



The Scottish Parliament
Pàrlamaid na h-Alba

Rural Affairs, Climate Change and Environment Committee

Report on The Scottish Government's Draft Budget 2013-14

The Committee reports to the Finance Committee as follows—

1. In this report, the Rural Affairs, Climate Change and Environment Committee (RACCE) comments on those aspects of the Scottish Government's Draft Budget 2013-14 that relate to its remit.
2. The Committee has been assisted in its scrutiny by its budget adviser, Jan Polley, and extends its thanks to Jan for her assistance.

BROAD SUMMARY AND CONCLUSIONS

3. **The Committee agreed to focus its scrutiny this year on examining the extent to which the proposed spending in the Rural and Environment (RAE) portfolio would contribute towards sustainable economic growth, and whether this created any tensions between economic outcomes and environmental outcomes.**
4. **The Committee noted that the Draft Budget for 2013-14 broadly followed the spend outlined in the Spending Review¹ document which it scrutinised in detail last year. For that reason, the Committee chose to examine the issues arising across the three-year period rather than looking at year-on-year changes.**
5. **The Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead, told the Committee—**

“The Scottish Government’s purpose is to focus on creating a more successful country, with opportunities for all Scotland to flourish through sustainable economic growth [...] Wherever possible, we are taking action to ensure that everyone who lives and works in a rural area contributes to and benefits from a strong, cohesive Scottish economy.”²

¹ Scottish Government (2011). *Scottish Spending Review 2011 and Draft Budget 2012-13*. Available at: <http://www.scotland.gov.uk/Resource/Doc/358356/0121130.pdf>

² Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1251.

6. In seeking to examine the impact of Scottish Government spending on sustainable economic growth, the Committee recognised that this is not an easy thing to define. Nor is it straightforward to assess the impact of differing policies on this outcome. At one level, the Committee was able to satisfy itself that a large proportion of the RAE's £520m budget goes to rural businesses and communities, either directly through grants and payments or through the actions of the various research and regulatory bodies funded by the portfolio. A substantial proportion of that, perhaps up to 70%, also supports the environment. As such, the funding clearly provides a general benefit to rural businesses and the environment but the Committee was unable to ascertain during the scrutiny process which areas of spend were most or least effective.

7. The Scottish Government was unable to provide systematic evidence of linking funding options back to the outcomes in the National Performance Framework. In evidence to the Committee, the Cabinet Secretary readily acknowledged that this was an area that required further work, while pointing to some areas where spend had achieved clear impact. In response to a question about how far it is possible to identify which spending lines are most and least effective in achieving sustainable economic growth and whether the balance of economic and environmental objectives is being achieved, the Cabinet Secretary said—

“Whether we are getting the balance right relates to Claudia Beamish’s question, because if we do not fully understand the impact of all our expenditure, we cannot take a view on that.

Nevertheless, we do have views on the impact of our expenditure at the moment. The rural development programme delivers a good return through the rural priorities because we give support that attracts private sector investment. That applies not only to the rural priorities within the SRDP, but to the European fisheries fund where our delivering £X million of support attracts tens of millions of pounds of private finance. The match funding that comes from the private sector is used for projects that take place all around Scotland. In the future, we need to focus more on whether that is creating jobs, but the investment still benefits the rural economy. If we give a 40 per cent grant to incentivise private sector investment, that delivers hundreds of millions of pounds to the rural economy, whether through the European fisheries fund or through the rural priorities in the SRDP. I feel that those are some of the most valuable measures that we support.

The most obvious example at the moment is the food and drink industry [...]³

8. Members welcomed the Cabinet Secretary’s wish to continue working on the impact of Scottish Government spending and noted that, with budgets remaining tight in future, it would be important for both Parliament

³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1258-1259.

and Ministers to have some means of ascertaining the effectiveness of expenditure in meeting Government objectives. The Committee recognised that the appropriate indicator of sustainable economic growth may vary across spending areas but recommends that in advance of next year's Budget Scrutiny process—

- the Scottish Government identifies for each main funding stream the main economic and/or environmental outcomes and indicators in the National Performance Framework to which it is contributing;
- recognising that the National Performance Framework includes outcomes and indicators related to improving our environment, the Scottish Government should consider whether these indicators are sufficient to drive choices in policy and spend or whether any measures used in the Natural Capital Asset Index developed by Scottish Natural Heritage should be employed;
- once the key indicators for defining sustainable economic growth in each area of spend are decided, work should be undertaken to identify the current baseline in the target population so that progress can be measured over time; and
- the Cabinet Secretary explores where job creation and retention could be used as a measure of sustainable economic growth.

9. The Committee takes the view that rolling out digital connectivity to all rural communities and businesses is crucial to achieving sustainable economic growth. Members heard that without good quality broadband, businesses cannot make use of the internet and individuals wishing to improve their workforce skills are unable to benefit from e-learning opportunities. The Committee takes this matter extremely seriously and is concerned that Ofcom may not appreciate the importance of ensuring that every community in rural Scotland can benefit from good quality broadband as soon as possible. The Committee recommends that—

- the Scottish Government press Ofcom to give priority in its planned roll out of broadband in rural areas to the most remote communities where connectivity is poorest; and
- the Scottish Government also take note of existing projects which have found innovative means of maximising connectivity in rural areas and work with rural communities to find solutions.

10. The Committee heard concerns from a number of witnesses that key sources of funding to rural businesses in the portfolio, provided by the Scotland Rural Development Programme and the European Fisheries Fund, come to an end on 31 December 2013 and their European Union successors may not be up and running for 1 January 2014.

11. The Committee heard that, when similar delays occurred at the beginning of the previous schemes, some domestic match-funding was lost

to the RAE portfolio. The Committee is anxious that this does not happen again, as the resulting uncertainty and possible consequences of any funding gap on those who would be in receipt of the funding could have serious consequences. The Committee heard from the Cabinet Secretary that he is alive to these concerns and so the Committee recommends that the Scottish Government—

- do everything in its power to minimise any delay in starting up the new EU schemes; and
- inform the Committee at the earliest opportunity of its contingency plans for ensuring that no funding is lost from the RAE budget in 2014-15.

INTRODUCTION

Background and documentation

12. The Scottish Government published its *Draft Budget 2013-14*⁴ on 20 September 2012 and Chapter 7⁵ contains the proposed spending for the Rural Affairs and Environment portfolio.

13. The Scottish Government also published a *Carbon Assessment of the 2013-14 Draft Budget*⁶ alongside the Draft Budget.

14. On 21 September 2012, The Financial Scrutiny Unit in the Scottish Parliament Information Centre (SPICE) published a briefing⁷ on the Draft Budget.

15. The Cabinet Secretary for Finance, Employment and Sustainable Growth wrote⁸ to the Finance Committee on 25 September 2012 with some points of clarification on the Draft Budget. The Cabinet Secretary requested that this letter be copied to all subject committees.

16. The adviser to the Parliament's Finance Committee, Professor David Bell, also published a report⁹ on the Draft Budget.

⁴ Scottish Government (2012). Scottish Draft Budget 2013-14. Available at: <http://www.scotland.gov.uk/Publications/2012/09/7829/0>.

⁵ Scottish Government (2012). Scottish Draft Budget 2013-14. Chapter 7. Available at: <http://www.scotland.gov.uk/Publications/2012/09/7829/9>.

⁶ Scottish Government (2012). Carbon Assessment of the Scottish Draft Budget 2013-14. Available at: <http://www.scotland.gov.uk/Publications/2012/09/8738>.

⁷ Scottish Parliament (2012). Financial Scrutiny Unit Briefing Draft Budget 2013-14. Available at: http://www.scottish.parliament.uk/ResearchBriefingsAndFactsheets/S4/SB_12-61.pdf.

