



OFFICIAL REPORT
AITHISG OIFIGEIL

Culture, Tourism, Europe and External Affairs Committee

Thursday 10 January 2019

Session 5



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CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE
1st Meeting 2019, 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:

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

CLERK TO THE COMMITTEE

Stephen Herbert

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Culture, Tourism, Europe and External Affairs Committee

Thursday 10 January 2019

[The Convener opened the meeting at 09:00]

Decision on Taking Business in Private

The Convener (Joan McAlpine): Good morning and welcome to the first meeting in 2019 of the Culture, Tourism, Europe and External Affairs Committee. I remind members and the public to turn off their mobile phones, and any members using electronic devices to access committee papers should ensure that they are turned to silent.

Agenda item 1 is a decision on taking business in private. Does the committee agree to take in private item 4, which is consideration of a draft stage 1 report on the Census (Amendment) (Scotland) Bill, and any consideration of the draft report on the bill at future meetings?

Members *indicated agreement.*

Budget Scrutiny 2019-20

09:01

The Convener: Agenda item 2 is an evidence-taking session with Fiona Hyslop, the Cabinet Secretary for Culture, Tourism and External Affairs. I welcome Ms Hyslop and, from the Scottish Government, Jonathan Pryce, who is the director of culture, tourism and major events; David Seers, who is the head of sponsorship and funding; and Claire Tynte-Irvine, who is the deputy director of the international division.

Cabinet secretary, I understand that you do not wish to make an opening statement.

The Cabinet Secretary for Culture, Tourism and External Affairs (Fiona Hyslop): That is right, convener. I am happy to move straight to questions.

The Convener: In our letter to you, we outlined the committee's budget priorities. One of those priorities is the screen sector, which we spent a lot of time looking at in our inquiry last year. You address the issue in your response to our letter but, of course, there have been developments since then, notably with regard to the studio at the Pelamis building in Edinburgh. Will you update us on that? Will you also give us your views on the private sector proposal that was announced yesterday for a film studio in Midlothian?

Fiona Hyslop: Obviously I am very pleased to see those developments. We knew that we were very close to making an announcement on the tender for the operation of the studio in the Pelamis building. It is also worth reiterating the view that we have always held that we have room and capacity for more than one studio in Scotland. The committee will be familiar with the Wardpark development.

We should reflect on the size and scale of the Pelamis building operation and the relationships that have already been made with the film industry. Last summer, I met a delegation of American film producers who were scouting out different areas and looking at where they might want to do business, and they had seen Wardpark, Pelamis and other places. The tender for the operation of the Pelamis building is due to be completed in February, with announcements to be made in March. I reiterate that the private sector involvement in that is absolutely critical, so the work and discussions with Forth Ports Ltd have been very important in that respect. The overall lease will be taken over by screen Scotland, but what is out for tender is the operation of the studio.

With regard to the Pentland studios proposal, it was recently announced that an application had been made for another location. That application is now part of a planning process. The committee will understand that, as a minister, I cannot go into those aspects. However, the prospects for a film studio are looking healthy, and the investment is at a very strong level. On investment operations, I understand that screen Scotland is currently working with 25 different productions.

That was an update on studios. On spend, we have been ensuring that some of the additional funding that we managed to secure last year is now starting to be used on not just attracting films here but supporting indigenous productions, which is very important. I am delighted that we will see the premiere of "Mary Queen of Scots" in Scotland next week. As the MSP for Linlithgow, I hope that I am allowed to say that that is a great opportunity not just for the screen and culture side but for tourism in Scotland.

The Convener: I want to drill down into that. Where are we on tenders for the Pelamis building? What level of interest has there been?

Fiona Hyslop: That is an operational matter for screen Scotland, and it would not be correct for me to release any information that I have on that. I do not have the information on who has tendered as yet.

The Convener: Okay. Does Jamie Greene have supplementary questions on the subject of screen?

Jamie Greene (West Scotland) (Con): That is correct. Good morning, cabinet secretary. I want to turn to the numbers. In your written response to the committee, you state:

"the 2019-20 budget provides a further £10 million for screen funding",

which, in effect, doubles the investment to £20 million. Can you confirm that £20 million will be allocated to screen in the next financial year?

Fiona Hyslop: Yes—as it was last year, too.

Jamie Greene: Can I elicit a little more from you about what that doubling of money will provide and what outcomes we should expect from it?

Fiona Hyslop: Part of the overall ambition that was set out in the screen sector leadership group report was doubling the amount of production spend in Scotland and growth of production companies. We want an improvement in the number of production companies that operate at scale. That is the overall strategic aim.

We now have a number of funds in operation—for example, the production growth fund—and the latest figures show an increase of £26 million in production spend, which is up to £92 million or £95

million. We are already seeing progress with some very big productions. Since we last met, "Outlaw King" has been released, and obviously its impact across Netflix is very strong. It is important that the spend on that, particularly for crew production, was very strong.

On television spend and funding announcements on that, the partnerships with the various companies that everybody recognised could happen are in operation, and they are scaling up their staffing. I know that the committee has taken a keen interest in that. That recruitment is very strong.

