have the conversation about what is best.

The Convener: You will be aware that one of the sector's strong arguments that came out of the committee's scrutiny was that sectoral organisations are competing with artists for funding. Over and above that, there is a frustration among artists that the current funding system does not leave them as many opportunities as there were with the old system under the Scottish Arts Council, which gave smaller grants to artists. Are you giving that issue a lot of attention in your current work?

Iain Munro: We absolutely will be doing so. That relates to my point about the balance of the funding routes and how they work most effectively.

The point about the sector development organisations is absolutely understood. It is worth recognising that sector development organisations were included when we ran the first regular funding process for the 2015 to 2018 portfolio. In decision making, we recognised the tension, which has been described again, between organisations that produce and present work and organisations that relate to sector development in its broadest sense. However, we should recognise that several organisations in the network do both those types of work. In that first round, when everybody was

included, we separated out the sector development organisations in the network. However, the numbers are almost identical. We had 123 organisations in the 2015 to 2018 period, which comprised 118 regularly funded organisations and five sector development organisations, to a value of £102 million. This time, we have 121 organisations to the value of £102 million. The numbers are almost identical, but I accept the point about the tension that is in the nature of a competitive process, and the dynamic of that.

10:15

The Convener: I am trying to get at a more fundamental point, which we hear time and again in relation to public money. A lot of public money is going to support arts administrators and management, whereas the artists are left to struggle from one small grant to the next, scrabbling around wherever they can. Do you agree that that is the fundamental challenge?

Iain Munro: Yes, I absolutely recognise that. I will make two points. One is that most people would recognise the value of sector development organisations overall, but there is that tension with the creators, producers and presenters of the work. Part of the reason why we are currently focused on refinement of the under £15,000 open project fund is to ensure that we are targeting support for individual artists through that single mechanism. We made an announcement yesterday about the latest round of open project funding and there are awards of nearly £1 million in 44 individual grants, the majority of which are to individual artists. It is still a strong component of what we are able to offer.

Also, we should not overlook the fact that funding for regularly funded organisations or through other targeted funds offers opportunities for individual artists to be employed and to produce their work. Our latest statistics from 2016-17 demonstrate that there are something like 4,500 individual artist employment opportunities in the 121 regularly funded organisations that were funded in that period.

The Convener: You obviously accept that there is discontent and that you need to do more.

Iain Munro: Yes.

Claire Baker: A number of reviews are on-going, and the committee was prompted earlier this year to undertake an inquiry after concerns were expressed to us about the regular funding decisions. This morning, you have described a number of the reviews that you are undertaking.

Iain Munro is the acting chief executive; is there a timescale for, or have decisions been made about, the appointment of a chief executive? Are you comfortable about continuing your in-depth inquiries without a permanent chief executive in post?

Robert Wilson: The organisational change review is the bit that I am very much championing. As I said, there is a time in an organisation at which that type of review is crucial. We felt, having discussed it with the board, that we needed to push on with that review. The recruitment process for a new chief executive will probably take six to nine months, and the new person would then have to get their feet fully under the desk.

The board has a lot of confidence in the ability of the acting chief executive to drive this change, but I also set up a small subcommittee of four members of the board to drive the change agenda. It is a deep and far-reaching review that will also have a strong external focus. Part of the reason why Open Change was selected was that it has worked very strongly with external stakeholders to cast a light into our organisation. There was very much a sense that we had to keep the momentum for change moving forward.

Claire Baker: It is probably too early for you to comment on the organisational review and the role of Open Change. I am assuming that the organisational review will consider the role of the chief executive and whether there have been any concerns about that—not the individual, but the role. Also, will the statutory status of Creative Scotland be considered by the organisational review?

Robert Wilson: We have just started the process of the organisational review. Open Change was appointed in October. At this stage, it is too early to describe the full extent of the review, but rest assured that it is seen as an important priority that the strengths of the organisation are clearly enunciated and that, where there have been weaknesses in the past, we try to resolve those and find a way of moving forward as a much more fit and able organisation.

Claire Baker: You might argue that the Wavehill review of the 2018 to 2021 funding was not a response to our inquiry, although the timing matched with our inquiry. When is that review due to be concluded? The committee received a number of papers from Creative Scotland that quote the Wavehill review, but we do not have a finalised copy. What is the status of the review?

Iain Munro: It is not available yet. In the previous RFO process, we commissioned a similar piece of work. We recognise the significance, importance and value of such work. We commissioned the review in July, with quite an ambitious timescale—it was a seven-week turnaround. It involved consultation with staff and

the leadership of the organisation, including the board, as well as with all the individual applicant organisations. On this occasion, 105 of the 184 applicant organisations responded. Some of that was followed up in detailed conversations between the consultants and the individual applicant organisations.

