The rural affairs, food and the environment portfolio draft budget for 2015-16 is £608 million. It funds six areas: EU Support and Related Services; Research, Analysis and Other Services; Marine and Fisheries; Environment and Rural Services; Climate Change; and the Forestry Commission. This briefing details the amount of funding for each area, says what it pays for, and sets out how each area is performing against national indicators. The aim of the briefing is to inform MSPs and stakeholders ahead of scrutiny of the rural affairs, food and the environment portfolio draft budget.
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2
EXECUTIVE SUMMARY

The Scottish Government's Draft Budget sets out planned spending for the upcoming financial year. The rural affairs, food and the environment (RAE) portfolio draft budget for 2015-16 is £608 million. It is 2% of the total Scottish Government's Departmental Expenditure Limit of £30,410 million. The RAE budget has increased by 7% in real terms (accounting for inflation) on last year's budget.

The RAE spending is broken down into six areas: EU Support and Related Services; Research, Analysis and Other Services; Marine and Fisheries; Environment and Rural Services; Climate Change; and the Forestry Commission.

KEY CHANGES FROM 2014-15

- The overall RAE draft budget increases by £48.8 million in cash terms compared to 2014-15
- There are over forty level 3 spending headings in the RAE portfolio. All but five of them either remain constant in cash terms (but fall 1.6% in real terms) or decline in both cash and real terms
- The level 3 budget lines within the RAE portfolio which increase in real terms compared to 2014-15 are:
  
  a) Agri Environmental Measures increase by 7.1% to £46.8m
  b) Payments and Inspections Administration increase by 29.1% to £45.4m
  c) Technical Assistance increases by 1540% to £5m
  d) Royal Botanic Garden funding increases by 3.7% to £11.7m
  e) SEPA’s funding increases by 2.4% to £39m
- Direct payments to farmers under the Common Agricultural Policy are known as Pillar 1 payments. Total Pillar 1 payments in 2014-15 were £455 million (Single Farm Payment of £434 million + Scottish Beef Scheme of £21 million). This is comparable to Pillar 1 payments in the 2015-16 draft budget which add up to £438 million (basic payments of £262 m, Greening payments of £131.5 m plus Other Pillar 1 Payments of £44.5m).
- Responsibility for the Next Generation Digital Fund rests with the Infrastructure, Investment and Cities portfolio, but is included in the RAE draft budget because "much of the investment will be targeted in rural areas". This fund’s budget increases by 22.3% to £42 million. This was also included in the RAE portfolio in previous years.
THE RURAL AFFAIRS, FOOD AND THE ENVIRONMENT DRAFT BUDGET

The **Scottish Government's Draft Budget** (Scottish Government, 2014b) sets out its planned spending for the upcoming financial year. The rural affairs, food and the environment (RAE) portfolio draft budget for 2015-16 is £608 million. It is 2% of the total Scottish Government’s Departmental Expenditure Limit\(^1\) (DEL) of £30,410 million. The RAE budget has increased by 7% in real terms (accounting for inflation) on last year’s budget.

Figure 1 shows that total DEL for the RAE portfolio has been increasing in real terms since 2013-14, and is now back up to the level of 2010-11. Note one axis does not start at zero.

**Figure 1: Comparison of RAE budget 2002-03 to 2015-16 in real terms (2014-15 prices)**

Source: [SPICE Draft Budget (spreadsheets) 2015-16: Levels 1 & 2](#)

NB: 2008-09 to 2010-11 shows outturn (what was spent); 2011-12 shows estimated outturn; 2012-13 to 2014-15 shows budget; 2015-16 shows draft budget.

---

\(^1\) Departmental Expenditure Limit (DEL) is the element of the budget over which the Scottish Government has discretion.
LEVEL 2 SPENDING PLANS

The RAE draft budget breaks down into six level 2 areas. Table 1 shows level 2 spending in cash terms from 2009-10 to 2015-16.

Table 1: Comparison 2008-09 to 2015-16 cash terms (£ million)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>EU Support and Related Services</td>
<td>172.7</td>
<td>148.4</td>
<td>134.0</td>
<td>133.9</td>
<td>111.5</td>
<td>132.8</td>
<td>172.3</td>
</tr>
<tr>
<td>Research, Analysis &amp; Other Services</td>
<td>76.5</td>
<td>79.9</td>
<td>77.9</td>
<td>76.0</td>
<td>72.4</td>
<td>73.2</td>
<td>73.8</td>
</tr>
<tr>
<td>Marine &amp; Fisheries</td>
<td>55.2</td>
<td>77.2</td>
<td>50.3</td>
<td>54.6</td>
<td>63.1</td>
<td>55.8</td>
<td>55.3</td>
</tr>
<tr>
<td>Environmental and Rural services</td>
<td>181.7</td>
<td>180.3</td>
<td>172.9</td>
<td>184.8</td>
<td>202.8</td>
<td>213.9</td>
<td>223.1</td>
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<tr>
<td>Climate Change</td>
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<td>11.9</td>
<td>7.5</td>
<td>13.6</td>
<td>19.4</td>
<td>19.4</td>
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<tr>
<td>Forestry Commission</td>
<td>50.7</td>
<td>71.4</td>
<td>60.8</td>
<td>77.4</td>
<td>68.8</td>
<td>64.1</td>
<td>64.1</td>
</tr>
</tbody>
</table>