Obviously, there is a combination of inward attraction for films to locate here and there is the trend to help indigenous productions. I know that the committee has taken a keen interest in that area, too. We can work with the committee, and it will obviously want to speak to screen Scotland at some point about the appropriate time for it to give the committee a good account of progress to date.

Jamie Greene: Thank you for that comprehensive answer, much of which is very welcome. You said that staffing is on the increase. It is often the case that, when an agency grows, the staffing cost also grows. I guess that the industry is asking whether the additional funding will provide any real opportunities for additional support for small independent production companies and not all be swallowed up by growth in the agency's administrative costs.

Fiona Hyslop: Absolutely. We expect to ensure that there is growth in the production companies. Obviously, we are looking for scale, because that is a key aspect. Currently, we probably have only two companies that are in the top 50 in the scale of what they do. We want to increase the number of those from two to six. I think that that is the leadership group target.

Your point about how we can help small independent producers is critical. We can do that in a number of ways. We can certainly do it through the work of screen Scotland, but we can also do that through the challenges with the BBC through Ofcom, the work that this committee will do and my meetings with Ofcom. I am very pleased with the most recent reports from Ofcom on the importance of ensuring that there is genuine spend to enable indigenous Scottish companies to grow. I think that the Channel 4 commissioning will help in that respect, as well.

I am keen to make sure that my discussions with Creative Scotland and screen Scotland are about development of the sector, because that is something that we can do. Creative content will come from the creatives, but development is critical in order to enable the creative industries and businesses to grow.

Claire Baker (Mid Scotland and Fife) (Lab): I will follow on from the questions about the screen sector. Last year's committee report made strong recommendations on the role of Scottish Enterprise, and expressed our concerns about its involvement in the screen unit. We also recommended that the budget be moved from Scottish Enterprise to the screen unit in Creative Scotland. That is obviously the responsibility of a different cabinet secretary, but can you give us an update on that relationship?

Fiona Hyslop: There has been correspondence with the committee to explain developments with the memorandum of understanding with Scottish Enterprise and some of the activities. One of the business development initiatives is called focus. Some activity on that happened over the summer, and it has been developed during the autumn. The screen committee has its screen and industry expertise, which is critical to ensuring that the activities that are driven by Scottish Enterprise, Skills Development Scotland and everybody else are operational and working well.

The regional selective assistance programme is one of the key areas in which Scottish Enterprise has been investing. The committee might not necessarily agree that the creative industries aspect of regional selective assistance should move into my budget, but I know that the committee is keen to see a budget move from Scottish Enterprise to Creative Scotland. However, this is more about co-operation than a budget move.

I will give an example of two companies that I am interested in and have visited to see the impact of that investment. Axis Animation has had regional selective assistance funding to help it to develop and grow its staff. It is looking particularly at how it can work on the animation side in global theme parks. Everything to do with presentation is digital now, and there are real opportunities for the company to develop in that area.

Blazing Griffin is the other company that I have visited that has received regional selective assistance. It was behind the Christmas hit, "Anna and the Apocalypse", which was also shown at the Edinburgh International Festival. Again, that brought together different skills and the enhanced graphics aspect that Scotland is very good at.

There is the initial business development side. We must also identify what support can be given to grow the number of jobs. That is obviously in Scottish Enterprise's area as well. We are not shifting budgets. I know that the committee wants that, but it has not happened. However, there is much closer working, particularly since things have been operationalised over the summer.

I know that the committee has a keen interest in the issue, but it is not a budget scrutiny matter because we have not transferred the budget; it is more about what Scottish Enterprise does. You might want to pursue the matter separately with our colleagues in Scottish Enterprise and the Cabinet Secretary for Finance, Economy and Fair Work, but I do not think that it is an issue for a budget scrutiny session.

Claire Baker: I turn to local authority funding. When the committee took evidence on Creative Scotland's funding decisions last year, we also looked at broader funding issues for the whole creative sector. Does the cabinet secretary acknowledge that the cuts that are being experienced by local government leave culture organisations vulnerable?

Creative groups do not have statutory protection in many areas, and the evidence that we received from them was that they are running out of options for funding. Funding is very tight at local government level and they feel that there is not enough funding in Creative Scotland to meet demand. That is something that Creative Scotland has recognised, although it acknowledges that it is receiving a settlement that reflects that of previous years. However, demand is so great that Creative Scotland is struggling to meet it, and local authorities are not able to pick up that provision. Concerns have also been expressed about the impact on services such as libraries and sports centres.

In your letter of 19 December to the committee, you said that you would be happy to speak about local authority budgets.

09:15

Fiona Hyslop: In the budget for 2019-20, local government is to receive a real-terms increase. I think that other committees will be looking at that in their budget scrutiny with the Cabinet Secretary for Finance, Economy and Fair Work and the Cabinet Secretary for Communities and Local Government.

I do not underestimate the pressures that exist everywhere. The issue is what choices are made, particularly by individual local authorities, but also by different tiers of government. As the committee has recognised, much of the budget that we are presenting is similar to last year's, but that included a 10 per cent increase for culture. At our level of government, we—the Scottish Government—decided, despite the pressures and the real-terms cuts that we have had since 2010-11, to provide a 10 per cent increase. There was a £6.6 million increase for Creative Scotland. That amount is in this year's funding, too. That was a conscious choice. However, as the committee has

also identified, all that does is help to plug a gap in national lottery funding, so Creative Scotland's overall spend will not necessarily increase, albeit the budget will allow it to maintain what it has been doing.