When we got into it, we observed that there was an opportunity to get even greater value from that work. As I said, the context and the value of the work was the ability for it to play powerfully into the reviews that we planned to undertake, including the wider funding review that I spoke about. We therefore extended the process with the independent evaluators to give them the opportunity to look even more extensively at the material and the analysis. That stretched into September, and the report was concluded in mid-October.

That is where the recommendations and evidence that we have shared with you come from. However, because we are very sensitive to the fact that it is an important piece of work that covers testing and challenging ground for the organisation—it is a bruising experience, including for staff—we are supporting the staff to take time to understand the report, the issues that it discusses and the recommendations and to get people comfortable with it before we share it in due course. I anticipate that we will be able to share it in the next few weeks.

Claire Baker: A number of reviews are on-going. You said that you have recently announced open funding awards. Do you expect the on-going reviews to have any impact on upcoming awards? Are stakeholders clear about the current awards that are available and that they might change, or what the timescales for any changes might be?

Iain Munro: We know that we have some communication to do, internally as well as externally, about how the reviews are dovetailing, and we will move forward with that. It is possible to know some of the next steps only once we have gone through a stage, so on-going communication will be important. In the meantime, it is important for people to know and understand that business delivery is on-going and that the opportunities for people to access development and funding support will continue. We will not disrupt the current offer of the three routes to funding. We will continue to deliver those three routes as planned and communicated but, as we move forward to the prospect of new models and, in due course, the actual new models, we will be clear about how we are going to navigate that and we will communicate that clearly so that people can understand how they can access support and what is coming next.

Claire Baker: I am sure that you recognise how important that is. One issue that we had over the summer was about the way in which the touring fund was announced, as some people were not aware of the changes and it was announced at the same time as the regular funding. There was confusion around that, so it is important to make things much clearer to people where changes are expected.

Iain Munro: Yes. We recognise that a different approach would have been better with the touring fund. However, because we have engaged with the theatre and dance sector and with the Federation of Scottish Theatre proactively and collaboratively, they have helped to shape the touring fund as it was launched in August this year.

That will continue, because we are recruiting independent sector representatives to be part of the panel that makes decisions on those awards. The deadline for applications is next week, and some applications have already come through. That process will continue. In the published guidance, we have committed to reflecting on the experience of that for future iterations of the touring fund and to be informed by the sector in making any necessary adjustments. The sector has had direct input in a helpful way, and I think that that model is a helpful one.

Kenneth Gibson: You have talked about funding a great deal. For example, you have mentioned the balance of funding. On page 8 of your submission, there is a table that sets out the distribution of regular, open project and targeted funding by local authority area. I notice that the area that I represent—North Ayrshire—received grants of just over £192,000 in 2016-17, which was only 1 per cent of the £19 million that Glasgow got. Glasgow has four times the population of North Ayrshire, but it gets 100 times the amount of grant. The two largest cities in Scotland, Edinburgh and Glasgow, get 60 per cent of the number of grants and 60 per cent of the total funding—they get more than £40 million out of a total of £66 million.

What will Creative Scotland do to encourage more applications from organisations and groups outwith the big cities to ensure that there is a much more even distribution of funding and to support and stimulate arts groups and individuals in those areas? I think that a disproportionate number of grants will always be awarded to Edinburgh and Glasgow for obvious reasons—they are magnets for people of an artistic bent—but it seems shockingly disproportionate that Glasgow gets 25 times the per capita grant award of North Ayrshire. North Ayrshire is not the only area that is affected—areas such as West Dunbartonshire, Clackmannanshire and Falkirk

also seem to have very low levels of applications and awards. What can be done to rebalance that?

Iain Munro: I can understand that perspective. We are absolutely committed to ensuring that we can support activity and work by individuals and organisations the length and breadth of Scotland.

I will come to the specifics of that shortly, but as far as the wider context is concerned, there is quite a complex dynamic in place. The work of the regularly funded organisations is captured in terms of the geographic base location of those organisations, but 74 per cent of the 121 of those organisations that we will support in the next three-year period do work that covers the entire geography of Scotland. Therefore, there is a distinction between where they are geographically based—which is important—and where the work and the activity take place.

We also work on national programmes such as the youth music initiative, in which nearly 250,000 schoolchildren and young people from across all 32 local authorities have been involved in the most recent year.

To get to the heart of your question, in addressing what the data and the statistics tell us, one of the most important interventions that we have undertaken in recent years is place partnerships, which involve working hand in hand with local partners and the sector in the local area to build capacity and confidence, to understand what the aspirations and ambitions are, and to look at how we can work together to support that in some way. Place partnerships are not really about project funding, although some of that does take place; they are about understanding from a strategic point of view what big shifts could take place in a local area that will help to build confidence and capacity and deliver the ambition.