Source: SPICE Draft Budget (spreadsheets) 2015-16: Levels 1 & 2


As shown in Figure 2 the EU Support and Related Services draft budget has increased 27.7% in real terms on last year’s budget. The only other level 2 budget line to have increased is Environmental and Rural Services. This increased 2.7% in real terms on last year.

All other level 2 budget lines show a real terms fall compared to last year’s budget:

- Research, Analysis has fallen 0.8%
- Marine & Fisheries has fallen 2.5%
- Climate Change has fallen 1.6%
- Forestry Commission has fallen 1.6%

Figure 2: RAE level 2 spending 2009-10 to 2015-16 real terms (2013-14 prices)

Source: SPICE Draft Budget (spreadsheets) 2015-16: Levels 1 & 2
EU SUPPORT AND RELATED SERVICES

The EU Support and Related Services budget supports primary production (production of crops and livestock) and in the arable and horticulture sectors and delivers the Common Agricultural Policy (CAP). Spend in this budget is £660.5 million. Of this £488.2 is funded from EU income and £172.3 is funded by the Scottish Government.

WHY IS THE EU SUPPORT AND RELATED SERVICES BUDGET IMPORTANT?

Scottish agriculture is important economically, environmentally and in terms of sustaining rural communities. Economically, the agriculture sector in Scotland generates around £1.1bn in Gross Value Added, which represents around 1% of Scottish GDP. There are around 68,000 people employed with the sector, accounting for 2.7% of total employment in the Scottish economy (Scottish Government, 2014g). Agriculture also makes indirect contributions to the economy through its links with other industries supplying farming and industries using Scottish produce.

In terms of sustaining rural communities, in remote rural areas, agriculture, forestry and fishing account for 17% of employment (Pack et al, 2010).

Farmers and land managers actively managing the Scottish landscape. They play an important role in delivering public goods to society, such as the cultural and ecological aspects of agricultural landscapes; farmland biodiversity; reduced flooding risk; soils of high functionality; water of high quality; and animal health and welfare (Pack et al, 2010).

Scottish agriculture is subsidised by the Common Agricultural Policy (CAP). Total income from farming in 2013 was £829 million. £583 million of that came into the sector from grants and European support (Scottish Parliament, 11 June 2014).

Last year over £650 million was invested into Scotland’s rural economy through the CAP programme (Scottish Government, 2014e), including both direct support to farmers (Pillar 1) and the Scotland Rural Development Programme (SRDP - Pillar 2). The SRDP provides support for land managers such as those in the forestry sector, rural communities and rural businesses, support for environmental actions and support for the food and drink industry.

EU SUPPORT AND RELATED SERVICES BUDGET AND CHANGES

The EU Support and Related Services budget is made up of more detailed spending categories (level 3 spending plans) and EU income. EU income has fallen by £73.3 million (14.4% in real terms) on 2014-15, from £561.5 million to £488.2 million.

A number of changes to the categories have been made in 2015-16:

- A new line for Broadband is included with a budget of £3 million. The Scottish Government has said that this fund will be used to promote and enhance access to and use of digital infrastructure and technology by individuals, businesses and communities across rural Scotland (Scottish Government, pers comm).
- A reformed CAP is now being implemented. In previous years farmers received direct support in the form of the Single Farm Payment (SFP). In the reformed CAP this is split into components: basic payments, greening payments and other payments. SFP funding
was £434 million + £21 million for the Scottish Beef Scheme, adding up to £455 million. Pillar 1 payments in 2015-16 are £438 million.

- The Scottish Beef Scheme was allocated funding of £21 million in 2014-15. The equivalent scheme in 2015-16 and beyond is Voluntary Coupled Support which provides support to specialist beef and sheep producers.