We should look at what has been happening in local government, because that is very important. A lot of funding tends to involve partnerships. If someone gets funding from one place, they can get match funding from other places. I recognise that that can be quite fragile. However, I do not want to perpetuate the idea that culture is somehow being decimated at local authority level. I encourage the committee to look at the figures that are publicly available and what is happening at that level.

You mentioned libraries. Compared with the rest of the United Kingdom, there has been a much smaller reduction in libraries in Scotland. The big impact—dare I say it—was in Labour-run Fife in 2017, where there was a considerable number of closures. I think that there have been upwards of 16 closures, with another three this year. That has been the major cut to libraries in Scotland. Since then, there have been only a handful.

Again, this Government made a conscious decision to maintain our non-national libraries funding and help the Scottish Library and Information Council. We have been supporting digitisation and the transformation of public libraries using the limited funds that we have to help them to meet the challenges of the 21st century, and that has helped Scottish libraries to be ahead of the curve. That has been recognised elsewhere.

I know that this is quite a long answer, convener, but it is a really important subject. If you look at the provisional outturn for 2017-18 and the budget estimates for 2018-19, you will see that the local government lines put culture and heritage, library services, tourism and recreation and sport together under the term "culture and related services". If you look at the overall figures and compare the provisional outturns for 2016-17 and 2017-18, you will see a 3 per cent reduction; for the budget estimates for 2017-18 and 2018-19, there was a 2 per cent reduction. However, if you break that down into the different areas and look at library services and compare the budget estimates for 2017-18 and 2018-19, there was a 1 per cent increase.

For culture and heritage, there was a flat line. For recreation and sport, which are not part of my responsibilities, there was a reduction. On tourism, the figures for promotional events increased significantly, by 15 per cent, but the provisional outturn figures for other tourism decreased by 18 per cent, and if you look at next year's projected

budget estimates, you will see a 10 per cent reduction.

What I am saying is that, if you look at the grouping of culture and related services, it looks as though there is a 2 per cent reduction, but within that it is tourism that has had the major reduction. I am not disputing that there is a challenge, but it is worth taking the time—we probably do not have time to do this today—to look into that. I do not want a narrative to develop that there has somehow been a reduction in culture spend in Scotland when we as a Government have managed to protect our culture budget at the national level, and last year we increased it by 10 per cent. That has been recognised internationally and across the UK.

Even at the local government level, there have not been the real-terms reductions that we have had as a Government since 2010-11. I think that is because local government values culture, understands it and wants to protect it. I am not saying that there is no challenge or that there will be no challenges in the future, but let us work based on evidence, as opposed to people's perceptions.

Convener, I am really sorry. That was a long answer, but the committee wrote to me about this key issue.

Claire Baker: Your letter to the committee mentioned that the local authority conveners group had not been meeting. I can point to examples of investment in my region, such as the refurbishment of the Carnegie library and galleries, which was a fantastic project with huge investment from all the partners. I recognise therefore that there is investment in culture and that local authorities are making positive decisions but, although you recognise that there are challenges, it cannot be denied that culture is vulnerable and does not have the same protection as other services that local authorities have to deliver on a statutory basis.

Has the local authority conveners group convened? If not, why has it not been operational?

Fiona Hyslop: I acknowledge that when budgets are pressured, strong leadership is needed from local and national Government to protect budgets in areas that are not statutory.

Our officials have been trying to agree with the Convention of Scottish Local Authorities the setting up of the local authority conveners group. The last time that happened, it was my initiative. At a meeting of the communities group, I asked the 32 conveners who were there how many were responsible for culture, and I found that only three were. For the rest, culture was grouped with housing and other areas.

The setting up of the group is determined by the way in which COSLA organises itself. It has rearranged internally how it runs its budget streams and the leads on different responsibilities. It is taking time for COSLA to settle its internal structures after the 2017 elections. I understand that the lead for this area has been on maternity leave, so we might be waiting until she returns. I do not know and I do not want to say what the reasons might be. We are keen for it to happen, but I cannot make COSLA do something; it has to do it at its own pace and in its own time. However, the committee could communicate to COSLA that it thinks that it would be a good thing. I am keen for the group to be established.

That is especially true because a lot of the issues that we are seeing are place based. An example is the city deals. I am pleased that there has been strong recognition of the need for culture and tourism spend in the city deals. It should be remembered that that does not appear in my budget; it will appear in the budgets for infrastructure and other areas. It is really important that we have a good relationship with local government in those areas. I tend to have bilateral relations. For example, I have met the leader of Dundee City Council and I met the culture lead for Aberdeen fairly recently. Whenever I am on a visit, I try to meet the culture lead for the area.

We have the Tay cities deal, the Edinburgh city deal and the place partnership programme, and we are helping to fund the International Music and Performing Arts Charitable Trust—IMPACT—concert hall. There is strong culture and tourism spend in the city deals, which will not appear as part of my budget. We need to have good bilateral relationships with local authorities to ensure that we have a common understanding of what would really make a difference.

The Convener: Thank you. We have still to get through quite a few members' questions, so I politely ask for succinct answers.