We co-invest with local partners in the area over a number of years. The approach to that programme that we took in earlier years is changing in favour of understanding where there is an opportunity to step in to work effectively in an area of lower spend. Previously, we looked at areas in which there was a willingness and a positive opportunity.

We are keen to build our own geographical presence as part of that equation in terms of how we operate across the geography Scotland. Our staff are out and about for a variety of reasons across Scotland, but I think that we can do more of that. We will reflect on that as part of the reviews that we will be undertaking.

10:30

Kenneth Gibson: A lot of the areas that are not getting a lot of funding are fairly deprived, so additional funding will be particularly important to them. In five years from now, will we see a significant difference in the figures?

Iain Munro: Yes—absolutely. It is already evident. We have 14 live place partnerships across Scotland and there are more to come. The newest one is in Angus.

Kenneth Gibson: Will they cover the whole country?

Iain Munro: Eventually, they will cover the whole country. We have done 16 so far: two have completed and, of the 14 that are live, two are about to complete. We will continue to build on that. Eventually, we will have covered the whole of the geography of Scotland. I am absolutely confident that the picture will improve.

The Convener: In the committee's inquiry into regular funding, it has been pointed out that the place partnerships, which have been in place for some time, were supposed to build capacity in different parts of Scotland so that regular funding would go to organisations in those parts of Scotland. However, that did not happen in the last round. I am pleased to hear you say that you believe that it will happen in the future.

Iain Munro: Yes—we are committed to ensuring that we afford every opportunity. In whatever form regular funding takes in the future, that will be reflected on as part of the process.

The Convener: When you have £2 million for the Fruitmarket Gallery in Edinburgh and nothing in Ayrshire, that is a problem, is it not?

Iain Munro: Only if you look at it through that one lens of a singular route to funding. However, I accept the point that of course there is much more to be done to ensure that we see funding and investment across the whole of Scotland.

Ross Greer: I have two brief requests for reassurance. The first is around the issues that we had with factual inaccuracies in the 2018 to 2021 regular funding period. In the last evidence session that we had on this issue, when I asked Ben Thomson, who was the interim chair of Creative Scotland, a question on that, he said:

"The board was unaware of any factual inaccuracies."—[*Official Report*, *Culture, Tourism, Europe and External Relations Committee*, 22 February 2018; c 13.]

I have since been informed by Fire Exit that that was not the case; individual board members were emailed and otherwise informed about factual inaccuracies. I am not asking you to respond to Mr Thomson's statement. I am asking for reassurance that the issues with factual inaccuracies and the issue of organisations feeling that they were unable to have those inaccuracies addressed are

being taken into consideration in your current process.

Iain Munro: I can give you that assurance. We take the feedback seriously and some of the issue is reflected in the Wavehill RFO evaluation. Just to be absolutely clear—we put this in our written evidence at the end of August—that exchange in the previous committee evidence session was at a certain moment in time. Subsequently, we have had eight formal complaint process investigations that have looked at all the detail. In two instances, we found that there were matters of significance within the complaints, which we have communicated fully back to the complaining organisations.

We have not had any direct follow-up or challenge in response to that, but in all those instances of complaint, those organisations were recommended for support anyway. However, we accept that it is really important that the quality of the work that we do is transparent and accountable and can be explained to people so that they have full trust and confidence in the processes that we run, although they might not always agree with the outcome and the decision.

Ross Greer: That is reassuring. I will pick up on one thing that you mentioned there—that the organisations that raised those issues did in the end receive funding. Fire Exit also mentioned that, three years earlier, in the previous round, it raised concerns about factual inaccuracies and was told, in essence, not to worry because it was getting its funding. That is not a good reason to cease worrying about factual inaccuracies in the reports. I am sure that, in the end, Fire Exit and others were delighted to receive their funding, but that does not resolve the issues of stress, anxiety and everything that went with the process. It needs to be addressed.

The second point on which I want reassurance is about the review's recommendations for the five stages of the regular funding process, one of which said:

"Future guidance documentation for applicants should consider outlining expectations of what constitutes acceptable conduct following any announcement of funding awards."

Given the negative public statements that were made by a number of applicants off the back of the previous process, I want your reassurance that the purpose of that recommendation is not to restrict applicants' ability to conduct discourse in the public realm if they feel that that is necessary.

Iain Munro: We would, of course, never inhibit that. We are on a journey towards greater trust and confidence in the work that we do and a greater sense of transparency and accountability so that it can stand up to scrutiny. As a public organisation, that must be at the heart of our work. I give you assurance on that.

It is an independent evaluation and I want to be clear that those are the independent findings and recommendations from the analysis work that Wavehill undertook.

It is important to record that it has been a time of anxiety, frustration and anger—I see, hear and understand that. It is also worth recognising that it has been a bruising experience for the staff of Creative Scotland, who, as you heard earlier from Robert Wilson, are committed to what they do, and do it with diligence and care.