Of the rest of the budget lines, three increase in real terms from the budget in 2014-15:

- **Agri Environmental Measures** increase 7.1% in real terms to £46.8 million. This includes £15 million for the SRDP Beef Package
- **Payments and Inspections Admin Costs** increase 29.1% in real terms to £45.4 million. The draft budget document states that £6.2 million is “to bring AFRC (Agriculture, Food & Rural Communities) staff together in the existing funded programme-funded unit”. The Scottish Government have said that this funding has moved into this portfolio from the Administration portfolio. This line also now includes the running of the Bull Stud farm (moved from **Crofting Assistance**)
- **Technical Assistance** increases 1540% in real terms on last year from £0.3 million to £5 million. The Scottish Government have said that this line contributes funding to the CAP Futures Programme, along with the **CAP Compliance Improvements** line (which has declined). See below for information on risks associated with this programme. This budget also funds the Scottish National Rural Network, which is an organisation connecting rural Scotland to promote economic growth and community development.

The budget allocated to the following headings has fallen in real terms:

- **Business Development** has fallen 34.1% in real terms to £31.2 million
- **CAP Compliance Improvements** has fallen 36.2% to £14.2 million
- **Crofting Assistance** has fallen by 80% to from £1.5 to £0.3 million. The reason for this fall is because the running of the Bull Stud farm been moved to the **Payments and Inspections Admin Costs** line. Annual running costs of the Bull stud farm in 2014-15 were £0.753 million
- **Forestry** funding has fallen 22.1% in real terms to £1.9 million. This funds commitments under farm woodland schemes which have now closed
- **LEADER** funding has fallen 15.6% in real terms to £9 million. LEADER supports rural development through implementing Local Development Strategies. It aims to increase the capacity of local rural community and business networks to build knowledge and skills, and encourage innovation and co-operation to tackle local objectives
- **Less Favoured Area Support Scheme** has fallen 1.6% in real terms with a budget of £65.5 million
- **Rural Communities** has fallen 97.5% in real terms to £0.1 million. According to the level 4 information provided by the Scottish Government in 2013 this funds “a range of activities... including renewable energy, development of micro-enterprises and diversification of non-farm/forest based businesses”. This is residual spend in 2015-16 for schemes - under SRDP 2007-13 - which closed on 31 December 2013
- **Rural Enterprise** has fallen 98.9% in real terms to £0.1 million. This was part of the 2007-13 SRDP programme which closed for applications in December 2013. There is some residual spend for this in the draft 2015-16 budget.

The budget for **financial transactions** has been reduced by £22.5 million compared to what was proposed in the 2014-15 budget for 2015-16. Financial transactions are allocated by the Treasury to the Scottish Government and can be used for the provision of loans to the private sector. They have to be repaid in future years. The Scottish Government has said that it plans to use this facility in the fish processing sector for infrastructure investment (Scottish Government, pers comm).
Audit Scotland report on Common Agricultural Policy Futures Programme (funded by CAP compliance and improvements budget)

The (2013-14) budget for the Common Agricultural Policy (CAP) Futures Programme has been audited by Audit Scotland under section 22 of the Public Finance and Accountability (Scotland) Act 2000 (Audit Scotland, 2014). A section 22 report is carried out by Audit Scotland if something is strange, unusual or fraudulent. The CAP Futures Programme is an IT and business change programme to implement Common Agricultural Policy reforms in Scotland. The 2013-14 Scottish Government consolidated accounts include expenditure of £26.8 million on it. The main funding comes from the CAP compliance and improvements line and the Technical Assistance line under the EU support and Related Services budget. The programme runs over the period 2012-13 to 2016-17.

The CAP futures programme is important as “The Scottish Government has estimated that it could incur costs of up to £50 million per year if the IT system failed to deliver the requirements of CAP reform, with risks to future EU funding if payments are not made in accordance with the EC regulations” (para 5). The report highlights:

- Overall cost increases from the original estimate of £88 million (in December 2012) to the latest estimate of £137.3 million
- One of the main technical areas (a mapping component) will not be included when the programme is initially implemented
- Other parts of the plan will not happen, such as the introduction of mobile technology for field staff.

It concludes that delivery of the CAP Futures Programme will carry significant risk right up until implementation and beyond. Audit Scotland intends to review progress in future reports.

The Scottish Government itself has highlighted this project as a “significant internal control issue” in their Consolidated Accounts. They state that “The Programme has proved significantly more complex and challenging than anticipated ... Extensive action has been taken to assist with the programme delivery but this work will carry a level of risk up to implementation” (Scottish Government, 2014i).

The Scottish Parliament Public Audit Committee took oral evidence from Audit Scotland on this on 8 October 2014 (Scottish Parliament, 2014). It will take evidence from the Scottish Government in November.

Scotland Rural Development Programme Agri Environment Measures

The RACCE committee has agreed to focus on the Agri-Environment Measures budget and other relevant climate aspects of the SRDP budget. Figure 3 shows the Agri Environment Measures budget from 2013-14 to 2015-16 in cash terms.