⁸ Scottish Government (2012). Correspondence from the Cabinet Secretary for Rural Affairs and the Environment. Available at: http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/CSFESG_to_Co nvener_re_SPICE_brief_clarification_25.6.2012.pdf

⁹ Professor David Bell (2012). Report on the Draft Scottish Budget 2013-14. Available at: http://www.scottish.parliament.uk/S4_FinanceCommittee/General%20Documents/Budget_Adviser_Report_on_the_Draft_Scottish_Budget_2013-14_Final.pdf

RACCE Committee's approach

17. On 6 June 2012, the RACCE Committee agreed its approach to its scrutiny of the Scottish Government's Draft Budget 2013-14.

18. The Committee also agreed to appoint an adviser to assist it with its scrutiny, and subsequently appointed Jan Polley to perform this role.

19. In terms of its own broader approach, given that the Finance Committee asked subject committees this year to focus on sustainable economic growth, the Committee based its own scrutiny on this theme, and applied it to its remit by examining how the budget for the next year would facilitate sustainable economic growth in rural parts of Scotland, and considering how well environmental priorities sat alongside an overall priority of sustainable economic growth.

Climate change mainstreaming

20. Following a recommendation in the Committee's budget report in 2011¹⁰, and subsequent endorsement by the Finance Committee¹¹, the responsibility for scrutinising climate change aspects of the Draft Budget has been mainstreamed to all relevant committees, with those committees being asked to report their findings directly to the Finance Committee.

21. The RACCE Committee has agreed to review the outcome of that approach once the budget process for this year has been concluded.

22. **The Committee welcomes the fact that the Scottish Government wrote¹² to all subject committees, on 23 October 2012, to draw their attention to a summary document that—**

“[...] draws together details of the budget lines across the current spending review period that support the delivery of measures to reduce greenhouse gas emissions.”

23. **The Committee would like to see this document reproduced to support all future draft budgets, and would welcome it being developed further to demonstrate the outcomes of the spend in terms of the impact on carbon emissions, both directly and downstream.**

24. **The Committee looks forward with interest to the reports made by individual subject committees on the climate change spend within their respective portfolios, and to the Scottish Government's response to any**

¹⁰ Scottish Parliament Rural Affairs, Climate Change and Environment Committee. *Report on The Scottish Government's Draft Budget 2012-13 and Spending Review 2011*. Available at: <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/45089.aspx#annl>.

¹¹ Scottish Parliament Finance Committee. *Report on The Scottish Government's Draft Budget 2012-13 and Spending Review 2011*. Available at: <http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/45087.aspx>

¹² Scottish Government (2012). Correspondence from the Cabinet Secretary for Rural Affairs and the Environment. Available at: [http://www.scottish.parliament.uk/S4_RuralAffairsClimateChangeandEnvironmentCommittee/General%20Documents/Spending_Review_2011_and_Draft_Budget_2012-13_from_the_Cabinet_Secretary_for_Finance\(1\).pdf](http://www.scottish.parliament.uk/S4_RuralAffairsClimateChangeandEnvironmentCommittee/General%20Documents/Spending_Review_2011_and_Draft_Budget_2012-13_from_the_Cabinet_Secretary_for_Finance(1).pdf).

points raised. The Committee will analyse and review the mainstreaming process early in the new year to determine its effectiveness.

Evidence

25. The Committee published a call for views¹³ on the budget, setting a deadline of 15 October 2012 for responses. Ten written submissions¹⁴ were received.

26. At its meeting on 3 October¹⁵, the Committee took evidence from a range of stakeholders, in roundtable format. The theme of the session focussed on the Committee's agreed approach of looking at the economic outcomes of Scottish Government spending in this portfolio area.

27. The Committee followed this session by taking evidence from the Minister for Environment and Climate Change, Paul Wheelhouse, and his officials on 24 October 2012¹⁶, and the Cabinet Secretary for Rural Affairs and the Environment, Richard Lochhead, and his officials, on 31 October 2012¹⁷.

28. Following these sessions, the Minister and Cabinet Secretary both wrote to the Committee with supplementary written evidence.¹⁸

Follow-up from last year's scrutiny

29. In its report to the Finance Committee last year on the Scottish Government's Draft Budget 2012-13 and Spending Review 2011, the Committee drew attention to several priority areas that it identified. In reporting this year, the Committee reviewed the comments it made last year in order to chart progress.

30. The Committee's primary conclusion in its report last year was noting the difficulty it found in attempting to scrutinise the Scottish Government's spending that would contribute towards it achieving its climate change targets. The Committee made several recommendations on this issue. It is very pleased to note the progress that has been made, both in terms of the way the Scottish Government has presented relevant budget figures and information, and in the way scrutiny has been mainstreamed across all subject committees. **The**

¹³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee. Call for views. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/54602.aspx>.

¹⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee. Written submissions. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/55621.aspx>.

¹⁵ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7409&mode=pdf>.

¹⁶ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7464&mode=pdf>.

¹⁷ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/28862.aspx?r=7477&mode=pdf>.

¹⁸ Scottish Parliament Rural Affairs, Climate Change and Environment Committee. Written submissions. Available at:

<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/55621.aspx>.

Committee will continue to monitor progress in this area, and will pay particular attention to the presentation of the forthcoming second Report on Proposals and Policies, in the expectation of that document having a clearer read-across to future budget documents.

31. The second main conclusion in last year's report concerned the cuts in funding to the Scotland Rural Development Programme (SRDP) and the Scottish Government's agencies such as Scottish Natural Heritage (SNH) and the Scottish Environment Protection Agency (SEPA). The SRDP issues are pursued in the section of the report below. **The Committee has not scrutinised the budgets of SNH and SEPA in depth during this year's scrutiny, but will continue its on-going monitoring of the organisations and effectiveness of both agencies as it deems appropriate.**

32. The final main point the Committee made in its budget report last year welcomed the areas of new or increased spend that the Scottish Government had secured, which included funds for broadband provision and improvement in rural areas, an increase to the food and drink industry support budget, and the establishment of a Scottish Land Fund. **The Committee notes that all of these areas have continued to be funded in the Draft Budget with either sustained or increased funding and restates its welcome for the Government's funding commitment in these very important areas.**

33. **The Committee also welcomes the increased spend in the Draft Budget for peatland restoration, another issue highlighted in its report last year.**

SUSTAINABLE ECONOMIC GROWTH

34. As noted in the approach section above, the Committee focussed its scrutiny this year on examining to what extent the budget proposals for 2013-14 in the rural affairs and environment portfolio would contribute to achieving sustainable economic growth. This fundamental question informs all of the more specific issues discussed later in this report.

35. The Cabinet Secretary outlined the Scottish Government's vision for the rural economy—

“Our overarching aim is to grow the rural economy through five key priority areas: community empowerment; improving rural connectivity; building up our world-class food and drink industry; supporting renewables; enhancing our natural resources and tackling climate change; and investing in research.”¹⁹

36. The Committee explored with witnesses, including the Minister and the Cabinet Secretary, whether the correct balance was being achieved between economic and environmental outcomes, and how success could be most effectively measured and demonstrated.

¹⁹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1251.

