



**OFFICIAL REPORT**  
AITHISG OIFIGEIL

# Culture, Tourism, Europe and External Affairs Committee

**Thursday 26 September 2019**

**Session 5**



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**Thursday 26 September 2019**

**CONTENTS**

**Col.**

**PRE-BUDGET SCRUTINY 2020-21** ..... 1

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**CULTURE, TOURISM, EUROPE AND EXTERNAL AFFAIRS COMMITTEE**  
**22<sup>nd</sup> Meeting 2019, Session 5**

**CONVENER**

\*Joan McAlpine (South Scotland) (SNP)

**DEPUTY CONVENER**

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

**COMMITTEE MEMBERS**

\*Donald Cameron (Highlands and Islands) (Con)

\*Annabelle Ewing (Cowdenbeath) (SNP)

\*Kenneth Gibson (Cunninghame North) (SNP)

\*Ross Greer (West Scotland) (Green)

Stuart McMillan (Greenock and Inverclyde) (SNP)

\*Mike Rumbles (North East Scotland) (LD)

\*Alexander Stewart (Mid Scotland and Fife) (Con)

\*attended

**THE FOLLOWING ALSO PARTICIPATED:**

Emma Harper (South Scotland) (SNP) (Committee Substitute)

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

Claire Tynte-Irvine (Scottish Government)

**CLERK TO THE COMMITTEE**

Stephen Herbert

**LOCATION**

The Sir Alexander Fleming Room (CR3)



# Scottish Parliament

## Culture, Tourism, Europe and External Affairs Committee

Thursday 26 September 2019

*[The Convener opened the meeting at 09:31]*

### Pre-budget Scrutiny 2020-21

**The Convener (Joan McAlpine):** Good morning, and welcome to the 22nd meeting in 2019 of the Culture, Tourism, Europe and External Affairs Committee. I remind members and the public to turn off mobile phones. Any members using electronic devices to access committee papers should please ensure that they are turned to silent.

We have received apologies from Stuart McMillan MSP. I welcome Emma Harper MSP to the committee as his substitute. Emma, do you have any relevant interests to declare?

**Emma Harper (South Scotland) (SNP):** Yes. As tourism is part of the committee's budget scrutiny, I should declare that I am a partner in a bed-and-breakfast business in my home town.

**The Convener:** Agenda item 1 is an evidence session on pre-budget scrutiny. I welcome Fiona Hyslop, the Cabinet Secretary for Culture, Tourism and External Affairs; Claire Tynte-Irvine, deputy director of the Scottish Government's international division; and David Seers, head of sponsorship and funding with the Scottish Government. Today's evidence session is intended to provide the committee with an opportunity to scrutinise how the Scottish Government's spending choices are improving outcomes and to obtain the cabinet secretary's perspective on her financial priorities in her portfolio for the Scottish Government's 2020-21 budget.

I invite the cabinet secretary to make a short opening statement.

**The Cabinet Secretary for Culture, Tourism and External Affairs (Fiona Hyslop):** Good morning. I give a particular recognition to the new members of the committee and the substitute member.

It might be helpful if I made a few remarks to set the context for the committee, so thank you for the opportunity to make these remarks. My portfolio budget is, like all areas of Government expenditure, dictated by our current economic and fiscal circumstances. In real terms, by the next financial year, which is 2020-21, after a decade of austerity from the United Kingdom Government, a

cumulative £14.8 billion less resource will have been invested in our public services compared to 2010-11 funding levels. That long-term constraint on public services continues, with the added uncertainty of the UK's exit from the European Union and the as yet unconfirmed timing of a full UK budget for next financial year and of a multiyear UK spending review some time in 2020. It is against that background of constraint and uncertainty that choices will need to be made for my 2020-21 portfolio budget.

A significant proportion—around 40 per cent—of my portfolio budget is allocated directly to people's pay and pensions. On the external affairs side of the portfolio, aside from the international development and humanitarian relief funds, the budget is almost entirely composed of staffing costs, including those associated with our overseas network. Most of the funding for culture and tourism is given to public bodies and other grant-funded delivery organisations. For some, such as the national collections, the fixed costs of people and estates make up more than 80 per cent of their expenditure. The committee will recall that we made available additional resources in the current year's budget to help those organisations to deliver the pay policy uplifts.

Since the start of this financial year, we have had to make increases in funding for some of our public bodies to help with additional employer pension costs. That is because of decisions taken by the UK Government in a periodic review of public sector pension schemes, which brought forward the increase in contributions to April this year. The final decisions on the level of increased costs were taken after this year's budgets were set, and the level of funding assistance from the Treasury was decided after the start of the financial year. Overall, the Scottish Government was left with a funding shortfall of £120 million to fill.

For five bodies in my portfolio that are members of the civil service pension scheme, the shortfall in funding from the Treasury was 50 per cent. To help to narrow or close that gap in funding, we will allocate, through budget revisions, an additional £4.3 million to the bodies concerned, which are the three national collections, Historic Environment Scotland and the National Records of Scotland. Across Government, the pension pressure has meant reprioritising other expenditure but, without those additional funds, those bodies' activities this year would have become unsustainable.

We should remind ourselves that, despite those challenges, many positive things are being delivered across the activities that are funded by the portfolio. Our national collections and performing companies, along with a strong network of regularly funded arts organisations,

continue to give Scotland wonderful cultural experiences. We have increased investment in the screen industry, we have record numbers of visitors enjoying our historic environment, which has a growing role in local economic development, and we have seen another successful year of Edinburgh's festivals. This month's Solheim cup attracted the largest attendance ever at a women's golf event in the UK and showed how we continue to promote Scotland as the home of golf.

We continue to deliver our national ambition to be open and connected and to contribute positively internationally. Just this week, we published our "Contribution to International Development Report 2018-2019", which is the second such report and which gives detailed analysis of the contribution that our funding streams across Government are making in our partner countries. This Monday, I was in Orkney to launch our new Arctic policy framework. Meanwhile, our work to support EU citizens to stay and continue to make their valuable contribution to Scotland is vital to mitigating the long-term impact of Brexit on our economy and communities.

I started by setting the scene of the challenging financial situation that we face. Although we will continue to be able to support the many successes that I have just illustrated, there is no doubt that difficult decisions will be needed in the forthcoming budget, which is the subject of the committee's pre-budget scrutiny. As I indicated at portfolio questions earlier this month, because of the financial uncertainties this year, we have already taken the difficult decision to defer the start of the youth cultural experience fund. I would like to introduce the fund as soon as practicable, but it is an example of a good initiative that will depend on funding availability, perhaps as a result of stopping doing something else.

I am sure that the committee will appreciate that, although I look forward to discussing that and the many other details of the portfolio budget, I cannot give any indications about future budget intentions ahead of the budget announcement, which is planned for December.

**The Convener:** Thank you. You outlined the difficult financial context within which you are planning the budget. Obviously, later this year, we will have the launch of the culture strategy, which has been delayed, but it nevertheless has a very ambitious outcome, the three strands of which are "Transforming through culture", "Empowering through culture" and "Sustaining culture", with a focus on collaborative working in the sector. I understand that the strategy will involve appointing a new cultural leadership post. Given the ambition of that culture strategy, how have you budgeted for it, and what additional resources will it require?

**Fiona Hyslop:** There are a couple of points there. One is that the engaging and considered responses that we had to the draft strategy meant that we have taken time to continue that engagement. One thing that has come through as part of the work on the culture strategy is that the sector wants to have not just a consultation in advance of a strategy but continuous dialogue. We understand that, and it is one reason why we are taking our time with the final publication.

You are right that budget limitations will constrain what we can do with funding for the culture strategy. However, part of what we want to do with the strategy is to help to align all the other agencies and parts of Government, and indeed our partners in the voluntary and other sectors, to deliver on the main themes that you talked about. I can give a good example of that. On Friday, I was at the launch of Renfrewshire partnership's economic strategy. The partnership involves industry plus the private sector plus all the different agencies, including Renfrewshire Council, and it was pleasing and reassuring to find that culture and heritage are embedded in that economic strategy.

I would like to have an extensive budget of my own to deliver all that I want to deliver within the culture strategy but, as I have learned, and as I have shared with the committee over many years, one of the most effective ways I can work with my budget is to work with others to leverage in funding from elsewhere. I cannot tell you in advance of the budget what funding will be given to the culture strategy.