Ross Greer (West Scotland) (Green): I turn to the external affairs budget, in which there have been significant increases for international relations, which I certainly welcome. When the committee visited Brussels recently, it was clear from Scottish Government officials there that there is a need to spend more to stand still, especially given the situation with Brexit. How will the increased budget allocated to the Brussels office be evaluated in that context? It would be unfortunate if, this time next year, there was a perception that there was no added value from the added budget, given the external factors and what we clearly heard during our visit that there will need to be more spend if we are to continue doing what we do already.

Fiona Hyslop: The level 4 figures show an increase from £1.6 million to £2 million for the Brussels office. We are also outlining our spend in other offices. For example, we now have a budget line for the Paris office, which has come out of the European strategy budget.

You refer to the increase in the external affairs budget. I dare say that I would like to welcome that as spend on operational issues, but the increase in spend of £6 million in the "External Affairs Advice and Policy" budget line is a recognition of the change that the Parliament and committees have asked for in overall budgets. We are looking at total operating costs and corporate costs. Every single portfolio is now making staffing costs more explicit in budget lines.

The *Daily Mail* and Adam Tomkins—who I think is on the Finance and Constitution Committee—obviously do not realise that the change in budget lines means that staffing costs, as well as the contribution to overall Government costs, are more up front. Therefore, there is variation between the budget lines in relation to our spend.

On the point about capacity, the external affairs budget, apart from the international development and humanitarian aid budget lines, which clearly relate to delivery of services, is for staffing. Clearly, we have not just started working on the issues around leaving the European Union—they have been a huge focus for and responsibility of members of staff in our area for some years now, but that is now more explicit.

Another matter that the committee is interested in is business plans. We will be developing business plans for each of the Scottish Government offices, which will be published at some point and which will be of interest to the committee. That will not happen immediately, but they are in preparation.

Ross Greer: On the evaluation of the Brussels office in particular—although this applies across the network of offices—how will the Government change its evaluation of the value for money provided by the office, given the context of a potential post-Brexit UK?

Fiona Hyslop: The Brussels office has always been important in trying to influence the decisions of EU decision takers. As a result of leaving the EU, although the UK's permanent office and Scotland's office in Brussels will still have a vital role, they will not necessarily be able to influence the decisions of ministers who take part as members of the European Council. The office will end up with more of a lobbying role, which is more difficult and challenging. Whatever the eventualities of Brexit, we need a strong presence, so we have improved and increased our

representation in Brussels. I think that the committee has visited the team there.

The team may have to change its focus. On the evaluation of the impact and influence that it has, I have always said that this portfolio—in culture and external affairs—is about relationships, and we do not necessarily evaluate our relationships in financial terms; we do so in policy terms. When we look at the business plans, we will consider how we evaluate the power of influence and relationships, which is not necessarily done in monetary terms.

Ross Greer: One relatively minor clarification would be useful. There is a decrease in the budget that is allocated to the office in Washington DC. I presume that that decrease is proportionate to the inclusion of the Canadian office in a separate budget line?

Fiona Hyslop: Yes, that is correct.

Ross Greer: Will you explain the “Scottish Connections” budget line that is now included? The brief description that I have seen was not entirely clear. Some of the language seems to describe things that are being done by, for example, Scottish Development International and for which funds are allocated elsewhere.

Fiona Hyslop: We want to make sure that, particularly with our offices, there is a greater synergy and connection with SDI and more value to be had from working with it on certain activities. In the “Scottish Connections” line, there is about £140,000 to support strategies for engagement with a global network of organisations that we want to work with, which helps our cultural diplomacy and our international networking activities. Importantly, £500,000 in that budget line relates to the work of the international marketing team, which was in another budget. As the committee will be aware, we are bringing together Universities Scotland, the private sector, tourism and SDI in a collective promotion for Scotland and to attract talent and investment. By and large, that is what the budget does.

Alexander Stewart (Mid Scotland and Fife) (Con): We have discussed the development of the footprint of Scottish Government offices across the world—Ross Greer mentioned the one in Washington DC, and there is an office in Paris and one in China. They seem to be funded by different budgets. Some are funded by the international affairs budget, but the offices in Dublin, Berlin and London are funded by the finance, economy and fair work budget. Can the cabinet secretary clarify that difference?

09:30

Fiona Hyslop: It is for pragmatic reasons. With pressured budgets, we try to work in partnership. Given that the focus for our international offices is on encouraging people to live, work, study and invest in Scotland, as well as on ensuring good lines of communication with other Governments in key policy areas, that is an effective use of Government resources. That is the rationale behind the way in which the system has been put together. It is also a good way for us to work together in our promotion. There is investment from different lines, as is the case in Dublin, for example. It is about getting best value for the public purse by bringing together budgets to best effect.

Alexander Stewart: In the run-up to Brexit, there has been lots of discussion about what the offices are trying to achieve. We want to ensure that we still have the footprint, that we negotiate and that Scotland's presence is being managed. How is the external affairs budget addressing the outcomes that Brexit might present and the opportunities and challenges that face us?