The Scottish Government has estimated that agriculture and related land use could contribute around 20% of total Scottish greenhouse gas emissions. The Climate Change (Scotland) Act 2009 sets in statute the target to reduce Scotland’s emissions by 80% by 2050, with an interim target of a 42% reduction by 2020 (Scottish Government, 2012). However, because farming and related land use can fix carbon in the soil, it can also act as a permanent carbon sink.

The following items fall within the Agri environment measures budget:

- Legacy payments under the previous SRDP (Scottish Government officials have told SPICe that these are estimated at £21.8m)
- Scottish beef package (£15m)
- Peatland restoration (£10m)
The Scottish Government (2014f) has set out the support that will be available under the SRDP for 2014-2020. This includes the Forestry Grant Scheme, which has a budget allocation of £252 million from 2014-2020 (Woodland Grants of £36 million in 2015-16 under the Forestry Commission budget). Other areas of support are described generically, but may include support for climate related action.

In the Cabinet Secretary’s parliamentary statement on the 11 June 2014 on CAP Reform, he said that “I always said that there should be more on climate change in the CAP package, and I am using Pillar 2 to fund carbon audits for farms” (Scottish Parliament, 11 June 2014). Carbon audits for farms are not mentioned in the draft budget.

The beef package under the SRDP has been allocated £45m over the 2014-20. The draft budget states that a beef package is included “in support of our agri-environment” The Scottish Government has said it has a budget of £15 million in 2015-16. The Beef 2020 report states that “Agriculture and ruminants in particular make a significant contribution to such emissions and the beef industry will be looked upon to make its fair contribution to these targets” (Scottish Government, 2014c). However, the report makes no practical recommendations on how this sector will contribute towards these targets.

Agri Environment Measures includes funding for a number of new schemes which will open in 2015. The Scottish Government is finalising the list of measures that will be funded under the SRDP with the Agri Environment Measures Budget. They are likely to include measures related to:

- Organic farming
- Farmland and other birds
- Biodiversity
- Water quality
- Flood risk management
- Deer management
- Public access to rural areas

Many of these measures will have multiple benefits, including some climate impact.
INDICATORS OF PERFORMANCE RELATED TO THE EU SUPPORT AND RELATED SERVICES BUDGET

Scotland Performs measures and reports on progress of government in Scotland across a diverse range of indicators – economic, social and environmental. The Scottish Government has stated that “Scotland Performs underpins all of the work of the Scottish Government, including spending decisions” (Scottish Government, 2014a). Relevant Scotland Performs indicators are provided in the following sections along with the relevant budget headings.

Scotland Performs does not include indicators that obviously relate to performance in the EU Support and Related Services Budget. However, performance could be examined through other qualitative and quantitative measures.

Performance might be scrutinised in the light of the Scottish Government 2010 Vision for Scottish Agriculture (Scottish Government, 2010b). This has four principles - producing food, sustaining rural communities, protecting landscapes and habitats, and tackling climate change. A second measure might be Total Income from Farming, shown in Figure 4 (Economic Report on Scottish Agriculture, Scottish Government, 2014d, p 15), which is increasing.

Figure 4. Total Income from Farming (in real terms) 1994 to 2013

Source: Scottish Government, 2014d
RESEARCH ANALYSIS AND OTHER SERVICES

The Research Analysis and Other Services budget funds scientific research to support the Scottish Government and its advisory bodies. This includes funding for the Main Research Providers (MRPs)\(^2\) and the Royal Botanic Garden Edinburgh. The draft budget for this heading is £73.8 million. This is a decline in real terms of 0.8% against the 2014-15 budget.

WHY IS THE RESEARCH ANALYSIS AND OTHER SERVICES BUDGET IMPORTANT?

The Scottish Government argues that innovation and commercialisation will be key drivers in Scotland’s transition towards a low carbon economy, and in delivering faster sustainable economic growth.

The \textit{Rural Affairs and Environment Consultation on the Research Strategy for 2016-2021} estimates that this investment (Scottish Government, 2014h):

- Supports 1,790 jobs including 440 highly-skilled posts, and
- In 2012-2013 funding for the MRPs\(^3\) was instrumental in levering an additional £23 million from other sources.

The research funded by this budget provides the evidence base for development and delivery of rural and environmental policies.

RESEARCH ANALYSIS AND OTHER SERVICES BUDGET AND CHANGES

This budget has been constant over recent years in cash terms but is declining in real terms. The allocation for the main heading in this budget line, \textit{Programmes of Research}, which funds the MRPs, remains the same as last year at £55.7 million in 2015-16. This means a fall in real terms.

Funding for Royal Botanic Garden increases by 3.7% (real) to £11.7 million.

INDICATORS OF PERFORMANCE RELATED TO RESEARCH ANALYSIS AND OTHER SERVICES BUDGET

This budget line relates to the Scotland Performs Indicator “\textit{Increase research and development spending}” (which is maintaining, figure 5) and “\textit{Improve knowledge exchange from university research}” (which is increasing, figure 6).