We have had instances of what I would consider to be unacceptable behaviour for anybody in any form of public life, which has strayed into individual staff members of Creative Scotland being abused in an open and public environment—not even in a closed setting, which in itself would be a problem.

We have a set of standards for the way in which we operate and we want to ensure that that is reciprocated by the sector in terms of trust, confidence and mutual respect. Although we might not always agree, the business of Creative Scotland is delivered by people. Discussion, debate and dialogue—and, sometimes, disagreement—is at the heart of it, and it is built on people and relationships. I want to make sure that we have mutually respectful relationships.

Ross Greer: The recommendations in relation to protecting Creative Scotland staff during future processes are particularly welcome, and the committee is interested in how they are fleshed out in the future.

Annabelle Ewing: Good morning, gentlemen. I will pick up on Kenneth Gibson's point.

I am proud to represent the constituency of Cowdenbeath, and I would be very keen to see nascent cultural activities being encouraged and facilitated in some areas. I will look closely at future developments in that regard, because it is important that we recognise that, right around Scotland, people are desperate to participate in and contribute to the cultural side of life. That should be encouraged in every way.

It is a pity that the Wavehill report was not available in the public domain in advance of your coming to the committee today, because we could perhaps have had a more meaningful discussion on the specifics in the report, which we have not really been able to get a handle on thus far. There will doubtless be a further opportunity when the report is finally published.

I appreciate that there are on-going reviews and so forth. On issues such as the funding situation that pertained earlier this year, which was not ideal, to say the least, what top-line lessons have

already been learned by Creative Scotland, absent the conclusions of those reviews?

Iain Munro: We have already touched on some of the themes this morning. Trust and confidence come in many different ways. The lessons to be learned are about greater engagement and transparency, and having clearer descriptions of what we do, why we do it and how we work.

All of those will be important conversations as part of the reviews that we have with people. Given the breadth of its brief, I think that the organisation is at risk of tying itself in knots trying to be all things to all people all of the time. A greater sense of clarity about who we are here for, what we are here for and how we do it is part of what the reviews will help us to deliver.

Part of the equation—it is very unsatisfying from our point of view—is that, although the Scottish Government and the cabinet secretary are supportive and understand the importance of culture, our overall budgets are limited, and that will always be the case. For example, open project funding fluctuates between a third and a quarter of all the applications that come forward; we could support many more. Regular funding is also an interesting case in point, because we had 184 applicant organisations and 160 of them were recommended for support, to the value of £140 million. The 121 organisations that we ended up funding could have been supported at their level of request for £123 million.

Our overall budget comprises two component parts—it is roughly two thirds grant-in-aid and one third national lottery income. The grant-in-aid part of it represents 0.2 per cent of the overall Scottish Government budget. We know that we could see an absolute transformational step change with just a wee bit more money in the equation. That is in the context of the landscape in which cultural organisations and individual artists and practitioners are operating, because that landscape is contracting. There are pressures on public funding and on trust and foundation funding, private giving and philanthropy, and it throws into even sharper relief the expectation that Creative Scotland will be able to compensate for that in some way, shape or form.

One the one hand, the overall budgets that we have at our disposal are part of that equation in terms of how we can be clearer about our priorities and how we operate. On the other, we must never step back from championing and advocating for further resources, from whatever source, in order to enhance opportunities for people to present their work.

Annabelle Ewing: I remember that colleagues were very pleased indeed by the tremendous budget settlement that the cabinet secretary, Fiona Hyslop, managed to secure this year, and other portfolios were probably looking on with some jealousy. Obviously, further budgetary discussions will take place on resources, and I guess that one always has to be confident about the allocation of public money—taxpayers' money—and about its being well spent. That brings us back to your organisational review, ensuring that you do everything that you can to ensure that any public money that you get will be properly spent and that you will discharge your obligations to the public at large. Will the specific remit of the review be in the public domain, so that the public can understand exactly what the review is tasked to do?

Iain Munro: We acknowledged earlier, in response to Claire Baker's question, that communications will be an important aspect of the reviews. We want to be clear about what the reviews are, how they are intended to operate, their timescales and the on-going progress against them. They are complementary and they dovetail, and I can appreciate that that is quite a complex equation to understand if you are not in the heart of it, as we are, so we will ensure that we are producing as effective communications as possible.

The Convener: How will you communicate the progress of the reviews and the outcomes to the committee?

Iain Munro: We will be happy to give the committee further written updates on progress as we move through the next few months and into next year.

The Convener: If you could, that would be good. I am sorry, Ms Ewing.

Annabelle Ewing: That is okay, convener. I believe that Mr Munro was about to deal with another question.

10:45

Iain Munro: With regard to the budget, I have said that we absolutely applaud the Scottish Government and the cabinet secretary for their support, and we still very much welcome the settlement, part of which is about dealing with the drop in and challenges with national lottery income.