Fiona Hyslop: It would be welcome if anybody in this room could predict the outcomes of Brexit tomorrow, the day after that or next week. However, I will answer the question in the spirit in which it was asked. The answer is that we do not know—that is the whole point. As I said to Ross Greer, we need to ensure that we have the strength, the presence and the relationships to mitigate the worst disasters of Brexit or to navigate a way through. We have a very good team that will do that.

It is also important to acknowledge that, where we can, we work positively and constructively with the UK Government. For example, I was recently in the Netherlands, where I met the UK ambassador and the Ministry of Foreign Affairs. I happened to be with them on the day that Theresa May pulled the meaningful vote, and what happened with the UK Government was a bit embarrassing for the people that I was meeting as well as for us. However, people from the UK embassy were with me at the meeting, which is an example of how we work with others.

We want to ensure that we have identified opportunities. We are seeing the benefits of our work in the Berlin office, particularly in relation to investment and the business connections that we can make. Although it is quite a fledgling network, the practical operation of having somebody to help us to co-ordinate across different agencies has been productive.

Kenneth Gibson (Cunninghame North) (SNP): I apologise for coming to the meeting a few minutes late.

The international relations aspect of our paper is fascinating, and I welcome the substantial 40 per cent increase in the budget. I notice that you are keen to

“further intensify our engagement with our European neighbours and with the US, Canada, China, India, Pakistan and Japan, with a focus on education, business and culture”.

I realise that you cannot spread yourself too thinly, but why have you focused on those specific countries, along with our European neighbours, as opposed to, for example, Australia, where there are strong links with Scotland, or growing economies, including those of Brazil, Russia, Indonesia, South Africa and Nigeria?

Fiona Hyslop: We have concerns about certain political issues in Brazil and Russia.

Kenneth Gibson: You could say the same about Brazil and many other countries.

Fiona Hyslop: I said Brazil.

Kenneth Gibson: It is the case with Pakistan, too.

Fiona Hyslop: The issue relates, in part, to what we inherited. The previous Administration had offices in Washington, Beijing and Brussels. We have tried to identify areas of economic opportunity where we can expand, and that does not always reflect the historic diaspora, which would include Australia.

I have always wanted to do more in Australia but, as you said, one of the criticisms from the previous committee was that we should not spread ourselves too thinly. We have SDI presence in such countries, but it is not necessarily Government presence. We should remember that this budget is about Government-to-Government relations and co-ordination. SDI operates in Australia and in, I think, more than 30 locations around the world, and it is always looking at changing where it is based.

The opportunities in China, which is now a top five investor, are clear. Part of the Government's work has been to get a direct air link to China, which was achieved last year through the successful Hainan Airlines Edinburgh to Beijing link.

Some obvious examples are the United States, China and Brussels. With Canada, there are a lot of policy opportunities. A lot of the decisions are about where we might have shared interests, such as on climate change and working with remote and rural communities. We think that we can work together on the agenda in those areas, and there is probably untapped potential.

There are different decisions for each country. For example, in Dublin, we know that the

Government-to-Government aspects are critical. There has been a complete step change in Scottish-Irish governmental relations, particularly since 2015. That was a deliberate decision by the Irish and Scottish Governments. The exchange between ministers, for example, has definitely increased and that is helping us, as we have already seen in our Dublin office's involvement in economic aspects. There have also been good exchanges in a lot of policy areas. That work can be developed.

In Germany in particular, there is a strong business opportunity, and that has always been the case with France. Although food and drink is massively important with France, we also have co-operation on education and culture.

We take quite a distinct approach to each discrete area in considering where we can maximise our efforts, but we have an overarching international framework that governs all our engagement and what we do. It is about making sure that Scotland has a strong presence where we can, but we have to be selective in considering where the opportunities are. When it comes to renewable energy in particular and other areas where we can exchange policies, we are now an invitee of choice. We are now developing our Arctic policy framework. That is not just a geographic framework—it allows us to exchange with other countries some of our experiences on, for example, renewable energy and tackling climate change.

I cannot describe our whole international engagement strategy and policy in my answer, but that is why we have made the decisions that we have. You are right that we cannot be everywhere, which means that we sometimes have to make hard decisions.

Kenneth Gibson: I can understand your reticence about Russia, but China is notorious for the repression of religious and ethnic minorities. I would have thought that, if there are human rights concerns about one country, there would certainly be concerns about others.

Who will be included in the Arctic policy? Russia is the biggest Arctic nation, but will the Faroe Islands, Iceland and the Scandinavian countries be included? The budget document says that the policy

“will highlight the extensive links already in existence between our communities, businesses, and civic society and help shape Scotland's relationship with our Arctic partners for years to come”.

Fiona Hyslop: Yes. Obviously, different bodies and organisations exist, including the Arctic Circle organisation, which has an Arctic Circle forum and an Arctic Circle assembly. In 2017, we hosted the first ever Arctic Circle forum in the UK, following

an invitation by the former President of Iceland. My department was involved in that.

Last year, I attended the forum in Reykjavik and we were well received. It is a helpful forum because it allows connections to be made. It was made clear that Scotland should not apologise for wanting to be part of the Arctic. The strong message that we got is that we are welcome near neighbours and they want us to be involved. During the two and half days that I was there, I think that I had 12 bilaterals. I am trying to remember all the different people who we met, but it included representatives from the Faroe Islands, the West Nordic Council and Finland as well as Icelandic ministers.