**The Convener:** When do you think you will be in a position to share that with the committee?

**Fiona Hyslop:** The budget will be announced and we will be able to identify the funding within that.

**The Convener:** Will there be additional funding for the culture strategy?

**Fiona Hyslop:** I am anticipating and planning for additional funding, but I cannot quantify what it will be or the elements of the culture strategy that will be funded.

I also want the culture strategy to leverage in the extensive funding that we already have in my portfolio to help with alignment and direction.

**The Convener:** For clarity, some of the funding for the culture strategy will come from your portfolio. Will other parts of the funding for it come from other portfolios?

**Fiona Hyslop:** We are doing pre-budget scrutiny and we have not published our budget. I am still in negotiations about budgets across different areas. Part of what I want to do, as I have done in a number of areas, is to make sure that

we maximise whatever cultural funding there is. If there are other partners to work with, we will do that. I anticipate that there will be funding for part of the culture strategy but I cannot tell the committee how much it will be.

**The Convener:** You rightly say that we have discussed this in committee previously. My recollection of the last time we discussed it is that you hinted that it was sort of up to the committee to put pressure on other cabinet secretaries to make them realise that part of their budget should be allocated to culture, given what we now understand about culture being able to improve outcomes across Government. What chance is there that that will happen?

**Fiona Hyslop:** A good example is what happened in Renfrewshire on Friday, which was a result of the bid for Paisley to be the UK city of culture. That bid was not successful, but the council wants to continue with its ambitions.

I have just been up in Orkney launching our activity policy framework and the council leader is very keen. The council has just given funding for the opening of the Workshop & Artists Studio Provision (Scotland)—WASPS—studio. Not all arts funding comes from the Government; it can come from different areas.

I am not going to do special pleading because every budget is under pressure. We are not a protected area of budget within the Scottish Government, as you might be aware. Culture is not like the health budget. Health is, however, a good example of where we are increasing understanding of the benefits of working with culture in a preventative way, particularly on mental health issues by supporting resilience and expression, and in other ways. A good example of how we can promote empowerment through culture is some of the existing work of the Scottish Chamber Orchestra and the Royal Scottish National Orchestra with people who are living with dementia. Scottish Ballet is doing fantastic work on control with people who have Parkinson's disease.

Those examples are funded through my budget but, if people who work in health and outreach in other areas recognise the value of arts and culture in their work, that is important. Another obvious example is the V&A Dundee, where economic and cultural regeneration are seen as being increasingly important. That is why I supported the Paisley museum at its announcement on Friday; it is part of the economic regeneration process.

Just as we are contributing to other departments' budgets, we also expect them to do that. It is not for me to tell the committee to do anything, but those of us who believe that culture is not a silo and that it touches every part of life

should encourage other portfolios within Government or other committees to look at this issue.

**The Convener:** You seem to be saying that it is a matter of persuasion, and that, even though it is a national outcome, we need to keep putting the pressure on other portfolios for them to understand the value of investing in culture.

**Fiona Hyslop:** The national outcome for culture is one of the successes of the previous version of this committee and my work in Government. We do not want it to be that the only people who support that outcome work in culture; support has to come from across different portfolios. If you think about how we are trying to work across Government in delivering the national performance framework, everybody has to contribute to as many of those outcomes as they can. We do not just say, "That's my performance outcome, so we will just support that."

**The Convener:** I understand that. I am trying to get at the pressure that is being applied.

09:45

**Fiona Hyslop:** That is the point about how successful you are. Is it pressure or persuasion? Those of us who are involved in politics know that, sometimes, it is both at different times.

However, when it comes to my portfolio, most of the funding, particularly on the culture side, comes into Government at the time of the final budget agreement. Letters of grant are issued, often to independent organisations, charities and national performing companies. If we are trying to work with other partners, it is about persuasion. Because of that persuasion, there is some appreciation of the fact that we have managed to protect and support culture, despite the fact that it is not a protected part of Government.

It is more obvious in tourism, where work is done by Scottish Enterprise or Highlands and Islands Enterprise. Recently, I was in the south of Scotland, working with the new south of Scotland economic partnership, which can also bring contributions. One example is the Crawick Multiverse near Sanquhar, which is a dynamic public artwork. SOSEP has invested funding there to help with visitor facilities. SOSEP recognised that culture, creativity and tourism are a vital part of bringing people into Sanquhar. That is a good example of where this committee could take an interest in what the south of Scotland partnership is doing. During my visits to the south of Scotland over the summer recess, I was struck by how seriously the partnership has taken that opportunity.

**The Convener:** We legislated for that. Culture is built into the South of Scotland Enterprise Act 2019.

When it comes to persuading people across Government, perhaps you should get your fellow cabinet secretaries to appear before the committee and see whether we can persuade them that way.

**Fiona Hyslop:** I have been long enough in the game to know that it is not for Government ministers to tell committees what to do. They decide what they want to do.

**The Convener:** Thank you.

**Claire Baker (Mid Scotland and Fife) (Lab):** At the start of today's meeting, the convener described the scrutiny as looking at how the Scottish Government's spending choices are affecting outcomes.

Let us look at the Scottish household survey and compare it with the national policy framework. The policy framework has been in place since 2007, although culture was added in 2018. However, the household survey continues to show us that, within cultural activity and participation, people are disadvantaged if they live in deprived areas, if they have a long-term health condition or if they are older. There are factors that indicate low participation. The household survey says that

"This profile has remained the same over time."

Therefore, we have not seen a significant shift in closing the culture gap between those who are able to participate and those who are not.

Since 2018, when the indicator was added to the framework, how do you feel about that record in Government? Has closing that gap been a focus of Government? There is little evidence to show that the gap has shifted.

**Fiona Hyslop:** Over the period, there has been an increase in participation. The most recent statistics show a variation. I suspect that that is more to do with the fact that the bulk of participation tends to be cinema and reading. That also—

**Claire Baker:** I am sorry to interrupt—you have kind of answered the question—but I would also like to ask why the change was made to what was included in 2018?

**Fiona Hyslop:** That was because this committee and lots of arts organisations wanted it. It was seen as an opportunity to have culture as part of the national performance framework.

**Claire Baker:** No—I am sorry. I am asking why the question was changed. You said that there has been an improvement but that has included cinema and—

**Fiona Hyslop:** It always has done. I was talking about the variations. Cinema and reading have the greatest levels of participation. If people do not have the economic wherewithal, because there has been a period of austerity, they might not go to the cinema any more. That is enough to vary things.

**Claire Baker:** The briefing from the Scottish Parliament information centre says that

"substantial changes ... were made to the culture questions in 2018".

**Fiona Hyslop:** Yes. You can talk to the statisticians about why they wanted to change the question but, often, they want to improve the quality of the question. That is what they did. They also included variations. For example, the questions used to ask about performing or taking part in theatre and singing productions. The new questions separate those activities, because, as we know, choirs are increasingly attractive activities for people. Those are practical and modern ways of approaching the issue.

They also looked at the fact that a lot of people are experiencing culture online in different ways, whether it is reading on a tablet or streaming content. My understanding is that the indicator is a basket and we look at experiences across different sectors. They have modernised it. Every time there is a change to the question there will be a bit of variation, but in the modern day we have to reflect modern experiences of culture. One of the issues in adding a culture outcome to the performance framework was to make sure that it was as robust and relevant to modern society as possible. If you are interested, we could ask the statisticians to provide an explanation.

**Claire Baker:** I hear what you are saying. There is an argument for including different types of experience, but the most popular form of cultural experience was going to the cinema, indicated by 56 per cent of adults. Some people would question whether that is the most effective measure of what we would think of as cultural participation. Is going to a multiplex the same as other cultural experiences and is that a fair interpretation of who has access to and participates in culture? Is that a helpful indicator for you as cabinet secretary, if it is a priority to reduce the culture gap and ensure there are greater cultural opportunities for people who have been identified as being excluded from them?

**Fiona Hyslop:** There are a couple of issues in that. As I said at the start, I am conscious that cinema is one of the big elements. I believe that film is an art form, although members might want to debate that, and that is why it should be included.