Budgets will always be constrained, and we know that so much more quality and ambition could be supported if enhanced resources were to be available. We would want to continue to advocate for those. The regular funding of 121 organisations takes up about 85 per cent of our grant-in-aid budget; because that one funding stream comprises quite a significant component of available resources, it not only limits what is

possible with the remainder of the grant-in-aid but puts an emphasis on our national lottery income stream, which makes up about a third of a budget. That income continues to be under challenge. It is stabilising at the moment, but it has dropped nearly a quarter in the past four years. The cabinet secretary and the Scottish Government were able to address the national lottery issue, but the challenge remains very live for us, and we are working very hard with the wider national lottery family, by which I mean all the distributors across the UK, the national lottery operator, Camelot, the Department for Digital, Culture, Media and Sport and the Gambling Commission, to ensure that the importance and value of the national lottery to the life of the nation are pre-eminent and that those good causes are converted to ticket sales, which will then flow back into the distribution of the funding available to us.

Annabelle Ewing: Thank you.

Alexander Stewart: You have acknowledged the challenges and difficulties that you have faced, highlighted the issue of confidence and given us an insight into how you are trying to manage that situation. The dialogue that you are having with us and the transparency and openness that you are demonstrating this morning show how you are trying to secure and increase confidence.

However, your communication needs to be robust, given the reputational damage that you must have suffered in the sector and in the public eye as a result of the whole situation. The policies and procedures that you want to enhance might alleviate things, but in the long term, you will have to rebuild confidence.

We have talked about the budget and resources being available, and like everyone else, you are having to do more with fewer resources than you want. How will you prioritise in order to rebuild your reputation?

Iain Munro: Having acknowledged all that, as we have done, we should also recognise that, as Robert Wilson mentioned in his opening remarks, the organisation is not fundamentally broken. It continues to support, enable and deliver many positive things, and we have many positive relationships with individuals, organisations, partners and stakeholders. As I think I mentioned earlier, at the heart of all this are our human relationships with people. They are fundamental. We have very many positive relationships, and if we can continue to ensure that we are connected with people across the geography of Scotland and that we hear not only their concerns but their ambitions—and, on the odd occasion, their positive feedback—that will inform our work, our priorities and how we explain and account for ourselves. It will also help us to refine our processes in order to ensure that we are continuously learning and improving.

The reviews are taking quite comprehensive stock of the situation in a wide range of areas in order to reset the organisation. However, we are not working from a blank sheet of paper, and I would not want it to be overlooked that we are doing some very positive things. People lie at the heart of this, and engaging them in discussion, debate and dialogue is very important to us.

Alexander Stewart: The wealth of talent in the sector is continuing to grow, and people are continuing to expand their ambitions and abilities as they communicate all their creativity across the sector. You have a big role within that to promote people and ensure that the ones who are trying to move forward get the opportunity to do so. That includes providing funding that they might require to ensure that they have the opportunity to expand their horizons.

You touched on partnership working. That is crucial to ensuring that you will have the success that you are trying to achieve. However, as we have already seen, there are locations across the country that are stifled in terms of that discussion because they do not have the opportunities and wherewithal for that to happen. You have the opportunity to ensure that you break down some of those barriers and give those people the chance to develop and see their ambitions realised. That is a very difficult thing to achieve in a short space of time.

How will those issues be fed into the reviews that you are undertaking, so that the committee, the general public and the wider sector can see that there is progression for the organisation?

Iain Munro: What is important about what you have said is the fact that our relationships with people are not only about funding; they are also about development, advocacy and influence. There is a lot of expectation on Creative Scotland, as a national body. However, I am keen that the organisation moves forward in partnership with individuals in the sector, rather than having some sort of parental relationship to them. I want the relationship to be much more a peer-to-peer relationship. The place partnerships demonstrate that we are working together with the relevant people and partners in a respectful way that empowers people and organisations in local areas.

That also gives us opportunities to understand where we might be able to provide development support through the expertise and knowledge that we hold or, if it is appropriate, to provide investment in the form of funding. Further, as well as working in partnership with people in a local area, that enables us to talk to people who might

not be on the same page with regard to the value to their areas of culture and creativity and the contribution that they can make, so that everyone can advocate for an area shoulder-to shoulder.

Robert Wilson: The youth are important. We are doing a huge thing with the time to shine strategy and our national youth advisory group. We are trying to really engage young people from the age of 16 upwards. To touch on a point that was made earlier, I note that if you can get the youth involved at an early age, you have great transformational potential. That is an important part of what we are doing.

The Convener: I appreciate that you have said that you will keep the committee informed about your reviews, but it would be useful for you to write to the committee to tell us what the sequence and timetables of the various reviews are. We have the Wavehill review of RFO first, then there is the organisational review, the review into the open project funding and the wider review into all the funding streams. It would be useful if we could see the target dates for all those.