37. At its roundtable evidence session the Committee heard comment on how best to stimulate sustainable economic growth from several witnesses. Grant Moir, the Director of Conservation and Visitor Experience at the Loch Lomond and The Trossachs National Park, told the Committee—

“The point that I want to make is on the need for catalytic investment by the public sector that can free up the ability of the private sector to come in on the back of that and invest quite heavily. That is a key point for the budget [...]”²⁰

38. Allan Reid, Chief Officer of Strategic Change and Government Relations at SEPA, drew members attention to potential spend-to-save options—

“I think that most people are very committed to looking at the low-carbon agenda and at opportunities to reduce climate change through having low-carbon options in the economy. There may be opportunities to do further collaborative work at Government and private levels to develop environmentally clean technologies and implement that in the system. I also wonder about advice provision to small and medium-sized enterprises and to local communities about what they can do to contribute to the overall aim.”²¹

39. Dan Barlow, from Scottish Environment Link, at the same session, spoke to the Committee about finding integrated solutions that deliver economically whilst also providing social and environmental benefits—

“We have made strong progress on that in some areas, such as in helping to cut carbon emissions. The Scottish Government has made progress over the past few years in helping to identify opportunities to support the economy and cut carbon emissions. However, there are many other areas in which we do not seem to have managed to reconcile those issues as well as we could and secure some of the win-win benefits. The national performance framework could help us to do that.”²²

40. The Committee also explored the idea of what success would look like and how best to measure it with witnesses, and it was clear that it was easier to get agreement on that in certain areas as opposed to others and that subsequent measuring of that was also easier in some areas and much more challenging in others. The Minister told the Committee—

“In terms of hard economics, it is often difficult to isolate and attribute the benefits that arise from an investment in a measure such as the reintroduction of a species that has been lost to Scotland and to say how it impacts on economic value. However, we know that the measure is

²⁰ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1168.

²¹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1169.

²² Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1172-1173.

intrinsically a good thing and is making a contribution, although it is difficult to allocate that.”²³

41. The Cabinet Secretary also noted the challenge faced in this area, adding—

“How we link our country’s natural capital with our economic and expenditure plans is very much a 21st century debate. I agree that it is a big challenge.”²⁴

42. In supplementary written evidence to the Committee, the Cabinet Secretary gave the example of analysis work being carried out on the SRDP to demonstrate how the Scottish Government is using the National Performance Framework and other indicators to inform policy making—

“At the moment officials are pulling together a baseline review which draws together all existing evidence on how Scotland is performing against the 6 Rural Priorities set out by the European Commission for the next Rural Development Programme. This is taken from a variety of sources, including the National Performance Framework.

Alongside lessons learned from the current SRDP, this evidence will be used to help identify where further action is required and enable the prioritisation of these actions. This prioritisation will feed through to influence the funding which is allocated to different policies within the next SRDP. The Scottish Government will commission an ex ante evaluator who will independently challenge and provide feedback throughout this process to help improve the quality and design of the 2014-20 SRDP.”²⁵

43. The Committee was satisfied that the proposed spending in this portfolio would generally support sustainable economic growth in rural Scotland. However, the Committee was unable to ascertain which areas of spend within the portfolio were most or least effective, and noted a lack of systematic evidence on what the spend actually delivered in terms of supporting sustainable economic growth.

SPECIFIC POLICY AREA ISSUES

44. In considering the Committee’s broad theme of how the Draft Budget in this portfolio will assist achieving sustainable economic growth, several specific policy areas and budget lines were pursued as follows.

EU Support and Related Services budget

Scotland Rural Development Programme

45. The spend on the Scotland Rural Development Programme (SRDP), along with the effectiveness of the delivery of that spend, has been the subject of long-standing interest to and engagement by the Committee.

²³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1207.

²⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1257.

²⁵ Scottish Government. Supplementary written submission.

46. The Committee remains concerned at the possible negative consequence of the current SRDP coming to an end without agreement at an EU level on the reform of the Common Agricultural Policy. The Committee comments on this in detail in the broad summary section at the start of this report.

47. The Committee will continue to scrutinise the current SRDP programme, and the transition to the next programme, and is grateful to the Cabinet Secretary for the supplementary written evidence he supplied to the Committee giving further statistical information on CAP and SRDP payment performance.

48. However, in terms of its budget scrutiny, the Committee looked at the spend in the SRDP this year in a more strategic fashion, in terms of its contribution to sustainable economic growth. The Committee agrees with the comment made by Grant Moir, who told the Committee—

“[...] the next SRDP must look at the entire rural economy. It is a rural development programme; it is not just about agriculture and forestry. What in the rural economy would we support with SRDP funding? How might we spend the money to generate the most economic growth in an environmentally sustainable way?”²⁶

49. The Committee noted with interest the Cabinet Secretary’s initial thoughts on using job creation and retention as a criterion when designing the new grant schemes under the SRDP. The Cabinet Secretary told the Committee—

“Some people may argue that environmental expenditure does not create jobs, but I would argue that it does, because many of the successful sectors that we have in rural Scotland are underpinned by our natural environment [...] In the rural development programme, we are focusing on job creation, where we can. As the committee will know, we brought forward a lot of the capital expenditure in previous years for job-creation purposes, and thousands of new jobs have been created with that expenditure.”²⁷

50. The Committee saw merit in focussing some aspects of the SRDP on job creation, although it was noted that due consideration would need to be given to how such a qualification would impact on small businesses that might only be able to demonstrate employment benefits further downstream in their local economy.

51. The Committee also took the view that efforts should be made to explore spending options which benefit both the economy and the environment. In particular, opportunities for businesses to submit collaborative grant applications which provide both economic and environmental benefits should be encouraged and supported.

52. The Committee noted the interest from the National Farmers Union Scotland (NFUS) in the establishment of a publicly funded government advisory body for the

²⁶ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1182.

²⁷ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1255.

specific purpose of SRDP applications. Jonathan Hall, the Director of Policy and Regions with the NFUS, spoke in support of this, stating—

“That is something that we have lacked in Scotland for far too long. With the demise of organisations such as the Farming and Wildlife Advisory Group, which helped farmers and crofters throughout Scotland to do the right thing, as it were, there has been a gap.”²⁸

53. The Committee pursued this issue with the Cabinet Secretary, who said that he had an “open mind” about the proposal, but raised two areas for further consideration—

“I flag up only two areas of debate on the original proposal from the NFUS. First, although the motivation to avoid penalties is valid, we may be constrained by European funding conditions from doing that, but the advisory service could fulfil a lot of other roles.

Secondly, we have to take into account the fact that the SAC [now Scotland’s Rural College (SRUC)] is doing a lot of that just now. How do we relate the fact that we have an advisory service just now to having a new advisory service? We will just have to work through the best way to deliver advice in the future.”²⁹

54. The Committee notes the proposal from the NFUS to establish an advisory service funded by the SRDP. Whilst supportive of advice and support being available, the Committee would not want to see any duplication of effort or resource, such as that currently provided by Scotland’s Rural College and other bodies in the current economic climate, and therefore calls on the Scottish Government to consider this matter in more detail and to write to the Committee with a proposal on how best to take the issue forward.

Research Analysis and Other Services budget

55. The Draft Budget states that—

“Our investment in scientific research provides a foundation for the sustainable use of our natural resources and supports innovation and economic growth across a broad base of rural, environmental and related areas, allowing our businesses to be more competitive, to improve the quality of the goods and services they deliver and to increase the efficiency with which they use resources.”³⁰

56. The Committee explored with witnesses the value of the research funded from this portfolio and its potential to support sustainable economic growth. Allan Reid from SEPA told the Committee—

²⁸ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1185.

²⁹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1273.

³⁰ Scottish Draft Budget 2013-14 (Scottish Government 2012).Page 84.