**Claire Baker:** I am not disagreeing with that but we have to accept that people will view what they want at a multiplex cinema, which is often very expensive for the average person to attend.

**Fiona Hyslop:** I was about to say that, and that, therefore, in a period of austerity there might be a difference in the numbers of people going to the cinema, because of their income levels.

On your substantive point on whether, as a country, we should be trying to make sure that people from less affluent areas, who are facing many disadvantages, are offered more opportunities, the answer is yes. That is what I want to see from the culture strategy and that is why we have done so much on youth work, in particular. As I have often said, children who do not just watch but actively participate in cultural activities are more likely than others to become the audience of the future, which is what we are trying to influence. That is true regardless of parental income. The trick is how to get that bigger reach. The outreach work that all our national companies and collections carry out—as well as the youth music initiative and Sistema Scotland, with which you will be familiar—might not produce an immediate response in the number of people going to cultural events, because there is a time lag between people participating as children and buying tickets as adults, but it is part of the process.

There is greater consciousness of that now, in comparison with when I started as culture minister, because we set out our priorities in the letters of grant and guidance to organisations, and tackling inequalities is one of those. As in every walk of life, we can make inroads on tackling inequalities and poverty, but there are only certain levers that we can use and we know that it is a big challenge. Many families are having a tough time just now because of the financial effects of decisions that are taken by other Governments, as well. I am not saying that it will be easy. We are doing what we can, but we will not instantaneously see the shift of the dial that you are looking for when most of our focus is on young people.

**Claire Baker:** If work with young people is a priority, why has the cultural youth experience fund been suspended? You mentioned the financial pressures that the budget is facing, but that is an area that seems to speak to what you have just been talking about. Why has it been dropped while other investment is continuing?

**Fiona Hyslop:** As I explained, we have had to make in-year decisions, particularly because of the pension pressures. I want to fund that youth activity for precisely the reasons that you mention, but to do so this year I would have had to stop doing something else.

**Claire Baker:** Can you say how much was planned to go into that? I could not find a figure for the budget.

**Fiona Hyslop:** We have not identified that, because we needed to work out the most effective way of doing it. Going back to a point that was made by Ross Greer at a previous meeting, we wanted to focus on primary school children. However, when we worked with partners to look at what we could do, we found that there are good facilities and provision of culture experience, but the big issue is transport. That comes up everywhere I go, which suggests that I should be running buses.

The offer of free participation exists—as I said, it is better for active participation—and art and cultural experiences go to communities, but, more importantly, communities and individuals, particularly children, can also express and develop their own cultural experiences. I want to provide access to more art, but I cannot do it when we are facing a bill of at least £4.3 million for a pension difficulty that arose at short notice this year, after budgets had been set. That is part of government—we have to make such choices. It can be easier to stop something that has not started than something that is already in train, particularly when the emphasis for our national collections and companies is on doing a lot of youth and outreach work, which they are doing very well.

**Ross Greer (West Scotland) (Green):** I turn to the screen budget. It is a relatively rare circumstance to have something new in the budget. Screen Scotland is not a new agency—we had the debate about that at the time—but a new unit within Creative Scotland with a substantial remit, and a budget was allocated to it. Will you explain the process by which the Government will evaluate whether the initial budget was sufficient?

**Fiona Hyslop:** I will make two points. One is that there is a lag and a lead-in time between when we allocate budgets and when the money is all distributed. We are already starting to see an impact. For example, an investment of around £3 million in the production growth fund has generated £60 million of production spend. A number of films have been supported—you will be aware of those around Edinburgh, at least—and there have been new productions for the BBC as a result of its memorandum of understanding with Creative Scotland. The committee is also interested in training and skills, and I met a number of trainees, so what we are getting for the public investment includes not only support for productions that come here and employ local people but training opportunities.

Screen Scotland will be better placed to provide the committee with evidence of what it has put in

and the outcome, but we are already seeing the impact of the initial investment as well as the recent substantial uplifts. Some of the previous investment in production growth funds is making a difference to the amount of economic activity and I am sure that screen Scotland will be happy to share that with you. We will get fuller results next year because of the time lag.

**Ross Greer:** I understand that. Because of the committee's inquiry, we have no doubt that there will be a substantial economic return on the investment. Screen Scotland was allocated £10 million and everyone was confident that there would be a successful return on that investment, but it could have been given £20 million, if you had taken money from elsewhere in the budget. It falls under the Government's cultural strategy, as well as its economic strategy, so I am interested in how you balance the need for an economic return with the cultural benefit. You said that you believe that film is an art form. In a lot of other areas that Creative Scotland funds, economic return is not the top priority, and in some cases it does not need to be a priority at all because the cultural benefit is worth it in and of itself. Screen is different because there is a substantial economic return, but how do you strike the balance in budget setting? You could allocate more to screen Scotland, because it gets a good economic return, but that would take away from the cultural benefits in other areas.

**Fiona Hyslop:** Part of it involves trusting the judgment of professionals who know about screen. The committee has heard from screen Scotland's director, Isabel Davis. We have such experts so that they can advise us. We do not direct them by saying, for example, that they have to spend a certain percentage on cultural experience or film that is art for art's sake, rather than on generating economic activity and jobs, although that is a clear expectation from the uplift.

It is important to remember that the Scottish Government funding is not the only funding that screen Scotland spends on film. Previously, there was lottery funding, which was more directed. The rules on that do not necessarily require there to be an economic focus; such funding is for promoting culture, so it must be intended to help to develop new, emerging artists.

10:00

I assure the committee that, although some of the funding has been spent in small amounts, it has had an impact, because it has helped small cinemas across Scotland—for example, in Campbeltown—to upgrade their equipment to allow more people in diverse areas to watch films on better equipment, which goes back to Claire Baker's point. Some of it therefore goes towards

improving people's experience of film, while other elements go on training, film festivals and supporting diversity, which is part of what the Government is trying to do in all sectors.

An important aspect of the screen sector's contribution on diversity is its support for non-traditional film makers. I have met people from some of the programmes that are involved in that. For example, the training company TRC Media is working on a programme known as rad—I cannot remember what the letters stand for—that has had funding to support people who are not coming into the industry from traditional middle-class backgrounds in which everyone is networked or has family connections. Instead, they are from more financially disadvantaged areas or have different experiences, such as being gay or being from an ethnic minority.

Therefore a range of activity exists in screen funding. Ross Greer is right to say that there has to be a balance, and screen Scotland is very conscious of that. I also take an interest in that, but I am not in a position to say that an organisation's balance has gone too far one way or the other. However, if the Government were to pick that up, we would have such a discussion with screen Scotland.

**Ross Greer:** At the higher end of the production scale, the market is clearly very international. I am interested in how the other areas of Government that contribute towards the Scottish Government's international economic performance collaborate on this. The hubs are also accountable to you, but we might look at the example of Scottish Development International, which has a substantial international presence in places where significant headquarters for the screen industry are located. How do you ensure that areas of Government that are accountable elsewhere are collaborating on a strategy for growth in screen production?

**Fiona Hyslop:** They have done, and they continue to do so. Now that screen Scotland exists, the individuals involved have a better and more direct relationship. I recall that, when I visited California, we supported SDI and talked to producers there. I am trying to remember the names of the companies that we met at the time—it was Lionsgate and a number of similar companies. We were there about five or six years ago to promote Scotland's capabilities, not least through animation production, because of our gaming strengths. Part of that process was to pitch Scotland as being not just about post-production work and activity, although that does provide income. It was also not just about saying, "Come to Scotland to write and make your films," but about promoting our skills base as lending itself to such companies.

Now, screen Scotland is helping to grow companies such as AXIS Films and Firecrest Films, which can provide a more rounded capability. As is the case with many others, film production is quite an emerging art form. The company that produced “Anna and the Apocalypse”, which is quite a famous film, shot it in Greenock and used Scottish technology. Our activity in computer-generated imagery illustrates that our strength is not just in making the films but in how we can do both things together. Whether we do so by pressure or persuasion, it is important that we cover both aspects.