Iain Munro: I am happy to take that away as an action. I can try to simplify the approach just now, though.

There are three strands. One is our strategic review, which is about our purpose and priorities: who and what are we here for? The second is our funding model review, which concerns all of our routes to funding. The third is the organisational development review, which concerns culture, values and behaviours, and systems structures and processes.

The Convener: Is the open project funding review part of the funding model review?

Iain Munro: That will feed into the review. That is a good example of an issue in which we already see opportunities before we conduct that wider review involving conversations with the sector—

The Convener: I am sorry to interrupt, but is that a separate piece of work?

Iain Munro: Yes. It is complementary. It is stuff that we can act on now.

The Convener: Will you write to the committee with a list of all the pieces of work that you are currently undertaking and the timetables for them, so that the committee can scrutinise them?

Iain Munro: Yes. We will be happy to do that.

The Convener: I know that Tavish Scott wants to speak about the screen sector, but do you also have more general questions, Tavish?

Tavish Scott: Yes.

The Convener: Okay. Perhaps you could ask all your questions now.

Tavish Scott: Okay.

I think that Mr Munro will nearly spend more time writing to the committee than he will doing all the reviews.

I want to reflect on the funding process last year. When you are awarding money to arts bodies, some do not get it, so there are winners and losers. As we know, last year, the losers quite understandably kicked up about that—it was inevitable and fair that they would do so. They got in touch with MSPs, who raised the issue in Parliament, including at First Minister's question time—the whole works. Then, no doubt, you got a heavy call from the cabinet secretary and you had civil servants phoning you up from the sponsoring department saying that there was lots of parliamentary pressure to change your position.

My question is about the robustness of your review of funding. How will you ensure that, when the same situation arises in the future, as it inevitably will, the organisation can say that the process was absolutely transparent and clear and you have absolute confidence that you have made the right decisions in allocating funds to certain organisations and not to others? You need to be able to say to the cabinet secretary, "Please do not second-guess us." Is that what you are trying to achieve through the review that you have described to my colleagues?

Iain Munro: Yes, absolutely. I assure you that there is a lot of interest and scrutiny from the Scottish Government and, as you would expect, we have regular meetings. Our sponsor relationship with the Scottish Government is a very supportive one. The cabinet secretary has been clear that she is not interfering, but she wants to ensure that our organisation can stand up in a transparent and accountable way to inevitable scrutiny of the processes that we run. We are endeavouring to get a much stronger position on that, in which there is full trust and confidence in the processes in the eyes of applicant organisations and the sector more widely.

Tavish Scott: I presume that, when you have done your review and the Government is comfortable with it—I take all the convener's points about writing to the committee and ensuring that it is consulted—you will look to the cabinet secretary and the Government to say, "This is our body, and it is responsible for making funding allocations to arts bodies, so we expect it to get on with that and we trust it to do so."

Iain Munro: Yes, and that is entirely appropriate and right for us, as an independent non-departmental public body.

Tavish Scott: I am sure that you have shared your thinking about the reviews with the Government and have had those discussions. I take it that the Government already accepts the principle that it is not its job to interfere with your operational decisions on funding.

Iain Munro: Absolutely. The Government fully respects and honours that. However, as I said, it is appropriate for the Government to want to ensure that, as a non-departmental public body that expends public funding, we do that transparently and from a position of trust and confidence.

Stuart McMillan: Good morning, gentlemen. I have a couple of questions on screen Scotland. I first want to put on the record that its website is very effective and easy to navigate. Obviously, there have been criticisms in the past, but the website will be a useful tool for opening up Scotland for further activity.

Last week, we had a debate in Parliament on our report on the screen sector. An issue that arose continually while we were doing our inquiry and prior to that was the need for a film studio—not a temporary facility or a building that has just been converted, but purpose-built and in an attractive studio location. Obviously, the issue regarding the Pentlands studio is on-going. Can you provide further information on where we are with new investment coming to Scotland via some type of studio?

Iain Munro: You will have seen from our written evidence that we were pleased to have secured from the cabinet secretary, on behalf of the Scottish Government, agreement in principle to the business case that we submitted in June. To be clear, that business case is a comprehensive technical document that we were required to produce in accordance with the HM Treasury green book appraisal, which requires the business case to take a structured approach to cover areas of strategy, finance, economics, risk and so on.

11:00

Since then, as part of the approval, we were asked to undertake further technical work, which we did during the summer. In parallel with that, we have been gearing up to go live with the proposition that has been approved in principle by the Scottish Government.

It is hard to say any more about the detail because we are at a very delicate stage in commercial negotiations with the prospective landlord. It would be premature and potentially prejudicial to give more detail. However, I can assure you that we recognise the central importance of that work in transforming the opportunities for the industry as part of the five-year plan that screen Scotland is working on with its partners. It is one of the central priorities for us and a key focus of our work.