“Given the heavy scientific influence in our work and the need to provide evidence, research is very important to us and, indeed, is an area that, historically, tends to be cut from budgets whenever things get tough. However, we have found that, instead of having to cut budgets, we can get much more from collaborative partnerships with industry; with universities across Scotland, some of which are excellent and are already hooked into funding mechanisms; and with Europe through, for example, the offices of Scotland Europa. As a result, we have been able to carry out research in a variety of areas.”³¹

57. Jonathan Hall, representing NFUS Scotland, echoed the importance of scientific research, when he told the Committee—

“The research that goes on in Scotland into the land-based sectors, particularly agriculture, is world class—we all know that. We are fully supportive of that research and should be rightly proud of it. It has certainly put Scotland on the map in many ways by improving efficiency, performance and productivity in agriculture, in particular.”³²

58. In its exploration, the Committee considered the issue of how to measure the value of research and its outputs, in order to understand whether the Scottish Government’s budget allocation of funds under the Research, Analysis and Other Services provides maximum benefit to businesses and the environment.

59. The Cabinet Secretary outlined to the Committee that funds allocated under this budget line should result in sustainable economic growth. He explained that, to ensure this happens, the management framework currently in place with research institutes puts an emphasis on generating commercial activity and ensuring that their priorities are aligned with the Scottish Government’s economic strategy for the country.³³

60. The Cabinet Secretary went on to tell the Committee—

“We believe that environmental and rural research underpins a lot of economic activity and Scotland’s reputation in a variety of areas. We protect the budget. Unfortunately, I cannot say what will happen in future or whether budgets will increase, because that depends on future budget decisions. However, I am confident that we have research as a priority.”³⁴

61. In supplementary written evidence to the Committee, the Cabinet Secretary drew the Committee’s attention to examples of the impact of science spending on the economy, and went on to add—

³¹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1184.

³² Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1184.

³³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1270.

³⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1271.

“A short document summarising a number of highlights from the first year of the 2011-16 Research Programme is currently being finalised and will be forwarded to the Committee on publication.”³⁵

62. The Committee agrees that research has significant potential to support sustainable economic growth and so recommends that the Scottish Government finalise its consideration of how to measure its impact on businesses and communities as soon as possible.

63. The Committee looks forward to the Scottish Government publishing information relating to the first year of the 2011-16 Research Programme.

64. The Committee heard suggestions for a new body of advisers to help businesses gain maximum benefit from research. The Committee could not take a view on that particular point but was clear that Scottish Government should ensure that it focuses spend on those areas of research which provide maximum benefit to businesses and the environment.

65. Level 4 figures provided by the Scottish Government show that £1.5m per year is spent on economic and other surveys to inform RAE activity. The Committee understands that funds are tight but it has been clear during this budget scrutiny process that effective spending choices depend partly on a clear understanding of the current economic and environmental health of rural Scotland. This allows baselines to be developed and then the impact of spending decisions to be monitored over time.

66. In supplementary written evidence to the Committee, the Cabinet Secretary outlined the action the Scottish Government has taken in recent years to develop a better understanding of rural poverty. In summary, he stated—

“[...] there is a consensus that rural poverty is different from urban poverty but due to population numbers it is more difficult to collect robust data. However there is also a consensus that more can be done with current statistics and data collection to assist understanding of rural poverty. Scottish Government have progressed the agenda in a number of ways and are looking forward to examining the results of the PSE [Poverty and Social Exclusion Survey] boost in 2013, the development of a new SIMD [Scottish Index of Multiple Deprivation] and outputs from Theme 8 of the Strategic Research Programme³⁶.”³⁷

67. The Committee asks that consideration be given to how the funding available for surveys and data gathering can be best deployed and focussed

³⁵ Scottish Government. Supplementary written evidence.

³⁶ The supplementary written evidence from the Scottish Government detailed this as follows: “Theme 8 of the Scottish Government Strategic Research Programme is a 5 year programme to explore vibrant rural communities. Within this programme one aspect concentrates on improving understanding of the causes in different spatial economic performance, consideration of the measurement of social disadvantage and deprivation in rural areas and linkages between economic performance and social outcomes. Although it is a 5 year programme there will be regular outputs throughout the period.”

³⁷ Scottish Government. Supplementary written evidence.

to provide a reliable evidence base for important measures such as levels of rural poverty.

Marine and Fisheries budget

68. The Committee heard, from a number of witnesses, of the challenges facing the seafish and aquaculture sectors and the importance of maximising the value of their product. Hazel Curtis, the Chief Economist at Seafish, told the Committee—

“One key to achieving balance and spending money in the right way is always to consider, or require applicants to consider, the impact of whatever activity the funds are for on fish stock recovery and fish stock sustainable harvest. Any grants should be dependent on the applicant being able to demonstrate that what they are doing will improve the sustainability of harvesting in wild fisheries. In aquaculture, there is scope for continuing economic growth in an environmentally sustainable way. That is about identifying sites and continuing to ensure that research is adequately funded. Much of that needs to come from businesses, rather than just from Government.”³⁸

69. The Committee noted that the new Maritime and Fisheries fund will provide grant support, from 2014-15, to assist with conservation, processing and modernisation, but heard from the Cabinet Secretary that, unlike some farm produce, Scottish fish does not receive a premium in the domestic or European markets. He told the Committee—

“We are working with Seafood Scotland, the industry-led body, and Scotland Food & Drink on how we can fund future initiatives to add value to the primary product of sea fisheries. That will, of course, involve marketing and branding. The ultimate objective is to get for Scottish seafood a “Scottish” premium, which is largely absent from the marketplace. There are huge opportunities there.”³⁹

70. The Committee supports the Cabinet Secretary’s wish to work with the industry and retailers to explore how Scottish freshwater and sea fish can begin to attract a greater premium in the marketplace and would welcome an update on progress on this issue from the Scottish Government by spring 2013.

71. The Committee noted that there is an aim in the draft marine plan to increase shellfish output by 100% and questioned the Scottish Government on what provision there was for achieving this target in the Draft Budget.

72. In supplementary written evidence to the Committee, the Minister told the Committee—

³⁸ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1177-1178.

³⁹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1278.

“The Scottish Government supports the industry's own targets for sustainable growth of finfish by 50% and shellfish by 100% by 2020. To this end, Marine Scotland Key outcomes for 2012-2013 include developing a policy and legislative framework which enables the sectors to grow in support of these draft National Marine Plan targets. I chaired a meeting of the Ministerial Group on Aquaculture recently (31 October) comprising industry and key Aquaculture stakeholders at which there was general agreement on proposals to refocus the Group towards achieving the 2020 targets. This includes a shellfish group that will create conditions for delivery of the shellfish 100% growth targets as well as providing a forum to discuss but also deliver against industry specific challenges and regulatory bottlenecks. Scottish Government also continues to support growth of the sector through the European Fisheries Fund (EFF).”⁴⁰

73. The Committee would welcome an update from the Scottish Government by summer 2013 on progress towards supporting the industry target of sustainable growth of shellfish by 100% by 2020.

Environmental and Rural Services budget

National park authorities

74. The Committee heard evidence of how the two national park authorities in Scotland are tackling the issue of sustainable economic growth. Balancing the economic and environmental requirements of their areas is their core purpose and the Committee noted with interest the examples of how they had sought to strike that balance.

75. Grant Moir told the Committee—

“The balance between economic and environmental sustainability is at the heart of what national parks are about [...] each of the parks has its own national park partnership plan, which sets out the outcomes for the next five years. That gives a framework, which is important for the private and public sectors, as it gives the confidence to invest. For instance, on renewable energy, more than 20 hydro projects in the national park are coming through the planning system. That gives long-term sustainability to estates and farmers through income and it contributes to carbon reduction. That is a positive example of how, when a framework is in place, people can invest on the back of it [...] It is crucial that we link outcomes to a clear framework for investment, which then links into how things can be done in a low-carbon economy by providing environmental gain and, at the same time, economic benefits.”⁴¹

76. The Minister commented on this, telling the Committee—

“I agree that the national parks offer a natural test bed for piloting ideas and approaches. To date, the parks have taken that approach on a number of

⁴⁰ Scottish Government. Supplementary written evidence.