Support for such companies comes not just from screen Scotland but from Scottish Enterprise. I also have regular meetings with SDI. I work closely with Ivan McKee, the Minister for Trade, Investment and Innovation, and Derek Mackay, the Cabinet Secretary for Finance, Economy and Fair Work. They are the ministers with whom I do most work, so that is appropriate. We are developing our hub network, on which I understand the committee is running an inquiry; we are looking at how we might better align our best elements so as to provide a more coherent offer.

I apologise that that was quite a long answer.

**Ross Greer:** No, that was great—thank you very much. I cannot believe that in the one week that Stuart McMillan has not been here, we have talked about film production in Greenock. [*Laughter.*]

**Fiona Hyslop:** I sincerely hope that it was in Greenock. I will have to correct myself if it was not.

**Alexander Stewart (Mid Scotland and Fife) (Con):** I will move on to local government financing. We have received evidence, including written evidence from the Convention of Scottish Local Authorities, that spending on libraries, museums and sports facilities is under severe pressure. By making choices about how to balance the books, councils end up needing to make efficiency savings or to redesign some of the services that they provide. In some council areas, managing savings might mean a library not opening on a Monday or a Friday, for example.

We have also heard about areas in which there are opportunities for dealing with information in relation to funding. Councils might increase the charges for services by 3, 5 or 7 per cent to ensure that they can remain open, but that creates an added burden on individuals who wish to use those facilities.

What is the cabinet secretary’s response to COSLA’s concerns? Against that backdrop, how can the Scottish Government achieve its proposed culture outcomes?

**Fiona Hyslop:** That is a serious area of concern. I will give you the overall context, and then I will say what that means for all of us.

We understand that there are pressures on local government spend. Excluding the health budget, the Scottish Government’s resource budget will be 7.8 per cent lower in 2019 than it was in 2013-14 in real terms. The local government budget has gone down, but by less than that. I give that context to show that, because my portfolio budget is not protected, unlike the health budget and certain parts of the justice budget, there are more pressures on me. However, I have managed to maintain progress, as we can see from how investment in various areas has contributed to the national outcomes.

The Local Government and Communities Committee has debated the percentage increases in local government budgets, but I do not want to get into that debate. Local government has been well protected compared with other areas. The issue is that spending on culture is not a statutory requirement for local authorities. That causes pressure. I do not think that having statutory requirements for culture spending is the answer, although committee members might hold that view. I think that that idea would be strongly resisted, as was ring fencing, because local authorities want flexibility.

However, I continue to be reasonably assured that significant numbers of local authorities—I am not saying all local authorities—understand that culture is important in contributing to health and wellbeing. The most recent figures show that the total budget for culture and related services has gone down by 2 point something per cent—a hole punch has made a hole in my papers, so I cannot read the figure. The biggest decrease was in tourism spend, which was down 7.8 per cent. The budgets in other areas did not go down as much—for example, the culture and heritage budget went down by 1.8 per cent. Bearing in mind that there is pressure on all budgets, I think that that is not an unreasonable figure. The situation varies across different areas.

The committee has looked at the benefits or otherwise of leisure trusts, but we are starting to see pressures, in that councils cannot direct leisure trusts to do what they want. A council cannot say to a leisure trust that it does not want an outdoor recreation centre to be closed or to cut its opening hours, because it wants people to go to the gym and so on, and to have cultural experiences. That is where we are starting to see tensions.

The experiences of local authorities are quite varied. The most recent figures show that there was a 19.8 per cent reduction in West Lothian Council’s culture budget, whereas the budgets in

many other local authorities increased—I think that Stirling Council had the highest increase. Individual circumstances could have pushed those changes, but the variability in how culture and related services are treated across local government is striking.

The other area is libraries, where Government intervention has helped. Despite the pressures that we face, we have supported, and will continue to support, the public library innovation fund. Last week, I was in Dunfermline, where we announced the next round of £200,000. The money has enabled the repurposing and reuse of libraries, with funds coming from the centre to allow them to provide different services.

That is the reason why—it is recognised as such by other people—Scottish libraries are far more resilient and have adapted to the future better than those in the rest of the UK. We have managed to help that happen through the innovation fund. An initiative is piloted in one library or council area, and then it is rolled out elsewhere.

There is no easy answer. One suggestion—I am speculating here; I know that the committee has an arts funding inquiry—is that we match fund the funding from local government, so we reward success or the people who are investing. However, that goes back to issues of ring fencing and control. The question is whether we maintain funding in councils by changing hearts and minds. Would such a suggestion constitute persuasion or pressure?

**Alexander Stewart:** It is pressure.

**Fiona Hyslop:** That is why it would be helpful to have discussions with the committee and to hear what you think on the matter.

**Alexander Stewart:** The Scottish Government's ambitions and the outcomes that it is trying to achieve are quite clear, but will they be achieved given the current backdrop and the situation that some councils are in?

As you have identified, some councils put in an arts and culture worker, which creates a benefit, because the post runs across portfolios. Those workers can see what is happening across different aspects of a local authority, such as education, tourism, loneliness or whatever it might be, and they can make a massive impact on a community.

You have ambitions to achieve that, but they are being stymied by the whole process. At the end of the day, you are not able to get what you want from the process because of the backdrop in which you find yourself, and your ambitions are not being met.

**Fiona Hyslop:** I am not saying that there are not pressures—I am being up front about that—

but there are some very good examples. One such example is East Ayrshire, which is one of the best councils. It really gets the value and the impact that culture and heritage can have as a driver for change. We need to persuade the rest of local government that that is the way forward. I saw and heard the passion from James Stockan in Orkney, and I have seen it more recently in Renfrewshire. East Ayrshire is a very good example, but not all local authorities are in that place.

We have to respect the independence of local authorities—that is part of our arrangement with them. Peer persuasion is a good way forward, and I am trying to re-engage the joint committee of culture conveners with COSLA. It is taking time, but we are hoping to do that, because they need support in making their case.

I am heartened that there are some very good examples of good work happening despite the pressures that I mentioned. If members look beneath the figures, they will see that the biggest reduction is in tourism, probably because there is a recognition that we are doing reasonably well in terms of visitor numbers in a lot of areas, so councils are withdrawing from that area. I am not sure that that is a wise decision, but it is their decision to take. Most of the reduction is in tourism rather than culture.

**Alexander Stewart:** Like you, I give credit to many of the councils that have been pioneering and have taken the agenda on board; they are trying to challenge themselves and do the best that they can in the circumstances. However, facilities across the piece are still closing or being reduced, which has a massive impact on the communities that we all represent.

**Fiona Hyslop:** That is perhaps an issue to take up with your local council.

**The Convener:** We have a supplementary from Kenneth Gibson.

**Kenneth Gibson (Cunninghame North) (SNP):** I take on board everything that the cabinet secretary said. However, according to SPICE figures, whereas local government funding declined by 4.5 per cent from 2014-15 to 2017-18, library expenditure declined by a thumping 20 per cent, and it looks as if that decline is continuing. In my local authority, the council is talking about closing Fairlie library and village hall to save £5,500 a year, which one would not have thought was an excessive amount of money.

What can the Scottish Government do? Local authorities are against ring fencing, but we could find ourselves in a situation in which some councils have almost divested themselves of libraries in some communities. The public library innovation fund is excellent, but is there anything more that we can do, or will we have a situation in

which the local authorities that value libraries continue to invest in them while others do not? That impacts on communities. I spent much of my childhood in libraries, and they are an invaluable resource, particularly in deprived communities.

10:15

**Fiona Hyslop:** I agree, but we need to rethink what libraries do and how many places have them. We are now seeing libraries at the heart of partnership centres where they are a sort of safe place. A lot of work is being done to tackle loneliness among young mums. That is the sort of project that has come out of the Scottish Government's funded public library information fund.

Despite the fact that libraries have been significantly reduced, there have been far fewer library closures in Scotland than in the rest of the UK. The figures have been skewed by the decisions of Fife Council, which closed significant numbers last year or the year before. There has been a significant retention or repurposing of libraries and the services that they provide.

I think that libraries are the living room of the modern town. They are no longer the quiet places where people go just for books; they do so many other activities such as helping people to get the benefits that they need or with activities around getting back to work and using technology and so on.

In defence of the decisions that have been made, I would say that the latest audited figures show that 43 million visits were made to libraries in Scotland and the actual usage of libraries has increased in recent years. I can believe that because libraries have been repurposed and they attract different people. For example, there are coding clubs, such as the one in the library at Granton.