We have never, in previous iterations of work on studio infrastructure, reached a point as advanced as where we are now. You will remember that in 2014-15 we ran, with Scottish Enterprise, a tender process that was not site-specific. It also took place in a completely different environment and context.

The technical position of the studio case is advanced. I highlight the fact that the conditions under which we are about to embark on a tender process to name a site and location, and to attract a private sector operator to be the operational partner to deliver the studio in partnership with the public sector, are in the context of screen Scotland having enhanced funding, screen commission and location services, screen skills and expertise, relationships with the sector and so on. The conditions are right and it is a priority for us to ensure that we now get over the line, which we have not been able to do before. We are close to doing that.

Stuart McMillan: Will there be one studio or could multiple studios be designed and built across the country?

Iain Munro: We are focused on a specific proposition, but that will sit among other studio offers. There is agreement that Scotland can sustain more than one studio operation. We are focused on a single proposition, but that is complementary to Wardpark, the Pyramids and, indeed, Pentland. They are considering their position.

Beyond those, there are temporary facilities that some productions find more favourable. The central proposition that we are working on—a permanent studio with a private operator—is significant in respect of ensuring that we have long-term stability at the heart of the infrastructure for Scotland.

Stuart McMillan: I have raised the issue of locations before; I raised it just last week. No doubt screen Scotland will consider somewhere like Glasgow or Edinburgh as the primary location for a new studio. I can understand why, because they have the catchment and offerings of the bigger city. However, there is also a world outside of the cities and, as I said last week in the chamber, Inverclyde would welcome some kind of offer. It already has the space and a pool of creative talent and skills. I would like you to consider that.

The Convener: We could all make a pitch for our own areas, Mr McMillan. I am sure that Creative Scotland will take that point on board.

Claire Baker: I want to know a bit more about the studio proposals. I understand that you are in negotiations at the moment, so it might be a sensitive issue. You have said that a private operator would come in to run the facility, but I am still unclear about whether the facility would be purpose built and who would pay for the infrastructure and the building of the facility. Are you looking to private sources for that money as well?

Iain Munro: I have to be careful with regard to my ability to fully answer that question at this point. With regard to what I can say now, the issue of state aid has been raised many times, and there are two key steps that will enable us to address and manage it. The first is to run an actual tender process. The business of market failure is a key state aid consideration. The process of the tender will, in itself, help to address the state aid issue and ensure that the public sector is not alone in delivering the studio.

The second component part is the fact that the tender will seek a private sector interest and operator to partner with the public sector to deliver the studio in capital and physical terms and then go on to operate it. The nature of the partnership and the proportions of public and private sector involvement will depend on the response to that tender.

What is important for state aid purposes is the combination of the two issues: the tender itself, and the securing of private sector interest and investment alongside the public sector.

In due course, once we have gone through the tender and named the site location and can secure that preferred operator, we can work on the negotiated deal with an understanding of the nature of the arrangement with regard to the public and private sectors and the governance arrangements that will sit alongside that.

Claire Baker: That is helpful, thank you.

During our inquiry, concerns were raised about the fact that the role of screen Scotland's new executive director would not involve screen exclusively. You have given a commitment that the role will initially involve screen, but I am not sure what the future plans for that are.

Iain Munro: I give the committee an absolute assurance that Isabel Davis, who is firmly in post now and is firmly focused on screen, will continue in that role for the foreseeable future. We will take stock of that issue as part of the organisational development review, which will also look at structures, and we want to ensure that her focus remains on screen. We will continue to reflect on the additional element of the job description that was part of the recruitment process, but I want to absolutely assure you that Isabel Davis is here to lead screen Scotland. I do not see any change to that focus for the foreseeable future. We will reflect further on that to ensure that that is absolutely clear.

Ross Greer: I was glad to hear what you said about the proposal being much further advanced than previous proposals. It is fair to say that, since the issue hit the *Sunday Herald* a couple of weeks ago, and since you talked to the committee about the issue, which was before that, there has been a lot of enthusiasm from industry, as well as words of welcome, but there has also been a lot of cynicism, because a number of people feel that we have been here before and nothing has materialised.

Once you are at the point at which you can go public with the specific proposal, what are your plans for industry consultation? I do not mean consultation with those who will submit bids in the tender process; I mean consultation with those in the wider industry who obviously have a key stake in seeing a successful site come to fruition.

Iain Munro: Are you asking specifically about the studio?

Ross Greer: Yes.

Iain Munro: The process itself will procure the preferred operator and will, as I said to Claire Baker, absolutely bottom out the arrangements and so on. That is a key moment. Once the operator is known, it will be able to engage directly to understand the needs and expectations of the wider sector, and we can help to facilitate that.