\(^2\) Main research providers: Biomathematics and Statistics Scotland (BioSS), Moredun Research Institute (MRI), Scotland’s Rural College (SRUC), Royal Botanic Garden Edinburgh (RBGE), the Rowett Institute of Nutrition and Health (RINH) within the University of Aberdeen and the James Hutton Institute (JHI).
A report commissioned by the Scottish Government in 2010 on The Impact of RERAD’s Investment in Science says that

“The MRPs demonstrate a good spread of contributions across the NPF purpose targets, with Institutes tending to specialise in different areas. Collectively, the Institutes are making notable contributions to more than half of all Government Performance Indicators.

There are particularly strong contributions in relation to: economic performance; BERD (Business Enterprise Research & Development) and knowledge transfer; ecology and biodiversity; renewables; life expectancy; and well being and lifestyle indicators” (Scottish Government, 2010a).
MARINE AND FISHERIES

The Marine and Fisheries budget supports the sustainable use of Scotland’s marine environment. The majority of the budget goes to Marine Scotland - the body with responsibility for integrated management of Scotland’s seas. The draft budget for Marine and Fisheries for 2015-16 is £55.3 million. This is a 2.5% decline in real terms on the 2014-15 budget.

WHY IS THE MARINE AND FISHERIES BUDGET IMPORTANT?

Scotland’s marine environment is important economically, environmentally and in terms of sustaining rural communities. Scotland’s seas cover over 450,000 km² and are home to a huge range of species and habitats; provide food and energy and contribute to health and wellbeing.

*Scotland's Marine Atlas* says that the core marine sector, less the extraction of oil and gas, contributed £3.6 billion of Gross Value Added (GVA) in 2008 (at 2009 prices), about 3.5% of overall Scottish GVA. The extraction of oil and gas had a GVA of £13.3 billion in 2007 (at 2009 prices).

The Scottish aquatic environment is among the most diverse in the world supporting over 6,500 complex and 40,000 single cell species of plants and animals in inshore waters alone. The marine environment is home to many distinctive habitats and iconic species such as basking sharks, over twenty species of marine mammals and internationally important bird populations.

About 39,800 people are employed in the marine sector, 1.6% of Scottish employment. The percentage of the population employed in the core marine sector varies significantly between local authorities. For example, in Shetland, the core marine sector provided 10.3% of overall employment in 2008. In Aberdeen, Aberdeenshire, Eilean Siar and Orkney, it accounts for 8.4%, 6.7%, 6.7% and 6.5% of total employment respectively (Marine Atlas, 2010c).

Marine Scotland is responsible for Scotland’s seas. Key responsibilities are:

- Achieving good environmental status through marine planning, licensing and other functions
- Promote sustainable economic growth from the marine renewables industry and other marine and maritime industries
- Promote sustainable, profitable and well-managed fisheries and aquaculture industries in Scotland
- Ensure sustainably-managed freshwater fish and fisheries resources
- Ensure a sound evidence base to inform marine policy
- Ensure effective compliance and enforcement arrangements.

MARINE AND FISHERIES BUDGET AND CHANGES

The draft budget for Marine and Fisheries for 2015-16 is £55.3 million. This is a 2.5% decline in real terms on the 2014-15 budget (Table 2). The funding for Marine Scotland has also declined in both real and cash terms from £48.4 million to £47.9 million (cash), which is a 2.6% fall in real terms.
Table 2. Marine and Fisheries budget 2014-15 and 2015-16

<table>
<thead>
<tr>
<th></th>
<th>2014-15 budget</th>
<th>2015-16 draft budget</th>
<th>Real change 2014-15 to 15-16 (%)</th>
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</thead>
<tbody>
<tr>
<td>EU Fisheries Grants</td>
<td>15.2</td>
<td>15.2</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Fisheries Harbour Grants</td>
<td>0.4</td>
<td>0.4</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Marine EU Income</td>
<td>-8.2</td>
<td>-8.2</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Marine Scotland</td>
<td>48.4</td>
<td>47.9</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Total Marine &amp; Fisheries</td>
<td>55.8</td>
<td>55.3</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

INDICATORS OF PERFORMANCE RELATED TO MARINE AND FISHERIES BUDGET

The Scotland Performs indicator which most closely relates to the Marine and Fisheries budget is “Improve the state of Scotland’s marine environment”, which is declining (Figure 7).

Figure 7. “Improve the state of Scotland's marine environment” indicator

The Scottish biodiversity strategy report to parliament 2011-2013 was laid on 5 August 2014. It includes indicators measuring progress of the Marine coastal environment (Scottish Government, 2014k, page 37). This is reproduced in Table 3 and shows diverging progress across the indicators.