I have not got all the evidence to hand, but I will supply you with the evidence that the use of libraries is increasing. That is why it is incumbent on local authorities to keep them when they can, but not to keep them in aspic as they operated in the past. They need to be repurposed. I am not going to hammer the experience of council library services and provision as much as it might look I am on paper, because usage has increased. To go back to Claire Baker's point, the projects that we are supporting and which are now being adopted across the country are for people who really need that access for different reasons.

**Kenneth Gibson:** Libraries are evolving everywhere, and that is certainly true in my local authority area, so I want to be fair to them. However, the issue is about moving them out of the heart of the community to more central

locations, which means that a lot of people who might have had the opportunity to use them do not have it any longer. I am thinking particularly about elderly people and folk who have mobility issues, and so on. They will be less likely to be able to use them in future. Even if the library evolves and becomes more innovative, there are still issues with access.

**Fiona Hyslop:** I agree; that happened in my constituency. The library developed into a partnership centre. The question is whether the usage of libraries still reflects the population. Younger people might use the library, but what happens if there are no buses? It comes back to buses. There is a real issue around transport and culture that we should think about.

**Mike Rumbles (North East Scotland) (LD):** I would like to go back to the area that Ross Greer raised earlier and drill down into one aspect of screen Scotland, which we discussed briefly.

The cabinet secretary will know that I have raised the issue with her in the chamber and, as a result of what she did, Isabel Davis wrote me a positive letter about screen Scotland. People from across the UK who are involved in production, direction and writing tell me that Scotland is the place to be and that it is a good-news story; we want to make sure that it turns into a great-news story.

Isabel Davis said in her letter:

"Screen Scotland recognises that the development of new and emerging talent is critically important to the overall development and success of the screen sector."

We are focusing on pre-budget scrutiny, and I agree entirely with what you say about money being short and the budget being under threat, but we could get a lot more out of this area than we invest in it. The issue is with—I hesitate to say "young talent"—new and emerging talent.

To focus on the commissioning of Scottish short films, because that is how a lot of directors, producers and writers get into the industry, Isabel Davis said in her letter that there was a

"Strong selection of 6 Scottish Shorts commissioned from 168 applications".

That works out at only 3 per cent of the applications that went into screen Scotland for the Scottish film talent network programme. I know from personal experience that there are other people out there who did not even apply because, although they did not know that just six would be commissioned, they knew that it would be a small number.

This is a tremendous opportunity for Scotland to turn a good-news story into a great-news story. I know that you cannot direct what happens but, as part of our pre-budget scrutiny, we can influence

what happens by alerting you so that you can then alert screen Scotland about the importance of this area to public representatives such as ourselves. What can you do to move screen Scotland along a little bit—to praise it for what it is doing but to say that we could get an awful lot more done?

**Fiona Hyslop:** Your point about talent development and what we can do to encourage it is extremely important. The Scottish Government supports the National Film and Television School in Scotland; £475,000 went into supporting bursaries so that people could develop their talent. You point out that short films are a way to develop talent. In recent weeks, an announcement was made about those people who were successful in some of our short film schemes.

We have a great lot of talent when it comes to writing and content. I think that your point is that, rather than just providing the backdrop for films, we want to have a pipeline of content production. I am conscious that screen Scotland is cognisant of that and understands that.

At what point in somebody's career do you provide that support? It is a judgment call. Sometimes, it is a case of supporting those who are doing the commissioning and those who are at a certain level of film production in order to get productions here. However, I remember that, when we did an event for "The Angels' Share" with Ken Loach up at the castle, he said that writing is everything—it is the writers who are important.

As a Government minister, I certainly ask our universities and those who are involved in creative writing about content development, and I speak to our theatre directors to see how much crossover there can be between the great theatre writers we have just now and talent development. What you talk about involves not just the writing side but the production side; it involves all those strands.

I have an active interest in this area, and I would be quite happy to take the advice of the committee to do more questioning of the available support if you think that that would be helpful. However, there is a question of scalability, which goes back to Ross Greer's point. How do we proceed with that expansion of support? I do not have the funding to do that; I cannot just move things around within my budget and say, "Okay, that's it—we're going to put far more into this area." We come back to the point about working across Government and looking at supporting the creative industries as an economic activity. In terms of our pipeline development, we need great writers and great crew. We are getting a lot of films here not just because it is possible to get great crew for a big production, but because we have the capability to have more than one production on at a time.

I am not going to get political about Brexit but, as far as pressures on the economy are concerned, the screen industry could be a bit more resilient than other areas, particularly if—I hate to say this—we see depreciation of the pound immediately after Brexit, because the depreciation of the pound in recent years has made it a bit cheaper to do productions in Scotland than it is elsewhere.

**Mike Rumbles:** I am trying to give strength to your elbow—

**Fiona Hyslop:** Thank you very much—

**Mike Rumbles:** —in your discussions with the finance secretary in particular. It would be good if you could persuade him that investment in the screen sector would be a great investment not only in culture but in economic benefit for Scotland.

**Fiona Hyslop:** The power of the creative industries and their strength in driving economic activity is increasingly recognised by my colleagues across Government; that is part of my powers of persuasion that I am continuing to work on. However, any support that the committee gives me will be welcome.

**Mike Rumbles:** More strength to your elbow.

**Emma Harper:** I am interested in the international presence that Scotland has in different countries, and in the new hubs.

In the past three budgetary years, the Scottish Government has increased its international presence with new hubs in Dublin, London, Brussels, Berlin and Paris. The Brussels and Paris hubs are financed from the external affairs portfolio, but our briefing says:

"The offices in London, Dublin and Berlin are funded from the Finance, Economy and Fair Work (FEFW) Portfolio."

What is the rationale for the hubs being financed from different portfolios?

**Fiona Hyslop:** Pragmatism, and the need to make the most of the limited resources across Government. We work collectively together. In different years, it makes sense for the money to come from one source or another. My budget is quite tight, and is small in relation to the area that the portfolio covers. The funding comes from the Scottish Government. Most of the costs are on staffing.

In previous budget scrutiny—we will probably come back to this issue when the budget is published—we have seen that the changes in how the Government allocates the total operating costs have meant that staffing resources are more explicit across all portfolios. As I said, most of my budget in this area is on staffing.

We are working closely with Scottish Development International on how we best align our activity. What is happening in Berlin is a good example. The Scottish Government is leading on that, but we also have event support people and an SDI presence in that office. We are already seeing the benefits of that greater co-ordination.

It would be possible to have greater simplicity of scrutiny by having all the funding in one portfolio or another, but I think that it is good for cross-working that we are doing this jointly. Depending on the focus, some of the work might be more Government led, and some of it might be more concerned with an economic approach. We will try to work in that way as best we can.

Claire Tynte-Irvine might want to add something.

**Claire Tynte-Irvine (Scottish Government):** I would just say that we are looking to maximise our impact and, to do that, we have to work coherently. You see that in the way that the funding is divided between portfolios, but the officials on the ground and in Edinburgh also work closely across the portfolios, as that benefits us all.

**Emma Harper:** We have international offices in Washington, Ottawa and Beijing. Are there any plans for additional offices in Los Angeles, because that is where the film industry is? I am sure that my friends Angus Macfadyen and Seoras Wallace who made the “Robert the Bruce” movie would be happy if we had direct links with Los Angeles.

**Fiona Hyslop:** SDI already covers California. The office is in San Jose, not Los Angeles, because the presence in California was originally to do with technology, digital and gaming companies and so on.

We are constantly thinking about where our activity is and why we are doing things there. With SDI, we are looking at our Baltic and Nordic presence with regard to whether we should supplement what SDI is doing in those areas with anyone from Government, or whether the SDI offices can help to support our interests. Of course, that will mean that SDI will have to consider its skills base in those areas.

Our universities provide strong economic opportunities. They are a good example of how we are increasingly working not only across Government but across sectors. In Canada, the universities collectively ran a recruitment campaign as well as a campaign to mobilise the diaspora, and our Scottish Government representative in Ottawa helped to organise that activity. Further, in Berlin, there has been a lot of activity in relation to German universities and their interests in Scotland. That is evidence of

something that might not have happened if we had not had a presence there. It is not just a case of working with SDI and the economy portfolio; it is also a case of working with the education portfolio.