⁴¹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1177.

fronts, and we are seeing what lessons we can learn from their experience. Because of the requirement to support communities sustainably in their economic aspirations while offering a degree of protection for the natural environment, they are an interesting context in which we can have a wider evaluation of how environmental spend interacts with economic growth. That picks up on points that committee members raised earlier. The parks are committed to aligning their approach to Government in that respect and, like every other agency, they are considering ways in which they can support sustainable economic growth. If we can learn lessons from them about what works in their particular environment and then roll those messages out nationally, they will, as you say, perform an important role as a test bed for such policy.”⁴²

77. The Committee suggests that Scottish Government give serious consideration to whether the evidence of lessons learned by the national park authorities in promoting sustainable economic growth could be shared with other parts of the public sector and examine whether the parks may offer a useful opportunity to pilot initiatives on this issue.

Rural broadband

78. As stated in the broad summary above, the Committee is particularly aware of the vital role the establishment of broadband services, and the improvement in both take-up and speed of that service, has to play in improving not only the economy in rural areas, but also underpinning environmental and social benefits.

79. The Scottish Government included in its priorities in the Draft Budget to establish a Next Generation Digital Fund to support the roll out of next generation broadband across Scotland, with a particular focus on rural and remote areas.

80. During evidence, the Committee explored the issues surrounding rural broadband and how it can contribute to the sustainability of rural communities. Issues raised by witnesses focussed on the availability and take-up of broadband services in rural areas.

81. The Committee heard how the roll out of broadband in rural and remote areas is essential and a specific example in relation to e-learning was highlighted when Willie Fergusson, the National Director at LANTRA Scotland, and also representing Scotland Food and Drink, told the Committee—

“Our research shows that 90 per cent of Scotland’s SMEs are rural and, if those businesses employ only one or two people, they cannot give them time off work and send them long distances. Initiatives such as e-learning are therefore becoming much more important and we will have to get much more innovative with that type of learning so that more people can access it. Also, I am thinking about people trying to get to work. This is anecdotal evidence, but where I work we are on to our third receptionist. They have all left because they can no longer afford to travel from where they live to their place of work. We must get much more innovative about working at home.

⁴² Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1226.

Communications are vital for people accessing work and working from home. We need a big output of learning skills.”⁴³

82. The Committee was told that it has been estimated that a doubling of broadband speed gives an incremental GDP increase of 0.3 per cent and that a 10 per cent increase in broadband take-up increases GDP by 0.1 per cent.⁴⁴

83. In evidence to the Committee, the Cabinet Secretary said that—

“Our commitment to establish a next-generation digital fund, with a particular focus on rural and remote areas, is crucial in that regard [...] the new funds that we have presented for improving connectivity in Scotland, which amount to hundreds of millions of pounds, will place an emphasis on the 10 or 15 per cent of premises that are not benefiting, or have not benefited in the past, from better connectivity.”⁴⁵

84. The Committee took evidence from Vicki Nash, the Director of Ofcom Scotland, who told the Committee—

“4G is intended to deliver a good current-generation broadband speed of around 10 megabits per second. In other words, once 4G is rolled out in rural areas, you will get a much better service than you currently get through copper wire, although you will understand that there are limitations of line length.

[...] it has been estimated that it would take £7 billion or £8 billion to fibre up the last 10 per cent of the UK. Neither the UK Government nor the Scottish Government has that kind of money. In essence, the broadband plan is an improvement on what is being provided now, and those are aspirational targets.”⁴⁶

Adding, on the issue of take-up—

“The other important part of the Government’s action plan, which is also funded from the budget, is action to increase take-up. For example, Scottish Government research shows that 25 per cent of SMEs do not use the internet. It is widely available, although we could argue about speeds in rural areas. Take-up will also be relevant in accruing the benefits of connectivity.”⁴⁷

85. The Committee believes that improving broadband coverage in rural Scotland is essential in terms of establishing a thriving, vibrant and

⁴³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1171.

⁴⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1187.

⁴⁵ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1252.

⁴⁶ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1189.

⁴⁷ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1170.

sustainable rural economy. The Committee has concerns that Ofcom is not currently taking the most effective action both in terms of improving coverage and speed, in the remotest parts of Scotland.

Crofting Commission

86. The Committee noted that the funding in the Draft Budget for the Crofting Commission was £4m in the current financial year, but drops to £1m in 2013-14 and is set at £2.5m in 2014-15. The Committee explored the reasons for these fluctuations with the Scottish Government and learned that the reason for the reduction in the budget was due to an expected £1.5m income as a result of the sale of a stud farm. The Committee asked the Minister how confident the Scottish Government was that this figure could be realised given the current economic climate. The Minister told the Committee that the Government is—

“[...] reasonably confident that we will get the income that we identified. I stress that there is no cut to the budget. The issue is how the data are presented; the figure is shown net of receipts from the stud farm. Ultimately, if the sale does not happen I guess that we will have to find resource from elsewhere, either by generating income from elsewhere or by using contingencies.”⁴⁸

87. The Committee understands why the Scottish Government believes that the Commission will receive £1.5m for the sale of surplus land but asks that further consideration be given to how the Commission’s funding will be maintained should the sale not result in the desired return.

Food and drink sector

88. The Committee heard from the Cabinet Secretary that the food and drink sector is one of the most successful parts of the Scottish economy at present. He told the Committee—

“Last year, I doubled our food and drink industry budget. I have ensured that that funding will remain in place. The funding is making a huge difference to our food education agenda and will help our food and drink producers to take advantage of the opportunities that are presented by the Commonwealth games, the Ryder cup and homecoming 2014.”⁴⁹

The Cabinet Secretary went on to add—

“The food and drink sector is Scotland’s best-performing economic sector. We should just think about that for a second: as we meet in this committee meeting, the best-performing economic sector in Scotland is the food and drink sector. It is delivering significant benefits to rural communities,

⁴⁸ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1220.

⁴⁹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col

particularly our primary producers, notwithstanding the many challenges that they face.”⁵⁰

89. The Committee welcomes the Scottish Government’s commitment to the food and drink industry support budget and recognises the vital contribution the sector makes to the Scottish economy.

90. The Committee explored with the Cabinet Secretary the issue of labelling of fish in the market place, and whether the Scottish Government has been able to make any progress at European level about labelling to indicate the origin of catches. The Cabinet Secretary told the Committee—

“I have raised the issue with the retailers often. I always remember the fillet of salmon that I picked up in one of the supermarkets two or three years ago that was labelled as being produced in Norway and Scotland. How can one fillet of salmon be produced in Norway and Scotland? I found that quite confusing, as I am sure other consumers would. Of course, there was a debate about Norwegian salmon being mixed in with Scottish salmon to try to take advantage of the Scottish premium, which would enable retailers to up the price. That is not honest and I hope that the situation has been changing over the past year or two. We need the co-operation of the retailers on labelling fish products. I will continue to press that matter with them. You are right that European legislation should also give us protection [...] I will investigate the latest situation on fish labelling and drop the committee a note on it.”⁵¹

91. The Cabinet Secretary subsequently sent a briefing note⁵² to the Committee, which clarifies the current fish labelling regulations, for which the Committee is grateful.

92. The Committee also notes the comments made by the Cabinet Secretary which suggested that, due to the move towards ending the practice of discarding unwanted fish catch, new species may be landed in Scotland. This would provide an opportunity for the food industry in marketing new product to consumers.

93. The Committee believes that Scottish fish producers should be rewarded in the market place by retailers being required to label the source of produce and recommends that the Scottish Government continue to work with retailers, the UK Government and the EU to achieve this.