Table 3. Indicators measuring progress of the marine environment

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Status</th>
<th>Start</th>
<th>End</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding seabirds</td>
<td>46% decline</td>
<td>1986</td>
<td>2012</td>
</tr>
<tr>
<td>Marine plankton</td>
<td>Divergent (some up, others down)</td>
<td>1958</td>
<td>2010</td>
</tr>
<tr>
<td>Estuarine fish diversity</td>
<td>Status being restored</td>
<td>1977</td>
<td>2005</td>
</tr>
</tbody>
</table>
ENVIRONMENT AND RURAL SERVICES BUDGET

The Environment and Rural Services budget relates to the national outcome “to value and enjoy our built and natural environment.” It supports sustainable rural development, rural communities, the food and drink industry and digital infrastructure. The draft budget for environment and rural services is £223.1 million, which is a real terms increase of 2.7% over the 2014-15 budget.

WHY IS THE ENVIRONMENT AND RURAL SERVICES BUDGET IMPORTANT?

This budget provides support to improve production, the environment and rural communities. In terms of production, it supports Scotland’s food and drink policy. Figures released in August 2014 show Scotland’s food and drink industry has grown by 4.8 per cent on the previous year and has turnover of nearly £14 billion (Scotland Food and Drink, 2014).

Scottish Natural Heritage is funded (£53.1m) with the aim of caring for the natural heritage, helping people enjoy it responsibly and promoting awareness and sustainable use.

Scotland’s environmental regulator, SEPA is funded under this budget (£39m). SEPA has 1,300 employees in 22 offices across Scotland.

Scotland’s National Park Authorities are also funded under this budget line (£12.5m).

- Loch Lomond and the Trossachs National Park has an area if 1,865 sq km and a population of 15,168 people. 50% of Scotland’s population lives within an hour’s drive of the National Park. It contains 21 Munros, 22 larger lochs and about 50 rivers and large burns
- The Cairngorms National Park is Britain’s largest National Park with an area of 4528 sq km (6 per cent of the size of Scotland). It has a population of 18,000 people and at least 1.4m people visit the Park every year.

ENVIRONMENT AND RURAL SERVICES BUDGET AND CHANGES

The majority of the increase in this budget is accounted for by the Next Generation Digital Fund, which is “designed to lay the foundations of a world class digital Scotland” (p100). It increases 22.3% in real terms on 2014-15. The Draft Budget says that responsibility for the fund rests not with the RAE portfolio but with the Infrastructure, Investment and Cities portfolio, but that “much of the investment will be targeted in rural areas”. Scottish Government have said that estimating precisely the split between rural and urban spend is difficult. However, they estimate that around two thirds of the capital investment is in rural areas (Scottish Government, pers comm).
Table 4. Environment and rural services level 3 spending plans 2015-16

<table>
<thead>
<tr>
<th>Service</th>
<th>Draft budget 2015-16 (£m)</th>
<th>Real % change on 2014-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agricultural &amp; Horticultural Advice</td>
<td>4.1</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Animal Health</td>
<td>18.2</td>
<td>-1.6%</td>
</tr>
<tr>
<td>National Parks</td>
<td>12.5</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Crofting Commission</td>
<td>2.6</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Drinking Water Quality Regulator</td>
<td>0.6</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Food Industry Support</td>
<td>5.0</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Natural Assets &amp; Flooding</td>
<td>9.1</td>
<td>-0.5%</td>
</tr>
<tr>
<td>Natural Resources</td>
<td>1.3</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Next Generation Digital Fund</td>
<td>42.0</td>
<td>22.3%</td>
</tr>
<tr>
<td>Private Water</td>
<td>2.8</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Rural Cohesion</td>
<td>4.6</td>
<td>-5.7%</td>
</tr>
<tr>
<td>SEPA</td>
<td>39.0</td>
<td>2.4%</td>
</tr>
<tr>
<td>Scottish Natural Heritage</td>
<td>53.1</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Veterinary Surveillance</td>
<td>5.2</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Zero Waste</td>
<td>23.0</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Total</td>
<td><strong>223.1</strong></td>
<td><strong>2.7%</strong></td>
</tr>
</tbody>
</table>

Of the other items in the Environment and Rural Services budget:

- The only other line to increase in real terms is **SEPA**, by 2.4%.
- **Natural Assets & Flooding** increases by 1.1% in cash terms, which means a fall of 0.5% in real terms.
- **National Parks** and **Rural Cohesion** fall in both real and cash terms.
- All other lines remain the same in cash terms but fall in real terms on last year (Table 4).