**Emma Harper:** Do each of the hubs and international offices have specific operational targets against which you can evaluate their performance?

**Fiona Hyslop:** Obviously, some of them are still in their first complete year of operation. They have all now produced business plans that are online and available for people to see. There might be a different emphasis on activities in different areas, which is right and correct for the portfolio.

In France, there is obviously a strong focus on the food and drink sector, but the Paris hub is also important from the point of view of the Scottish Government’s interest in a lot of other areas. For example, given our focus on wellbeing in the economy, relations with the Organisation for Economic Co-operation and Development will be important—we have done some work together on that. I also have a keen interest in the United Nations Educational, Scientific and Cultural Organization, and our Paris hub can support our relationship with that, too.

10:30

**Emma Harper:** The international offices and hubs work with different Scottish Government agencies such as SDI, which you mentioned, and VisitScotland. How does VisitScotland work with our international offices?

**Fiona Hyslop:** The international offices can host and co-ordinate in-country events, which would be difficult for VisitScotland to organise on its own. Germany is a good example because, after the US, it is our biggest market for inward tourism, and being able to have a greater presence and a more localised focus there is good. It is about relationships.

With the German market, in particular, we had concerns that there was a reluctance to book because of people wanting more clarity on what was happening with Brexit, so we help with in-country work by talking to travel agents and hosting events to bring them together. Part of that is about providing the platform for such engagement. Obviously, VisitScotland staff are experts, but having somebody in-country to support them is extremely helpful.

When I have been in Berlin, the hub has been helpful in looking at inward investment in tourism and working with hotel chains that are interested in investing in Scotland. Some of that can be through SDI leads, but if ministers are there and can add

value to those activities, having a Scottish Government representative in-country really helps.

**Emma Harper:** You mentioned Brexit, which we have not really spoken about yet. The Minister for Europe, Migration and International Development supports you on matters of migration policy, international development and cross-Government co-ordination on the European Union, as well as on fair trade and promoting the Scottish diaspora around the globe. Who has overall budget responsibility for those policy areas?

**Fiona Hyslop:** Me. I give the minister decision-making powers within his portfolio, so he makes individual decisions on, for example, the international development budget. However, overall budget management is my responsibility, so I ensure that there are resources to allow him to make those individual decisions.

**Emma Harper:** Convener, shall I continue with my external affairs questions?

**The Convener:** We will see whether we have time at the end of the meeting. I would like to make sure that all members get an opportunity to ask questions.

**Donald Cameron (Highlands and Islands) (Con):** As tourism is the subject matter of today's meeting, I refer members to my entry in the register of members' interests in relation to a holiday letting business.

I have a number of questions on tourism, the first of which is about overnight visitor spend. As I am sure that you are well aware, the tourism Scotland 2020 strategy, which dates from 2012, set a figure of approximately £6 billion for annual overnight visitor spend, which was to be achieved by 2020. However, from 2011 to date, there appears to have been little growth in the spending level. It has averaged £4.5 billion a year, although last year it was up a bit at just under £5 billion. There is only a year for the strategy to run, but do you have any observations on that target and whether it was realistic?

**Fiona Hyslop:** The tourism 2020 strategy was industry led and ambitious, and we were supportive of it. Obviously, we have had testing economic circumstances since 2011.

Drilling down, the difference between domestic overnight visitor stay and international overnight visitor stay is interesting. The number of international overnight visitors in Scotland has increased from 2.35 million in 2011 to 3.54 million in 2018. That is a 50 per cent increase. During the period of the TS2020 strategy, there has been a 50 per cent increase in international visitors in Scotland. At the same time, in the rest of the UK, the increase has been only 23 per cent so, when it

comes to international visitors, we are substantially outperforming the rest of the UK.

In relation to the spend, the issue is primarily with domestic overnight visitors. Over the same period, the number of domestic overnight visitors in Scotland has gone down by 11.7 per cent. In the rest of the UK, it has gone down by only 6.4 per cent.

When it comes to spend, visitor numbers are welcome. We do not want only those who spend significant amounts, because people come back. They come when they are young and do not have much money, but they come back later and spend. However, the test must be on spend. I have said that tourism is in a fragile position. It can be affected by a number of areas.

Subsequent to the figures that I have just given you, in the first quarter of this year, there was a 4 per cent reduction in the number of visitors in Scotland but an 18 per cent reduction in spend. On the domestic side, there have been pay freezes and family incomes are being stretched, so people are spending less domestically.

We are in the process of refreshing and developing a new, industry-led strategy beyond 2020. We must improve expenditure. The food and drink tourism strategy is important because, in order to tackle the reduction in spend, we have to make sure that we have visitor attractions that people can spend money in.

The original target was ambitious. If domestic visitor numbers and spend had reflected those of international visitors, we would not have had such a challenging experience. I hope that that provides some context for the status of the figures. You are probably aware of those figures, but I thought that it might be helpful to put them on the record.

**Donald Cameron:** That is helpful.

How is the VisitScotland budget formed? Ireland, with which we are frequently compared, spends around £31 per capita, whereas we spend £12 per capita in Scotland. Do you have any reflections on that?

**Fiona Hyslop:** We allocate funding to VisitScotland. It is a non-departmental public body. It has a board, which directs its investments. A lot of its spend is on advertising but that is extremely effective. The issue is the quantity of spend and the effectiveness of spend.

VisitScotland is recognised for—and has won numerous international awards for—its digital activity. The activity is targeted, which is important. In relation to comparison with Ireland, we cannot always directly compare the figures. It is not always about advertising spend or capital spend. Money comes from Scottish Enterprise; the sector

gets funding for things that might be classed as tourism areas.

This year, in beautiful Perthshire, we had the Solheim cup, which was broadcast into 600 million homes across the world. On the Saturday, Europe won with a Scottish captain. That has value in itself. We probably do big broadcast events better than Ireland does—there was extensive coverage of the European championships. In 2023, we will have the UCI road world championships. It was a fantastic achievement to secure the first road world championships of cycling in which all 13 events will be held at the same time in one country, which is Scotland. Normally, the events are held all over the world at different times. As you can imagine, the value of that broadcast spend will be enormous. We are probably more dialled up on events than Ireland is in terms of that broadcast spend. When it comes to marketable availability, I would like to match those areas but we have to work with what we have.

**Donald Cameron:** Finally, I have a question about the transient visitor levy. I do not want to get into a debate about it, given that there are strong views on both sides, but it was announced in the recent programme for government. Is there any timeline for that levy? Has that announcement affected the relationship between the Scottish Government and the tourism industry?

**Fiona Hyslop:** The relationship between the Scottish Government and the tourism industry is healthy. We have good, constructive discussions. Members of the industry have views on a lot of different areas. I met the board of the Scottish Tourism Alliance just two weeks ago.

There are different views and opinions about the transient visitor levy. On the timeline, the consultation is open and it closes in December. We anticipate introducing the bill in spring next year and stage 3 would be towards the end of next year. I will not be in charge of that bill; it will be Kate Forbes, the Minister for Public Finance and Digital Economy. The transient visitor levy will not be introduced this season and I doubt that it could be done next season either.

Local authorities will have to make their own decisions. I point the committee to the figures on local government spend that I just cited and the fact that the tourism spend has already been reduced by 7.8 per cent in the most recent year for which figures are available. It is quite clear to the tourism industry—and people would expect this—that any income from a transient visitor levy will be spent on tourism. We do not want it to be used for the backfilling of previous cuts. If the committee is to take an interest in that area, it will want to keep a close eye on that.

**Donald Cameron:** The Government has made it quite clear that the levy is to be raised by local authorities and that they are to spend it on tourism. Am I right in thinking that it will therefore have a negligible effect, if any, on the Scottish Government budget?

**Fiona Hyslop:** Introducing the idea in the programme for government was a condition of Green support. Had other parties made suggestions for other arrangements, we might not be in this position, but that is where we are.

The Green Party's principled position is that councils should be able to determine the spend locally. The consultation will determine how they come up with the priorities for that spend in the tourism area and whether it should be on tourism. That is the subject of the consultation so we will get feedback from the industry and others on that.