A lot of information is already known, and a lot of the ambition and the expectations around what the sector is looking for are already known and understood. However, I absolutely understand the point that is being made. It has to be clear that the approach will help to address the needs of the indigenous sector in Scotland, in particular, to ensure that it has relevance and that there is an appropriate offer to it. Of course, there is also the work that we do to promote incoming productions from beyond Scotland.

Ross Greer: Is your role in the process partly to ensure that the engagement between the potential operator and the wider industry happens? Do you see your role as not just recommending that engagement, but ensuring that it happens?

Iain Munro: Yes. We will facilitate that process. However, in reality, that will be hard until we know who the operator is. We will not set that as a requirement or criterion in the tender per se, but it will be important for us to have a conversation about that with the operator in due course to ensure that it takes place.

The Convener: What is the timescale for announcing the operator?

Iain Munro: That will come on the back of the tender. We will be able to go live with the tender as soon as we are able to finish the negotiation with the preferred landlord on the proposed location.

The Convener: Do you have a timescale?

Iain Munro: That is principally in the hands of the negotiation, but I hope that it will happen some time in the next few weeks. The tender process will be live for a number of weeks and will conclude in the new year if the timescale plays out.

The Convener: Realistically, when could we see our film studio?

Iain Munro: In 2019-20.

The Convener: Okay. That is great.

I want to wrap up another couple of issues that relate to the screen unit. You are aware that the committee has a very strong view that we should have a stand-alone screen agency. We will continue to monitor the progress in that regard and to make that case. However, we have a number of other concerns about where we currently are with the screen unit. I want to run a couple of them past you.

How will you tailor business development support? Obviously, you collaborate with Scottish Enterprise on that. What are the timescales in that regard, and what business development support will be recruited?

In our inquiry, data gathering relating to the screen sector was said to be not as robust as it could be. As a result of the evidence that we took, we were particularly concerned that there should be dedicated data gathering for the screen unit, which should not be part of the overall data gathering in Creative Scotland.

Iain Munro: Okay. I will deal with business development support first.

Beyond the general business offer that is made, on behalf of all the partners, on the single front-door website to which Stuart McMillan referred, there are two key specific targeted business development support initiatives that are run in partnership with Scottish Enterprise. The focus project is about support for production companies across a range of skills and expertise, and the digital economy expansion programme—DEEP—is about individual producers. DEEP is a partnership with the BBC and Channel 4 to connect producers with production opportunities and the commissioning of work, for example. In many regards, those initiatives are pilots, and they will be evaluated in due course. The focus project is a two-year pilot and the DEEP project is a three-year pilot, and both are scalable. They are targeted, live and specific business development opportunities, and so far they are proving positive for those who engage with them.

More widely, we are recruiting business development specialists in the screen Scotland team. Those are among the phase 3 jobs that we are now embarking on. Those specialists will be the fulcrum of business development support across the partnership—that is being discussed more widely across all five partners.

The business gateway is also involved, in terms of the offer across all 32 local authorities. That is not just about screen; it is also about the wider creative industries. Some 84,000 people and 15,000 businesses are employed in the creative industries in Scotland. Such support is for all of them as well as screen, but screen will benefit from the wider partnership conversations.

11:15

We are looking at how we can strengthen our own skills and expertise in the organisation to complement those targeted programmes while we continue to look at the wider partnership with the business gateway, to strengthen its offer and ensure that it delivers effectively for creative businesses.

We will be happy to keep you up to date on progress on that because, fundamentally, it is one of the planks in the five-year plan for screen Scotland that we have set out. We will communicate on that in due course.

As I have said, there are already measures in place that people can access.

The Convener: Our clock is ticking. Will you briefly update us on the data?

Iain Munro: There is a very short answer to that question. A specialist has been recruited into the organisation to enhance our knowledge and research team. That specialist will help to shape the next steps on how we improve the data hub proposition that was in the business case for the screen Scotland five-year plan. Again, we will be happy to report back on—

The Convener: But you do not have a dedicated screen data specialist.

Iain Munro: Yes—that is the person whom we have just recruited.

The Convener: They are dedicated to screen.

Iain Munro: Yes.

The Convener: And they will progress the hub. We will have a hub for screen.

Iain Munro: Yes—in some way, shape or form. We need to see, with the partners, the specialist's

reflections on the form of that work. However, the enhancement of data capture, gathering and analysis and playing that back out are important strands of the work that we are doing.

The Convener: I think that the expectation in the sector is that there will be a dedicated hub for screen.

I am aware that in today's session we have not had the time to dig into a very long inquiry and a weighty report. The committee has expressed a desire to continue to monitor progress on screen, and I do not doubt that we will speak to you again about the sector in the future.

Thank you very much for coming to give evidence this morning.

11:17

Meeting continued in private until 11:30.

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