The next Arctic Circle forum will be held in South Korea and the one after it will be in China, so the interests are wide. Some of those are hard economic interests. For example, when we heard from the former Russian ambassador to the US, it was clear that there was strong interest from Russia and, indeed, from Japan, about how to open up trade routes. That brings with it environmental concerns. We need to think through what we have to offer. One area where we have something to offer—there is a lot of interest in this—is marine spatial planning. We have done a lot of work on how to operate oil and gas and turbines and how to fish in the same restricted area. A lot of people are looking at what lessons can be learned in those areas.

As I say, we are looking at the Arctic not just as a geographical area. It is wider than that, because it helps us to connect with people who are wrestling with some of the same challenges and who have the same interests.

I met the Premier of the Northwest Territories and heard him talk about the impact of climate change there. Houses have been built in frozen tundra but, when the tundra is no longer frozen, all of a sudden, as people are watching television, their houses collapse. It is a huge, very immediate—

The Convener: I am sorry to interrupt, but I am concerned about time.

Annabelle Ewing (Cowdenbeath) (SNP): Good morning, cabinet secretary. I think that the new cultural strategy is still being worked on. I will turn to the initiatives that are to be pursued in relation to that. There was mention of the launch of the cultural youth experience fund, which is a very exciting prospect. Of course, that builds on important work that was carried out last year, during the year of young people.

I am keen to have a bit more information and an update on the budget length of the fund, when it will be operational, how people can go about accessing it, and what kind of activities will be

covered. Of course, I also make a pitch for my constituency of Cowdenbeath, as you would expect me to do.

Fiona Hyslop: I am not sure that I can address the Cowdenbeath point, but the budget is in the “Other Arts” line. We have not announced the amount as yet; we are still finalising it. We will do pilots—we have identified that probably the best approach is to work with existing creative learning networks and, in particular, to work with schools in more economically deprived areas in order to make sure that their students have opportunities that they might not otherwise have.

We are conscious—I think that we have discussed this in the committee before—that transport issues need to be addressed. In many areas, that is the prohibitive aspect. Also, following points that were made in the committee—I think by Ross Greer—we are focusing not just on primary schools but on early secondary education.

Annabelle Ewing: Great. That is helpful. When should we expect to see activity on the ground?

Fiona Hyslop: The fund will be operational from 2019-20.

Annabelle Ewing: Okay.

Fiona Hyslop: When the money becomes available, we will spend it. That is the answer.

Annabelle Ewing: That is helpful. Obviously, plans are still being made, but I would find it helpful to meet your officials at a relevant time in order to get a better understanding of what concrete actions will happen and how I can do my best to see how we can marry the fund with potential activity in my Cowdenbeath constituency.

Fiona Hyslop: I do not want to make promises to one MSP. We have 129 MSPs, so—

Annabelle Ewing: I appreciate that, but I have put in the first bid. “The early bird”, and so on. However, perhaps I can write in the first instance to obtain further information.

I have a second brief question on the same area. I note that there is to be

“continued support for Sistema Scotland’s orchestra projects in communities, including; Govanhill, Raploch, Torry and Dundee.”

My focus is on the word “including”. Does that mean that Sistema Scotland could potentially expand?

Fiona Hyslop: That is a matter to speak to Sistema about. The funding this year is £850,000 from the “Other Arts” line in the budget, and we have helped it over time in its work to make sure that it can be sustainable in its expansion. That reflects the importance of good relationships with local government, because a lot of the initiatives

have come from local government. Aberdeen is a good example of where there has been very strong private funding. This is a partnership area: it is about places themselves saying, "We want this." I dare say that a lot of our support is about capacity building as well as operational spend.

Annabelle Ewing: That is helpful. Thank you.

Tavish Scott (Shetland Islands) (LD): I would like to check the line on local government funding that you gave to Claire Baker. You said that it is a real-terms increase, but the Scottish Parliament information centre says that there will be a 3.4 per cent cut in 2019-20.

Fiona Hyslop: I refer you to the evidence that was given by the Cabinet Secretary for Finance, Economy and Fair Work to the relevant committees—

Tavish Scott: I refer you to SPICe.

Fiona Hyslop: I am just saying that in respect of the real-terms increase, that is the information.

Tavish Scott: SPICe says that it is a 3.4 per cent cut.

Fiona Hyslop: These debates will happen. If the issue is about local government spending on culture and tourism, the new budget process allows the committee to discuss that in the forthcoming debate.

Tavish Scott: I entirely agree, but you have said that there is a real-terms increase in local government finance while SPICe, which we MSPs depend on, says that there is a 3.4 per cent cut. I am just trying to clarify which it is.

09:45

Fiona Hyslop: We are ensuring that we get best value for money, and there is a lot of spend in the budget on areas such as social care. It is really important that we maximise the combination of what we can do to support areas. I believe, for example, that integration of health and social care and its delivery are part of local government spending.

Tavish Scott: I do not disagree, but that is not what I am saying. I think that what we have established is that the Government does not agree with SPICe.

I have two more questions. First, the income that is generated by Historic Environment Scotland has increased from £57.1 million to £59.7 million. What has led to that increase in income?

Fiona Hyslop: HES has been very effective.