94. The Cabinet Secretary told the Committee of additional funding which was recently announced to support local food and drink initiatives—

“We put a huge emphasis on that budget to support local economies. We put a lot of effort into supporting bottom-up economic development through local food and drink initiatives that are based around towns and villages in

⁵⁰ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1254-1255.

⁵¹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1282-1283.

⁵² Scottish Government. Supplementary written evidence.

Scotland. In the past fortnight, I announced an extra £2.5 million towards that. The initiatives could involve food and drink networks being set up in towns and villages or other communities, or they could involve supporting individual events and festivals, such as T in the Park, to help small producers take part in bigger events. That approach to encourage bottom-up economic development and to support small local rural economies is important.”⁵³

95. The Cabinet Secretary went on to discuss the sustainability of such initiatives—

“Empowering communities to strengthen local economies, which is a big pillar of our rural development policy, can be done through food and drink grants or capital grants for other rural businesses through the rural priorities in the SRDP. I think that the projects are fairly sustainable but, if we support a food and drink project for three years, it will face the challenge of becoming sustainable for the future. That is always a challenge, but I hope that, given the food and drink revolution that is happening in Scotland, by encouraging people to buy more locally and encouraging local hotels and restaurants to source more locally, that will become a sustainable model for the future.”⁵⁴

96. The Committee welcomes the extra £2.5m the Scottish Government has committed to support local food and drink initiatives. The Committee agrees with the Cabinet Secretary that sustaining such initiatives in the long term, beyond the period of the funding, will be challenging in some instances and recommends that the Scottish Government provide specific sustainability advice and support to all those in receipt of the funding.

Climate Change budget

97. The Committee sought clarification on the extent to which funding choices within the RAE portfolio have taken account of their impact on Scotland’s Climate Change targets and, in particular, how much progress has been made by the Scottish Government in being able to measure the downstream impact of policies on carbon emissions. It seems that methodologies do not yet permit analysis at the level of individual policies.

98. The Committee is disappointed to learn that little progress appears to have been made in developing methodologies that would allow the Scottish Government to understand the full downstream impact of individual policies on climate change targets and urges the Scottish Government to do what it can to progress work in this area.

The EU Emissions Trading System

99. The EU Emissions Trading System (EU ETS) operates through the trade of greenhouse gas emissions allowances throughout the EU. It works on the principle that there is a limit on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system.

⁵³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1259.

⁵⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1259.

Beneath this cap, companies receive emission allowances which they can sell to or buy from one another as needed.

100. During evidence, questions were raised regarding potential revenues associated with future trading of allowances and whether there were implications for Scotland's block grant.

101. The Committee understands that, in phase 3 of the scheme, at least 50 per cent of the allowances and 15 per cent of the aviation allowances will be auctioned, and that the go-ahead for that may well occur towards the end of this year. It is expected that—subject to EU approval—the allowances will be auctioned in November and December, and the UK can expect to auction approximately 7 million aviation allowances.

102. The Minister undertook to provide further information to the Committee on this issue in due course, and the Cabinet Secretary told the Committee—

“As far as I understand it, the emission trading scheme and the auction process are reserved to the UK Government, so there are no Barnett consequential. However, it is fair to say that the auction is a revenue-generating mechanism for the UK Government—it gets tens or perhaps hundreds of millions of pounds every time there is an auction—so I am sure that the committee will want to shine a light on the matter. Paul Wheelhouse will write back to the committee with more details but, as it is a reserved issue, it has no impact on the Scottish block.”⁵⁵

103. The Minister wrote to the Committee on 6 November 2012 to clarify this issue, and told the Committee—

“There are no Barnett consequential from the sale of EU ETS allowances. SG and Treasury agreed that the revenue implications of the ETS formed part of the UK Government's reserved economic policy; this was formally established in the Finance Act 2007. Mr Swinney accepted this was satisfactory on the understanding that Treasury consult with Scottish Ministers on a number of aspects of auctioning given its impact on the wider functioning of the scheme. This was agreed and covered by an Auctioning Protocol in 2007.”⁵⁶

104. While the Committee understands that the revenue generated from the trading schemes does not have a direct impact on the Scottish block grant per se, the Committee recommends that the Scottish Government work closely with the UK Government on all aspects of the operation of the EU ETS to ensure that the revenue is directed towards climate change initiatives. The Committee recommends that the Scottish Government keep its own position under review given the implications for Scotland in meeting its targets as set out in the second Report on Proposals and Policies (RPP).

⁵⁵ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1270.

⁵⁶ Scottish Government. Supplementary written submission.

105. The Committee asks that the Scottish Government provides it with updates on any discussions that take place on this issue between the UK and Scottish governments; the nature of those discussions; and what policy areas the Scottish Government understands the money raised by the auctions is being directed towards.

Climate Challenge Fund

106. The Climate Challenge Fund (CCF), which is proposed as £10.3m in both 2013-14 and 2014-15, is described by the Scottish Government as a fund intended—

“To build on the success in empowering communities to come forward with their own solutions to make a significant reduction in their carbon emissions.”⁵⁷

107. The Committee explored whether the climate change grant schemes awarded to communities could do more to encourage sustainable economic growth. In written evidence to the Committee, the Comrie Development Trust told Members—

“We have concerns about how communities can develop sustainable projects [...] when they aren’t allowed (through CCF) to generate an income”.⁵⁸

108. When questioned on this issue, the Minister told the Committee—

“[...] when CCF funding was reconfirmed in the current spending round, we explored a new revenue-raising activity strand to see how projects might over time become self-financing alongside the commitment in the JCCF [Junior Climate Challenge Fund] to increase the involvement of young people and the opportunity to fund their projects. We are looking at whether, allowing for state aid and other factors, there might be an opportunity to allow groups to retain some income and become self-financing in order to support the retention of those activities in the longer term [...] we can do anything to move on the matter, I am happy to look at it.”⁵⁹

109. The Committee recommends that the Scottish Government consider adjusting the requirements of the Climate Challenge Fund to encourage applicants to bring forward projects which combine environmental and economic sustainability. It also suggests that the terms of the Fund be examined to see whether it can be used to help communities generate income from their climate change projects, making them financially sustainable in the longer term.

⁵⁷ Scottish Government (2012). Draft Budget 2013-14 Level 4 figures – Rural Affairs and Environment. Available at:

http://www.scottish.parliament.uk/FinancialScrutiny/Level_4_spreadsheets_2013-14.xls

⁵⁸ Comrie Development Trust. Written submission.

⁵⁹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1216.

Forestry Commission and Forest Enterprise budgets

110. A number of witnesses highlighted to the Committee the economic growth currently taking place in the forestry sector. It was suggested that further growth could be created by providing more funding to the sector or altering the balance of planting towards more commercial species.

111. Jamie Farquhar, the Scotland National Manager at ConFor, told the Committee—

“In regard to whether we have the right balance, even within our own small industry the answer is probably no, because the type of woodland that we have created over the past decade has been predominantly broad-leaf and native woodland. That is excellent and is fully supported by the whole industry. We have a job of work to do. Some of that woodland, although unfortunately not all of it, will be productive in one way or another.

However, we are missing our target and failing to produce the right balance in that there is a lack of productive conifer softwood to replace the plantations that we are now harvesting. We will be in a growth cycle for the next 10 to 15 years. Last year, we increased production from Scotland’s forests by 7 per cent, and we are on target to do at least the same again for the next several years. At the same time, during the past decade, our processing and sawmilling industry has been successful in capturing just over 40 per cent of the UK market share. Previously, the figure was only about 10 per cent. That is an extraordinary success story. The more woodland we create, the more we will deliver in terms of good environment and biodiversity, and in providing a base for further investment in processing and so on, which turns out about £1 billion gross value added each year.”⁶⁰

112. The Minister told the Committee—

“I know that concerns have been expressed by Confor and others about the balance between productive forestry and non-productive planting. What I can say is that our spending plans already contain provision for £33 million per year for woodland creation. I reassure [...] the committee that, from what we are observing, there has been a growth in the current year in both productive forestry—in which conifers are obviously the main component—and broad-leaf forestry. That is quite encouraging, but we are still prepared to look, where necessary, to try to improve the balance.”⁶¹

113. In terms of achieving the Government’s planning targets, Jamie Farquhar was asked whether the industry could meet the planting targets set by the Scottish Government with the levels of funding provided in the Draft Budget. He told the Committee—

⁶⁰ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1176.