**INDICATORS OF PERFORMANCE RELATED TO ENVIRONMENT AND RURAL SERVICES BUDGET**

Related Scotland Performs Indicators are: “**Increase people's use of Scotland's outdoors**” (which is improving), “**Widen use of the Internet**” (which is improving) and “**reduce waste generated indicator**” (which is improving).
Figure 8. “Increase people's use of Scotland's outdoors” indicator

![Graph showing percentage of adults making one or more visits to the outdoors per week from 2006 to 2013.](image)

Figure 9. “Widen use of the Internet” indicator

![Graph showing percentage of adults using the internet for personal use from 2007 to 2013.](image)
The funding for SNH also comes from this budget line. Scottish Natural Heritage has the main responsibility for delivering two performance indicators: to improve the condition of protected nature sites (which is maintaining), and to increase the abundance of terrestrial breeding birds (which is improving).

Figure 10. “Reduce waste generated” indicator

Figure 11. “Increase the abundance of terrestrial breeding birds” indicator
CLIMATE CHANGE

The Climate Change budget supports the development and implementation of climate change policy such as the Sustainable Action Fund which pays for research, demonstration projects and other activities in support of sustainable development in Scotland. The draft budget for climate change is £19.4 million, a real terms fall of 1.6%.

WHY IS THE CLIMATE CHANGE BUDGET IMPORTANT?

The Climate Change (Scotland) Act 2009 set a long-term target to reduce emissions of greenhouse gases (GHGs) by 80% in 2050 relative to 1990. It set an interim target to reduce emissions by 42% in 2020 relative to 1990. Secondary legislation set a series of annual emission reduction targets for 2010 to 2022 and 2023 – 2027 respectively. These targets have been missed for the last 3 years.

Agriculture and related land use is the second largest contributor to GHG emissions in Scotland after energy supply. Agriculture and related land use has seen a gradual decline in emissions between 1998 and 2012, which can be linked to a decline in cattle and sheep numbers and in fertiliser use. Emissions from this sector have reduced by nearly 27% since 1990 (Scottish Government, 2014j).

CLIMATE CHANGE BUDGET AND CHANGES

All parts of this budget remain the same in cash terms as 2014-15. This means in real terms there has been a fall of 1.6%. There are 3 parts to the Climate Change budget:

- Sustainable Action Fund - £15.3 million
- Land Managers Renewables Fund - £3 million
- Climate Change Policy - £1.1 million

In 2013 the Scottish Government published Details of funding for climate mitigation measures alongside the budget. This summarises the principal lines within the RAE budget which support the delivery of measures to reduce GHG emissions. This helps show how the Scottish Government’s budget links with commitments set out in Low Carbon Scotland – Meeting The Emissions Targets 2013-2027: The Second Report on Proposals and Policies (RPP2, Scottish Government, 2013b). Table 5 shows the projects funded. At the time of writing no similar letter had been received from the Scottish Government. However, comparator figures for 2015-16 have been included based on level 4 information.

Climate Change Underspend 2013-14

The Scottish Government Consolidated Accounts for the year ended 31 March 2014 indicate a £1 million underspend of the Climate Change budget (Scottish Government, 2014i). This underspend is just over 5% of the climate change budget.
INDICATORS OF PERFORMANCE RELATED TO CLIMATE CHANGE BUDGET

The Climate Change budget relates to the sustainability purpose targets “To reduce emissions by 80 per cent by 2050” and the Scotland Performs indicator “Reduce Scotland’s carbon footprint”.

In 2012, total Scottish GHG emissions (including international aviation and shipping) and adjusted to take account of trading in the EU Emissions Trading System, were 55.7 million tonnes of carbon dioxide equivalent. This figure is 26.4% lower than the baseline. Between 2011 and 2012 such emissions increased by 0.5%.

Table 5. Details of funding for climate change mitigation measures

<table>
<thead>
<tr>
<th></th>
<th>2013-14 budget</th>
<th>2014-15 budget</th>
<th>2015-16 draft budget</th>
<th>Emissions abatement described in RPP2</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agriculture</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Farming for a Better Climate</td>
<td>0.3</td>
<td>0.3</td>
<td>0.3</td>
<td>75 ktCO₂e (2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Future Proofing Scotland's Farming</td>
<td>0.1</td>
<td>0.1</td>
<td>0.1</td>
<td></td>
</tr>
<tr>
<td>and Scottish Farming Innovation Network</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land Managers Renewables Fund</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td></td>
</tr>
<tr>
<td>Farm Woodland Schemes (under Agri env measures)</td>
<td>2.7</td>
<td>2.3</td>
<td>2.0</td>
<td></td>
</tr>
<tr>
<td><strong>Forestry - Woodland Creation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Woodland Creation (the amount allocated to new woodland creation in 'Woodland Grants')</td>
<td>30.0</td>
<td>31.0</td>
<td>30.0</td>
<td>45 ktCO₂e (2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forest Enterprise</td>
<td>3.0</td>
<td>2.0</td>
<td>2.0*</td>
<td></td>
</tr>
<tr>
<td><strong>Peatlands</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Peatland Restoration</td>
<td>5.0</td>
<td>5.0</td>
<td>10.0*</td>
<td>25 ktCO₂e (2015)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zero Waste</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Zero Waste Fund</td>
<td>26.4</td>
<td>23.0</td>
<td>23.0</td>
<td>620 ktCO₂e (2015)</td>
</tr>
</tbody>
</table>