Tavish Scott: Is it just a case of more visitors going to its properties?

Fiona Hyslop: Yes. One of the ways in which I have managed the budget is to work with Historic Environment Scotland on enabling it to spend that increased income while being realistic about what needs to be done to help other parts of the budget. There has been an extraordinarily strong increase in visitor numbers, a lot of which is related to film tourism. "Outlander", for example, has had a massive effect. I sound a note of caution, however: as in other areas of tourism, numbers in that area are flatlining. There has been a big increase in recent years, but we must be very careful in relation to spend. We need to look closely at flatlining discretionary spend of disposable income by tourists not just in Historic Environment Scotland's shops and so on, but at other tourist attractions. Although the position right now is healthy and good, it is not without its challenges.

Most of the spend in my portfolio budget goes on staffing the national companies, collections, HES and so on. It is good that we have had a reasonable settlement with regard to staffing increases, but the pay increase is another pressure that will have to be accommodated by VisitScotland, HES and the other organisations.

Tavish Scott: Indeed. Do you have a breakdown of the increase in income that has been generated by Historic Environment Scotland? Has the increase been across the board in geographical terms? I know that the figures for Edinburgh castle have gone through the roof, but what about the outlying areas of Scotland?

Fiona Hyslop: I am happy to get Historic Environment Scotland to write to the committee on that. I have asked the same questions, so I could probably give you a summary, but HES can give you the detail.

There is an issue with more geographically remote areas. Incoming tourists spend a great deal, while domestic tourists do not spend as much, and some nationalities spend more than others. However, we want people to travel in Scotland; we want them to disperse and spend their money in other places. However, I reassure Tavish Scott that as a result of some of the fantastic promotion by VisitScotland and others, some areas have been very strong. I am thinking of, for example, the figures for Doune castle, which are extraordinary. Again, however, that is because it is Castle Leoch in "Outlander". I will ask Historic Environment Scotland to write to you with the detail.

Tavish Scott: That is fine.

My other brief question is about the Glasgow School of Art. I cannot find anything about it in the budget. Have you made any provision for it in the next financial year?

Fiona Hyslop: There has been spend for the Glasgow School of Art in previous budgets, but no request has been made by the institution itself. You should remember that it is the Scottish Further and Higher Education Funding Council and the Minister for Further Education, Higher Education and Science who lead on the institutional aspects.

Tavish Scott: I am thinking about the reconstruction costs for the building.

Fiona Hyslop: The School of Art has not asked for funding for that.

Tavish Scott: There is no funding at all in the next financial year for that.

Fiona Hyslop: In its public comments, the school has said that it expects not to request public funds for that purpose. We have provided funding support for the Centre for Contemporary Arts and, in December, we managed to find in my budget and in other budgets more money to help with its operating costs.

However, funding for the Glasgow School of Art, on an institutional basis and in terms of what it might need for the building, would not necessarily come from my budget, but from the higher education budget.

Tavish Scott: Yes, but you are the cabinet secretary for culture so, by definition, you have a close interest in the issue.

Fiona Hyslop: The funding that we provided after the dreadful event of the first fire went via the Scottish Further and Higher Education Funding Council.

Tavish Scott: Just to be clear, has the Glasgow School of Art asked for anything for that in the next financial year?

Fiona Hyslop: It has not asked for anything from my budget.

Tavish Scott: What about from the Government more broadly?

Fiona Hyslop: I cannot speak for the funding council, but the art school has not asked for anything from my budget.

Tavish Scott: Will you write to the committee on whether there has been a request to the Government in general? We have an on-going interest in the issue.

Fiona Hyslop: I will ask Richard Lochhead, who is the relevant minister, to write to the committee.

Tavish Scott: That is fine. Thank you.

Stuart McMillan (Greenock and Inverclyde) (SNP): Good morning, cabinet secretary. I apologise for being a wee bit late.

Colleagues have covered some of the areas that I wanted to cover, but I have questions on lottery funding. Obviously, that funding is decreasing, but there is an issue—it has been around for some time and I genuinely do not know whether it has been concluded—to do with the lottery moneys that were taken to fund the London Olympics and which were to be repaid. Can you provide clarity on that?

Fiona Hyslop: I cannot, off the top of my head, give you information about the operation of the London Olympics in 2012. I recall attending joint ministerial committee meetings at Westminster that involved the Welsh, Northern Irish and Scottish Governments and that the issue was a hot topic, but I cannot recall what the resolution was. That issue went to dispute resolution, at the time. However, the matter is historical, so I would need to find out more about what happened.

Stuart McMillan: Could you write to the committee on that, because the information would be helpful?

Fiona Hyslop: Yes.

Stuart McMillan: Thank you.

Jamie Greene: We have talked a lot about culture and external affairs, but I want to focus on the third and important area of your portfolio, which is tourism. As you are no doubt aware, tourism contributes more than £11 billion to the Scottish economy and is estimated to contribute around 5 per cent of our gross value added. At any given time, there are 2.5 tourists in Scotland for every person who lives here. It is a substantial and important part of your portfolio.