⁶¹ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1222.

“The simple answer is no. We have potential demand for some £45 million next year, against a budget of £36 million. Even if we were achieving the strategic balance on new woodland of some 60 per cent productive and 40 per cent broadleaved and native, given that productive woodland is considerably cheaper to fund—from the grant point of view—than some of the existing native woodland establishments, we would still require a budget of something close to £40 million. Of course, when we look at the figures we are assuming that we will get 55 per cent co-funding from Europe.”⁶²

114. However, Bob McIntosh, the Director for Environment and Forestry in the Scottish Government, believed the funding was sufficient, telling the Committee—

“Budgets are not limitless, but there is a significant budget for woodland creation, which should be enough to deliver the 10,000 hectares that we are looking for. We might have overdemand on that budget next year, but 10,000 is the target. That must be achieved within the budget that is available and we think that that can be done. If there is more demand next year, carrying some of it forward into the following year will be the only way in which we can handle it.”⁶³

115. The Committee understands that there is a need to maintain a balance between tree planting for commercial purposes and that planted for other purposes including recreation, biodiversity, or tourism. The Committee is also well aware of the need to appropriately balance competing demands on land use, such as those between tree planting and retaining land for agricultural use, biodiversity, water and carbon storage. The Committee asks the Scottish Government to give consideration to the need to maintain sustainable economic growth in rural Scotland when formulating its future planting strategies.

Other issues

Rural communities

116. The Committee discussed several issues relating to the sustainability of rural communities, which took in some issues which are not part of the RAE portfolio in terms of spending responsibility, such as the provision of affordable rural housing, energy efficiency of that housing, access to rural services, rural fuel poverty, and rural transport services.

117. The Committee acknowledges that primary funding for issues such as rural housing, transport and access to other services does not lie within the RAE portfolio. However, the Committee also notes that some of the portfolio spend, whether that is on provision of rural broadband, distribution of agency grants or use of SRDP monies, can have influence and impact in rural areas and encourages the Scottish Government to continue to work on a cross-cutting basis across all of its departments to improve the economic, social and environmental outcomes in all parts of rural Scotland.

⁶² Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1182.

⁶³ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1224.

118. The Committee also explored the role rural communities could play in contributing to sustainable economic growth. SNH submitted written evidence to the Committee, specifically on this issue, which highlighted the work carried out by SNH to support local communities to tackle issues such as slow economic growth. The submission outlined the way in which grants, a 'learning through doing' programme of research, and longer term asset-based income generating approaches can provide support for communities.

119. It was clear in the responses to questions asked by the Committee at the roundtable evidence session on 3 October 2012, that rural communities have a very important role to play, and contribution to make, in establishing a flourishing but sustainable economy in rural Scotland. Examples were given of community involvement in broadband roll out, development trusts in the National Parks, inshore fisheries management, and how communities could contribute to research.

120. It was also clear to the Committee that while grant funding to communities for specific initiatives was important, it was equally important that communities be supported in other ways, such as access to the appropriate advice and support to pursue business opportunities which would allow communities to be more self-sufficient.

Labour force skills

121. The Committee was asked by a number of witnesses to recognise the particular challenge of maintaining a skilled workforce in rural areas. In particular, many of the businesses supported through this portfolio are very small and find it difficult to release staff for training away from the workplace. It is also often difficult for them to carry full-time apprentices.

122. Willie Fergusson told the Committee—

"It is vital that we are able to train that workforce, but the uptake in skills in the rural sector has been fairly low. We recognise that skills have a direct contribution to make to output, but the policies can sometimes get in the way of learning. Land and estates and farmers are now looking for modern apprentices who can work with more than one employer. The working patterns in a lot of rural areas are seasonal, so modern apprentices might have to work with more than one employer if they are to be able to stay in the area. Unfortunately, some of the funding systems do not allow that to happen, and it is very hard for the self-employed to access funding. A person can get a modern apprenticeship only if they are employed by one employer. We need to be much more flexible in our approach across the board. Someone who works in agriculture might want to learn a broad base of skills, but if they can work for only one employer, they might not pick up the skills required to work with sheep or beef, or whatever else."⁶⁴

⁶⁴ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 3 October 2012, Col 1171.

123. The Committee would like to underline the point made in paragraph 81 above about the importance of having quality broadband services to help staff in small rural businesses increase their skills through e-learning.

124. The Committee asks the Scottish Government to consider allowing rural businesses to take up modern apprenticeships in a more flexible way, permitting, for example, an apprentice to work for a range of businesses throughout the term of the apprenticeship. This should also enable apprentices to acquire the range of skills needed to better equip them for sustained year-round employment.

Equalities issues

125. The Committee pursued issues relating to equalities in all of its oral evidence sessions. These issues were all underpinned by the central question – how does the budget cause inequalities for any groups in our population, particularly in relation to the nine protected characteristics set out in the Equality Act 2010?

126. Many of the responses to that question focussed on the issues highlighted above, such as the lack of availability of high-speed broadband, or broadband at all, in many rural areas, and also the lack of take-up where broadband is available amongst groups such as older people, or people on lower incomes.

127. The Committee also pursued with the Minister and Cabinet Secretary the issue of the Scottish Government's Equality Statement on the budget, which stated that—

“[...] ministers and relevant officials were informed of the potential impact of developing spending proposals [with regard to the nine equality characteristics] at relevant stages of the budget process”.⁶⁵

128. The Minister told the Committee—

“[...] ministerial colleagues and officials were involved in the work to ensure that a wide range of the potential implications of our budget decisions with regard to equality and carbon were understood. We believe that the equalities statement is helpful in articulating potential impacts to support scrutiny of the budget process and our decisions.”⁶⁶

129. The Minister went on to give the example of spending on the central Scotland green network in improving forestry and outdoor spaces surrounding urban areas and the positive benefit that can have on groups such as those on lower incomes or to improve physical and mental health.

130. However, the Minister acknowledged that there were many other equalities characteristics and that there was room for improvement. He gave the example of access to the climate challenge fund, stating—

⁶⁵ Scottish Government (2012). Equality Statement: Scottish Draft Budget 2013-14, Chapter 3. Available at: <http://www.scotland.gov.uk/Publications/2012/09/5750/3>.

⁶⁶ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col

“[...] we are aware that a number of communities and indeed communities within communities might not be benefiting from the climate challenge fund. We have looked at the socioeconomic profile of the communities that have drawn down funding; of course, the age profile and the ethnic diversity of those communities might also be having an impact. Where we can, we are trying to ensure that we make a greater impact to allow communities that have missed out on such funding to take advantage of it.”⁶⁷

131. The issue was also pursued subsequently with the Cabinet Secretary who confirmed that the RAE portfolio had been “equality proofed”, citing the example of the rural connectivity, and undertook to write to the Committee with further examples of how equalities issues had been mainstreamed across the portfolio.