*Figure taken from Scottish Government, 2013a
Scotland's 'carbon' footprint measures all greenhouse gas emissions (expressed in 'carbon dioxide equivalents') generated at home and abroad in the production and transport of the goods and services that we consume. The latest data relates to 2010 and Scotland's carbon footprint was 82.2 million tonnes of carbon dioxide equivalent, 4% more than 78.7 million tonnes of carbon dioxide equivalent in 2009. Since 2006 Scotland's carbon footprint has decreased by 12%.

FORESTRY COMMISSION

Forestry Commission Scotland advises and implements forestry policy to protect and expand Scotland's forests and increase their value to society and the environment. The Forestry Commission budget remains unchanged in cash terms from last year at £64.1 million, but therefore falls in real terms.

WHY IS THE FORESTRY COMMISSION BUDGET IMPORTANT?

The forestry sector is important economically, environmentally and in terms of social welfare. Forestry makes a significant contribution to the economy in many rural areas. A survey carried out by Forest Research found that (Forest Research, 2008):
• Total employment associated with the use of Scottish timber was estimated to be 13,200 full-time equivalent jobs
• Total Gross Value Added was estimated to be £460 million at 2007/2008 prices
• Total employment resulting from direct spending from tourism and recreation attributable to woodland, where woodland was the primary reason for the visit, is estimated to be around 17,900 FTE jobs
• Total GVA associated with tourism and recreation is around £209 million

The forestry sector is important in terms of climate change. In Scotland it is a net emissions sink (Committee on Climate Change, 2014). Increased forestry planting is a policy included in RPP2 with attributable emissions abatement set out for 2013 (15 ktCO2e), 2014 (16 ktCO2e), 2015 (45 ktCO2e), and 2016 (92 ktCO2e). On woodland creation RPP2 states “We will create 100,000 hectares of new woodland by 2022, equivalent to an average of 10,000 hectares per year, and agree targets for subsequent years by 2020.”
The Public Opinion of Forestry Survey carried out biannually across Great Britain show the social benefits of forestry. The results for Scotland in 2013 show that (Forestry Commission Scotland, 2014):

• Around three quarters of respondents have visited forests or woodlands in the last few years
• Around one half of respondents said they would like to see more woodland in their part of Scotland
• The top reason to support forestry in Scotland with public money was ‘to provide places for wildlife to live’ with 63% of respondents selecting this as a benefit
• Other reasons to support forestry were ‘to improve the countryside landscape’ and ‘to provide places for recreation’ (with 50% of respondents selecting this as a benefit).

FORESTRY COMMISSION BUDGET AND CHANGES

The Forestry Commission budget and its components remain unchanged in cash terms from the 2014-15 budget. This means it has fallen by 1.6% in real terms. The budget line has four main components (Figure 14).

This line also includes income from the EU, which has remained constant in cash terms (fallen in real terms) at £19.8 million.
INDICATORS OF PERFORMANCE RELATED TO FORESTRY COMMISSION BUDGET

The Draft Budget re-states the planting target of 100,000 hectares of new woodlands between 2012 and 2022. This equates to 10,000 hectares per year. Figure 15 shows that this planting target is not being met, and the annual planting rate is falling.

Figure 15: New planting in Scotland (1972-2013)

Source: Committee on Climate Change, March 2014 (page 40)
EQUALITIES STATEMENT

The Scottish Government published an equalities statement alongside the draft budget. The main part of the RAE section discusses the SRDP. It argues that the SRDP "has been assessed as positively impacting on equality groups" (page 45) in the following ways:

- Whilst farmers are generally male, older and white, SRDP funding such as the New Entrants Scheme …is vital in assisting young people, and encouraging young women in particular, to make agriculture an attractive career choice and maintain populations in rural communities
- Together with other funding the SRDP provides funding for business support, skills training, social inclusion/local development and advice which helps with employment opportunities and to tackle poverty, inequality and deprivation in rural areas
- LEADER programmes will include a new requirement that all Local Development Strategies should include information on how equality issues will be addressed and inequalities overcome as part of their funding to 2020
- The Next Generation Digital Fund aims to tackle some of the barriers affecting digital participation by individuals and businesses in rural areas.
 SOURCES


RELATED BRIEFINGS

SB 14-70 Draft Budget 2015-16

SB 14-73 Budget Scrutiny, 2015-16

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