When people look at the overall budget, might they be surprised that the Government provides only £45 million of assistance to the sector and that the figure has dropped by 25 per cent in the past four years, particularly given that visitor numbers have increased to record highs, with a 15 per cent increase in overseas visitor numbers last year? The numbers on the allocation of your budget and the overall budget for the industry are reducing, but the number of people coming to Scotland and spending money here is going up. Is that a marriage that works?

Fiona Hyslop: I am not sure that I accept that there has been a 25 per cent reduction. In fact—

Jamie Greene: In 2014-15, the budget was more than £60 million in real terms, and the forecast is that next year it will be £45 million. That is a 25 per cent reduction.

Fiona Hyslop: Obviously, 2014-15 was before my time as minister for tourism, but I know what I have done in the time that I have been in the post. I am not saying that there has not been some reduction, but we have—

Jamie Greene: Funding has been flat for the past three years.

Fiona Hyslop: Yes. Bearing in mind that that part of the funding portfolio is unprotected, I think that that is a strong position, and it has been welcomed by the chair of VisitScotland. We have managed to increase spend for tourism in that we now have the rural tourism infrastructure fund. We have helped pressured areas and we have kept the operational budget line for VisitScotland flat. I will be straight with the committee: there are pressures relating to staff pay and funding increases that will be a challenge for VisitScotland.

I will get back to the committee on what happened in 2014-15. However, the committee is scrutinising my budget for 2019-20. I think that we have done a reasonable job in maintaining the position.

Jamie Greene's point is that there needs to be more spend. If you want to champion the case for more spend on tourism, I would absolutely welcome that, but I will be realistic again. Part of my role is to ensure that we maximise spend in other portfolios on things that can help tourism. Initiatives that can help tourism include the roll-out of superfast broadband, which is not the Scottish Government's direct responsibility, but is reserved to Westminster. The substantial spend on that will help in the increasingly digitised world of tourism promotion. Transport infrastructure is also important, and investment has been made in marinas in Fort William and elsewhere.

Jamie Greene is right about the sector's economic contribution. We worked with the tourism leadership group on "Tourism in Scotland: The Economic Contribution of the Sector", which I am holding up. I absolutely agree that we must not underestimate the geographic reach and importance of the sector.

It is also worth looking at the tourism aspects of city region deals, which come not from my budget but from elsewhere. I can persuade and influence people and I can work with local authorities that come forward with funding requests. The Stirling and Clackmannanshire city region deal is under development, and the Ayrshire growth deal is also important. Some funding support might come from my budget, but we can also lever in funding from elsewhere and work in partnership. There is work in the south of Scotland that involves a great combination of Forest Enterprise Scotland and the Government maximising budgets in order to improve and invest in mountain biking forest trails.

Would I like more money for tourism? Absolutely I would, but part of my job is to lever in funds from across the Government, which should not be underestimated. I am keen to pull together how we

have leveraged funding from other portfolios to help tourism.

Jamie Greene: I totally understand that you work in an unprotected portfolio and that you are trying to spread your budget across different areas of your portfolio, but tourism forms less than 20 per cent of the budget that you are given—you choose to spend less than 20 per cent of your budget on it. That is my additional point.

The majority of the tourism budget is solely for VisitScotland. I accept that cross-fertilisation from other Government initiatives boosts tourism, which is welcome, but it is a fact that your entire tourism budget is swallowed up by a single agency and that funding has remained relatively flat for the past couple of years. Given that tourism represents 5 per cent of Scotland's GVA, it does not feel as if the industry is receiving the attention and financial support that it needs in order to grow.

Fiona Hyslop: People in the industry might want more funding, but they are pleased about what I have managed to do with the budget that we have, and are pleased that I have protected it. Tavish Scott asked about Historic Environment Scotland, which has a huge contribution to make to the tourism sector and investment in it. I have managed to get capital funding for it to help with improving the visitor experience—for example, it had to move the shop at Doune castle and invest in expanding it because of increased visitor numbers.

Tourism is everybody's business, and it is my job to ensure that every part of the Government helps to invest in it. Would I like all the funding to be in my budget? I would, but that is not the reality. I must make decisions about my budget. If you want me to put more money into tourism, I will have to cut another area's budget. The committee might recommend spending less on one thing and more on another—that is what committees do—but I must make my judgments.

By and large, we have good and healthy visitor numbers. More important, we have experience, and VisitScotland can anticipate what will happen in the future—it has just published a report on the demands, expectations and experiences of the current generation of young people. I also convene a high-level leadership group on tourism that brings together the tourism leads for Scottish Enterprise and Highlands and Islands Enterprise, and covers the south of Scotland. We are working together with the industry to achieve leverage across the Government and to ensure that there is spending where it is needed.

The Convener: The 2019-20 budget document makes a commitment to publishing a new culture strategy for Scotland, which was supposed to be

published at the end of 2018. Will you update us on when we will see it?

Fiona Hyslop: We are working on the strategy in 2019. The consultation on it has been one of the most comprehensive in terms of responses and engagement. More than 280 responses were received, and they did not just respond to the questions that were asked; they were thoughtful and in-depth. In order to respect the quality of those contributions, we are taking our time to consider them fully.

The Convener: We look forward to seeing the strategy, which the committee will take a great interest in. I thank the cabinet secretary and her officials for coming to give evidence.

09:59

Meeting continued in private until 11:26.

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