132. On the issue of connectivity, the Cabinet Secretary told the Committee—

“Connectivity was one issue that I mentioned earlier and the digital divide is an issue that causes me serious concern in rural Scotland. It can be a demographic issue or a geographic issue. That is one example where we take our obligation to achieve equality very seriously—we need to close that digital divide.”⁶⁸

133. In supplementary written evidence to the Committee, the Cabinet Secretary drew the Committee’s attention to the specific part of the Equality Statement⁶⁹ relevant to the portfolio, and gave examples of three Equality Impact Assessments within the portfolio, for the Loch Lomond and Trossachs National Park⁷⁰; Farming for a Better Climate scheme⁷¹; and the Flooding Bill (Scotland)⁷² respectively.

134. The Committee notes, with regret, that only a limited number of examples were provided by the Scottish Government on how equalities impacts have been assessed. The Committee believes that consideration of the impacts of spending across all parts of the portfolio is essential and should in future be clearly measured against each of the nine protected characteristics.

⁶⁷ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 24 October 2012, Col 1215.

⁶⁸ Scottish Parliament Rural Affairs, Climate Change and Environment Committee, *Official Report*, 31 October 2012, Col 1262.

⁶⁹ Equality Statement: Scottish Draft Budget 2013-14. (Scottish Government 2012). Available at: <http://www.scotland.gov.uk/Publications/2012/09/5750/13>.

⁷⁰ Loch Lomond and Trossachs National Park (2012). *National Park Partnership Plan 2012 -2017 Equalities Impact Assessment*. Available at: http://www.lochlomond-trossachs.org/images/stories/Looking%20After/PDF/NP%20Plan/FINAL_EQIA.pdf.

⁷¹ Scottish Government. *Farming for a Better Climate Equalities Impact Assessment*. Available at: <http://www.scotland.gov.uk/Topics/People/Equality/18507/EQIASearch/FarmingforabetterClimate>.

⁷² Scottish Government. *Flooding Bill (Scotland) Equalities Impact Assessment*. Available at: <http://www.scotland.gov.uk/Topics/People/Equality/18507/EQIASearch/FloodingBill>.

ANNEXE A EXTRACT FROM THE MINUTES OF THE RURAL AFFAIRS,
CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

MINUTES

15th Meeting, 2012 (Session 4)

Wednesday 6 June 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee agreed its approach to the scrutiny of the Scottish Government's Draft Budget 2013-14.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

MINUTES

16th Meeting, 2012 (Session 4)

Wednesday 20 June 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee agreed the appointment of a budget adviser.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

EXTRACT FROM THE MINUTES

21st Meeting, 2012 (Session 4)

Wednesday 3 October 2012

Draft Budget Scrutiny 2013-14: The Committee took evidence in round-table format on the Scottish Government's Draft Budget 2013-14 from—

Jamie Farquhar, Scotland National Manager, ConFor; Jonathan Hall, Director of Policy and Regions, NFUS;
Vicki Nash, Director, Ofcom Scotland;
Willie Fergusson, National Director, LANTRA Scotland, Scotland Food and Drink;
Dan Barlow, Scottish Environment Link;
Allan Reid, Chief Officer, Strategic Change and Government Relations, Scottish Environmental Protection Agency;
Clive Mitchell, Chief Economist, Scottish Natural Heritage;
Hazel Curtis, Chief Economist, Seafish;
Grant Moir, Director of Conservation and Visitor Experience, Loch Lomond and The Trossachs National Park;
Professor David Miller, Research Team Leader, The James Hutton Institute.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

EXTRACT FROM THE MINUTES

22nd Meeting, 2012 (Session 4)

Wednesday 24 October 2012

Decision on taking business in private: The Committee agreed to take items 4 and 5 and future consideration of evidence on its Draft Budget Scrutiny in private.

Draft Budget Scrutiny 2013-14: The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

Paul Wheelhouse, Minister for Environment and Climate Change, Bob McIntosh, Director for Environment and Forestry, Keith Connal, Deputy Director, Natural Resources, and Neil Ritchie, Head of Natural Assets and Flooding, Scottish Government.

Consideration of evidence (in private): The Committee considered the evidence on the Draft Budget heard earlier in the meeting.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

EXTRACT FROM THE MINUTES

23rd Meeting, 2012 (Session 4)

Wednesday 31 October 2012

Draft Budget Scrutiny 2013-14: The Committee took evidence on the Scottish Government's Draft Budget 2013-14 from—

Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment, and David Barnes, Deputy Director, Agriculture and Rural Development, Scottish Government.

Consideration of evidence (in private): The Committee considered the evidence on the Draft Budget heard earlier in the meeting.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE

EXTRACT FROM THE MINUTES

24th Meeting, 2012 (Session 4)

Wednesday 7 November 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee considered a draft report to the Finance Committee on the Scottish Government's Draft Budget 2013-14.

RURAL AFFAIRS, CLIMATE CHANGE AND ENVIRONMENT COMMITTEE
MINUTES

25th Meeting, 2012 (Session 4)

Wednesday 14 November 2012

Draft Budget Scrutiny 2013-14 (in private): The Committee agreed its draft report to the Finance Committee on the Scottish Government's Draft Budget 2013-14.

Rural Affairs, Climate Change and Environment Committee
Report on The Scottish Government's Draft Budget 2013-14

ANNEXE B ORAL EVIDENCE AND ASSOCIATED WRITTEN EVIDENCE

21st Meeting 2012 (Session 4), Wednesday 03 October 2012

ORAL EVIDENCE.....

Jamie Farquhar, Scotland National Manager, ConFor
Jonathan Hall, Director of Policy and Regions, NFUS
Vicki Nash, Director, Ofcom Scotland
Willie Fergusson, National Director, LANTRA Scotland, Scotland Food and Drink
Dan Barlow, Scottish Environment Link
Allan Reid, Chief Officer, Strategic Change and Government Relations, Scottish
Environmental Protection Agency
Clive Mitchell, Chief Economist, Scottish Natural Heritage
Hazel Curtis, Chief Economist, Seafish
Grant Moir, Director of Conservation and Visitor Experience, Loch Lomond and The
Trossachs National Park
Professor David Miller, Research Team Leader, The James Hutton Institute

22nd Meeting 2012 (Session 4), Wednesday 24 October 2012

ORAL EVIDENCE.....

Paul Wheelhouse, Minister for Environment and Climate Change
Bob McIntosh, Director for Environment and Forestry, Scottish Government
Keith Connal, Deputy Director, Natural Resources, Scottish Government
Neil Ritchie, Head of Natural Assets and Flooding, Scottish Government

SUPPLEMENTARY WRITTEN EVIDENCE.....

[Paul Wheelhouse, Minister for Environment and Climate Change](#)

23rd Meeting 2012 (Session 4), Wednesday 31 October 2012

ORAL EVIDENCE.....

Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment
David Barnes, Deputy Director, Agriculture and Rural Development, Scottish
Government

SUPPLEMENTARY WRITTEN EVIDENCE.....

[Richard Lochhead, Cabinet Secretary for Rural Affairs and the Environment](#)

ANNEXE C LIST OF OTHER WRITTEN EVIDENCE

SUBMISSIONS RECEIVED IN RESPONSE TO CALL FOR VIEWS

- [Comrie Development Trust \(57KB pdf\)](#)
- [IUCN UK Peatland Programme \(145KB pdf\)](#)
- [RSPB Scotland \(103KB pdf\)](#)
- [Scottish Building Federation \(159KB pdf\)](#)
- [Scottish Environment LINK Economics Forum \(180KB pdf\)](#)
- [Scottish Natural Heritage \(95KB pdf\)](#)
- [Scottish Wildlife Trust \(269KB pdf\)](#)
- [Stop Climate Chaos Scotland \(SCCS\) \(248KB pdf\)](#)
- [Transform Scotland \(265KB pdf\)](#)
- [WWF Scotland \(157KB pdf\)](#)