**Annabelle Ewing (Cowdenbeath) (SNP):** I turn to Creative Scotland. In our helpful briefing from SPICe, some concern was raised that seeking to identify the grant to Creative Scotland using the budget documents is not entirely straightforward. That appears to arise out of the fact that, although Creative Scotland has a particular budget line, there is another budget line called "Other arts" and, within that, some funding goes to Creative Scotland.

Looking to the next budget, would it be possible to have a clear picture of the exact sum that goes to Creative Scotland and how much of it is ring fenced?

**Fiona Hyslop:** Creative Scotland has had the continuing core grant and, in recent years, there has been a substantial increase in funding from the Scottish Government for screen, which moved into the Creative Scotland budget. My recollection is that that funding moved during the year—it was an in-year move—so that is why it might be difficult to track. From now on, that funding should go directly to Creative Scotland as opposed to coming from the Scottish Government, so the picture should be clearer in years to come.

Other areas are ring fenced, and that is not necessarily a bad thing. Along with some other examples, the youth music initiative is a Scottish Government initiative that we ask Creative Scotland to deliver on our behalf. Similarly the expo fund is a Scottish Government fund and not a Creative Scotland fund, but it administers the fund on our behalf. That is what the relationship is.

Because Creative Scotland distributes those funds, it might be argued that they should be allocated to Creative Scotland. I would argue that they are our funds and they are being distributed on our behalf. I would prefer to keep those funds separate so that we can decide what to do with them. If we did not ring fence those funds in

Creative Scotland's budget, an argument would be made about how people could know what the Scottish Government was doing. Therefore, there has to be clarity. Those funds are in the "Other arts" funding, which is our portfolio.

10:45

**Annabelle Ewing:** I hope that, when the forthcoming budget is published, it will be possible to provide even just background information, so that everybody has a clear picture of exactly what the cabinet secretary has just outlined and of the three categories of spend—core, ring-fenced and Scottish Government spend.

**Fiona Hyslop:** Because it is a small but beautifully formed budget, when you get to level 4, just about everything becomes apparent anyway. In the budget scrutiny of other portfolios, level 4 involves larger amounts, so you would not be drilling down into the details. However, we will certainly try to provide an explanation of what we anticipate transferring into Creative Scotland's budget during the year for delivery of Scottish Government activity.

**Annabelle Ewing:** Turning to the recent shortfall in national lottery funding, what discussions has the cabinet secretary had with the UK Government on that?

**Fiona Hyslop:** There was real concern about the reduction in national lottery grants. I managed to achieve an increase of £6.6 million for Creative Scotland to cover the shortfall. If we had not done that, many regularly funded organisations would have gone to the wall. To again compare and contrast with local government, despite the fact that it is not a statutory responsibility of national Government and the fact that it is an unprotected budget, we have provided support for those organisations.

We have tried to monitor the performance of the national lottery and there have been changes. Aileen Campbell is the cabinet secretary with lead responsibility for the national lottery—obviously, it covers a range of portfolios, as it also involves sport and voluntary bodies. I have worked with her to express our concerns about the reduction and to try to ensure that measures are taken to increase the expected funding. There is an anniversary year coming up, which might provide an uplift. We have called on the UK Government to put pressure on the national lottery to ensure that it is more competitive—by improving attractiveness, for example.

At this time, it is difficult to say how successful the changes have been. We think that there has been some increase in uptake of the national lottery, but it is not significant enough to mean that

we will revise our contribution. We will keep a close eye on that.

**Annabelle Ewing:** Are you confident that you will be able to maintain your excellent bridging of the gap?

**Fiona Hyslop:** We have made a three-year commitment. It is one of the few areas that has had such a commitment from Government. We have delivered that and we are in the middle of that period, but obviously we will have to reassess budgets as we go forward. As I said, the budget is very small. I scrutinise tens of thousands of pounds of expenditure to ensure that we are getting value from it, because we know that we might have to use it somewhere else. I have to keep a tight rein and sometimes I have to adapt and be flexible. The commitment that we have made is for a considerable amount. People understood that the shortfall was highly significant. I would like to maintain that funding and I would like the committee to recommend that I maintain it. However, I will have to persuade my colleagues of that.

**Annabelle Ewing:** We hear you loud and clear, and we will take that into account in our inquiry into the longer-term strategy for funding of the arts in Scotland.

I understand that Creative Scotland is carrying out a number of reviews. There is a concern about what the cost might be of those reviews and the cost benefit analysis of using that money for backroom reviews rather than front-line activity.

**Fiona Hyslop:** There have been concerns about the regular funding system and how the organisation generally works. It was right for the new chair of Creative Scotland to review that, and what is happening has been welcomed by the sector. What you say might sometimes be the case for some organisations, but I do not think that it is the case here. It is right and correct that Creative Scotland has taken the time to do the review. It has taken its staff and, most important, the sector with it. That is the right thing for it to do.

**Annabelle Ewing:** I think that we expect the review to be completed by the end of the year. Is that right?

**The Convener:** I think that it will be completed early next year.

**Annabelle Ewing:** Okay. To go back to the thorny issue of Brexit, what discussions has the cabinet secretary had with the UK Government on protecting participation in the creative Europe programme?

**Fiona Hyslop:** I talk about that in just about every conversation that I have with the UK Government. Most recently, I had conversations with Rebecca Pow, the then Parliamentary Under-

Secretary of State for the Arts, Tourism and Heritage—who has now moved again—and with Nicky Morgan, the Secretary of State for Digital, Culture, Media and Sport, because the issue is critical. We have discussed the distribution of funds that the UK Government might make available to make up for creative Europe funding. We are yet to receive guarantees that such funding will continue, but the UK Government has asserted that it wants that to happen. A lot of the discussions have been about the process of distributing funding to replace creative Europe funding. We have argued that we should maintain a relationship with the creative Europe programme, as we have argued in relation to horizon 2020 and other programmes, because of the value that we get from such programmes. Co-ordination is really important.

It is not just about the creative Europe programme. When I visited the Wigtown book festival, which is part of a northern periphery programme, I was struck by how extremely well Scotland does from such work, and I met partners from Finland, the Republic of Ireland and Northern Ireland. We are very conscious that it is not just the creative Europe programme to which we do not want to lose access; we want to continue to be part of other programmes with a creative element. From my discussions with people from other countries, I know that they would like Scotland to continue to be a partner, because they see the intellectual value of working with us. It is tricky, but we keep banging the drum about the importance of such programmes.

Obviously, the best way of maintaining our access to such programmes is not to leave the EU in the first place. However, if we do—that is the UK Government's intention—we will do what we can but, as we have said, we cannot mitigate everything, even on the creative side of things.

I have an active interest in the matter, and I talk to the UK Government. Should the funds be made available, we have a process for distributing them. That is the reassurance that we have given to the organisations that are currently funded by the creative Europe programme.

**Annabelle Ewing:** Has the UK Government indicated a timeframe for reaching a conclusion on the matter?

**Fiona Hyslop:** No.

**Kenneth Gibson:** Scotland house in Brussels, which the committee visited last November, has a budget of £2.08 million. The committee's briefing says that its work includes

“supporting the Scottish Government's work to ensure that Scotland's voice is heard”.

The briefing includes great detail about what Scotland house does, such as supporting collaborative EU projects, working with Scottish Development International and Scottish Enterprise and engaging with key European networks.

Post-Brexit, we will be a sub-state Parliament in a non-member state. Although the Irish foreign minister, for example, can probably phone up the French foreign minister to arrange a meeting, we will be somewhat further from that level of direct engagement. Is the Scottish Government looking to increase the budget for, and the number of people who staff, Scotland house over the next year or two, given that it will be harder to get through the door than it is at present? What is the Scottish Government's thinking on that?

**Fiona Hyslop:** That point is well made. Scotland house does a fantastic job. Its 20th anniversary is this year, so I congratulate Scotland house on its activities in the past 20 years.

Should the UK leave the EU, Scotland—and the UK as a whole—would be a third country, so we would have more challenges. To plan for that, we have already increased the number of personnel in Scotland house in Brussels. We will need to do more work on that, and we are currently in the planning stage.

I have spoken to Steve Barclay, the UK Secretary of State for Exiting the European Union, who proposed that the UK Government should no longer attend EU meetings. However, it transpires that that will not be the case and that the UK Government will continue to attend some meetings on the basis of priority. In my conversation with him, I made it clear that I also thought that it was important that they geared up and substantially expanded the UK representative offices because of being a third country. He acknowledged that that would be the case.

The irony of ironies is that if the UK leaves the EU, it will have to expand and increase its presence in Brussels in order to deal with exactly what you are describing. Membership of the EU allows easy access in terms of activity and relationships. In terms of activity, as a third country, that is a choice that the UK Government would make but it would also have to increase its capability and presence. Steve Barclay agreed with me on that.

**Kenneth Gibson:** Thank you—that is really interesting.

As Scotland is further down the pecking order than other countries in Brussels, might it be more valuable for Scotland to have direct links, for example, with other sub-state legislative structures? Bavaria is a wealthy area, with 12 million people. Catalonia has 7.5 million people. It might be easier to do business in some of those

places than in Brussels, Berlin or Paris, where we might be a wee bit further down the pecking order and where it might be harder to get in front of the people who make the decisions.

**Fiona Hyslop:** I would not say that we cannot. I have access to capital city ministers; the First Minister also had access to them last week in Germany. However, on your point about who we can work with and for what reason, the vanguard initiative that we are members of is precisely to help us make connections with those areas. The initiative includes Tampere in Finland and possibly Bavaria also—I can check that. It is about making connections with dynamic economic areas with which we have common interests. Most of those Administrations are devolved, federal or Länder, depending on their set-up. We are already involved in that initiative and we want to continue to be involved in it. The question is about how we can do that in a changed environment.

Emma Harper spoke about our external affairs offices. Alexandra Stein, who heads up our Berlin office, is doing work in relation to Bavaria and other areas. As the committee members have probably met the numerous delegations that have come here, you will know that Bavaria is interested in working with Scotland; the people are very interested in economic, educational and energy issues. We can pursue those connections and we will also continue to develop our relationships with particular parts of the States.

**Kenneth Gibson:** I have just one further question about the Washington office. Its budget for the current year is £810,000. There is a list of work that is being carried out:

“deepening links with the US-Scottish diaspora ... continued engagement with Friends of Scotland Congressional Caucus ... increasing understanding of Scotland’s distinct position”

with regard to Brexit, promoting trade and

“excellence in research and innovation”

and increasing

“the number of Saltire scholars in the US”.

With regard to those external hubs, how do you decide on that level of budget and how do you measure the output—the value for money—from that? For example, if you feel that Washington or indeed Brussels house or one of the other hubs is doing particularly well, what is the mechanism for increasing staffing or budgets? How do you measure success? How do you analyse how successful these hubs are?

**Fiona Hyslop:** A number of them have just been established and some have been around for longer. The Washington office was established in 2005. When you are dealing with relationships—and we are talking about relationships and

support—it is about how you get value for money. What is the value of work around diplomatic influence? It is about ease of access when you need decisions to be taken, so it is important to have relationships with key people, including people who are emerging or developing their political careers, depending on where they are in the US congress, for example.

Sometimes, we are making a judgment about where to focus. To go back to your previous point, we might not necessarily have as productive a relationship with the national Administration, but New Jersey is really interested in our renewable energies in a way that the energy department of the US central Government might not be. Some of it is about looking for future opportunities but the point about future opportunities is that you do not necessarily reap the reward in the same financial year as the one in which you have invested in a relationship.

We are looking at how we measure the success of the offices’ activity, and I will hand over to Claire Tynte-Irvine shortly so that she can talk about the discussions that we are having in that regard. I do not think that that will always be a measurement of economic value, because this is also about measuring success in relation to influence and profile.

**Kenneth Gibson:** Soft power.

11:00

**Fiona Hyslop:** Scotland’s position in the previous nation brands index was 16 out of 50, so we are not in a strong position. We can make objective measurements, but some of the analysis will also have to be based on judgment.

Do you want to say anything Claire?

**Claire Tynte-Irvine:** I emphasise that we are very interested in doing that work, but it is not an exact science, and I would not want to give you the impression that we will achieve an exact science.

We put out much more detailed information, partly in response to previous interest from the committee, about what the external offices are doing each year. I hope that that will show—to the committee and publicly—what we are trying to achieve. We invite the offices to report back on what they have done in relation to the objectives that we have set. Other things will happen in year, so there is also scope for different things to be achieved.

We encourage the offices to tell their story. Some of that will be qualitative, some of it will be quantitative, and some of it will be about their medium-term activity. We think that there is a good story to tell, and we are ready to tell it.

**Fiona Hyslop:** As the responsible minister, I am interested not just in the offices' impact, influence and relationships in-country, but in how effective they have been in developing partnerships by adopting what might be called a team Scotland approach, including how they are working with our universities, creative and culture sectors, and economic interests. There are a lot of good examples of successful working with the chambers of commerce, for example. I am interested in knowing how effective the offices have been in mobilising the chambers of commerce and supporting them to deploy their activities. The measurements might not all relate to the offices' in-country work; they might be about how they are managing to mobilise that collective partnership activity.

**The Convener:** Thank you. We are coming to a close. Last night, I attended a reception for Scotland's international network. You were there too, cabinet secretary. I was chatting to the woman who leads the Scotland is now campaign, which is a very successful initiative. The campaign aims to improve Scotland's branding in the world. I understand that the initiative is a partnership between VisitScotland, Scottish Enterprise and the Government.

We are told that the initial results from the campaign's social media indicators exceeded expectations. Will you measure the impact of the campaign? How will it be funded in future? Will there be a cultural element to it? We know that culture is really important in the branding of our country.

**Fiona Hyslop:** Scotland is now is a campaign, not just a marketing or branding tool. The idea is to mobilise different sectors. One of its successes is how involved industry is, and we are doing a lot of work with the whisky industry and tech companies. It is much more than just advertising; it is about how we mobilise the collective assets of Scotland, whether they are public or private, to help tell Scotland's story and connect people with each other. Often, there are collective interests, which means that there can be win-win situations for initiatives.

I will give a clear example of the impact that the campaign can have. At the beginning of the year, we were conscious of concerns about potential forward bookings in some trade areas, particularly those from Germany, as I have mentioned. VisitScotland was keen to do promotional work, and we were keen—as we always are—to have people invest, study and stay in Scotland.

Scotland is open is a social media and print campaign. It has supported activity in Germany, France, Ireland and Spain. It reached 80 million people, and 27 per cent of the population of those countries saw it. The associated film was watched

by 25 million people. For the level of joint investment and spend by VisitScotland and Scottish Enterprise, expectations were not just exceeded—the campaign had a phenomenal impact. It was particularly well received on YouTube, where the campaign's following went up threefold.

We will continue that work. There is a very good partnership. The message is about living, studying and working in Scotland. You can dial up those different aspects. During the festivals, we certainly used the campaign to promote the cultural side of Scotland.

To return to the major issue of increasing our population, the committee will know that all estimates for population growth in Scotland show that any increase will have to come from migration. Therefore, we will have to encourage people to live, work, study and stay in Scotland. The quality of life and everything else that we offer is very much part and parcel of that.

Again, in terms of working with colleagues who are trying to recruit in particular areas, Scotland's cultural offer, the quality of life and the fact that we have fantastic adventure tourism on our doorstep are very attractive to people who are looking to relocate. As such, the campaign will continue to be a focus of the Government. We can do more sophisticated work with it. That is part of our job and my officials are closely involved in that work. There is great potential. How well we are networked is maybe because of Scotland's size. We should be able to mobilise all of Scotland's asset base, to help each other in promotion. Scotland is very successful at doing that now.

We will continue to fund the initiative. As I said, we do the work jointly, so it might not be as clear where the funding lines will be coming from. However, in tight financial circumstances, getting different parts of Government to work together to deliver something as impactful as the Scotland is now campaign is something that we should encourage.

**The Convener:** I am glad to hear that the campaign is continuing, because it has certainly been very impressive so far. Thank you very much for coming to give evidence to us today.

11:06

*Meeting continued in private until 11:29.*



This is the final edition of the *Official Report* of this meeting. It is part of the Scottish Parliament *Official Report* archive and has been sent for legal deposit.

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