



T: 0300 244 4000  
E: [scottish.ministers@gov.scot](mailto:scottish.ministers@gov.scot)

Finlay Carson MSP  
Convener  
Rural Affairs and Islands Committee

By email: [rural.committee@parliament.scot](mailto:rural.committee@parliament.scot)

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25 February 2025

Dear Finlay,

Following the Committee's evidence session on the 2025-26 Budget on 22 January, I undertook to follow up on a number of points.

### **Overall change to the RALRI Budget**

It is disappointing that the draft Budget has been portrayed as a cut for the Rural Affairs, Land Reform and Islands (RALRI) portfolio. The calculation made by the Scottish Parliament Information Centre (SPICe) which has been widely reported focussed exclusively on resource, rather than the total allocation including capital, and the comparator they have used, by removing all 2024-25 Autumn Budget Revision transfers, does not allow a comparison with the effective 2024-25 starting position for some budgets.

To make a more complete comparison between years, it is necessary to take into account changes to the RALRI portfolio in May 2024 (the transfer of National Parks from the Net Zero and Energy (NZE) portfolio), and the switch of £15m resource funding to capital funding following the 2024-25 budget. The draft Budget also includes a significant increase in capital funding for RALRI. We calculate that the RALRI total budget (resource and capital) has increased by 2.7% in cash terms or 0.3% in real terms. The draft Budget also provided that RALRI will gain a further £7.25m in-year, bringing these increases to 3.4% cash or 1.0% real terms, when Climate Change Funding currently allocated to the NZE portfolio is transferred to RALRI to support Agri Environment Climate Scheme (AECS), Carbon Neutral Islands and Atlantic Rainforests.

I appreciate these comparisons are complex, but understanding these details is important to demonstrate that the Government continues to do its utmost to support

rural budgets, at a time when we face continued and unprecedented challenges to the public finances.

### **Agriculture Transformation Fund**

As we discussed, the draft 2025-26 Budget returns £20 million to the RALRI budget, on top of the £15 million that was returned in 2024-25, and confirms that the remaining funding will be returned in 2026-27. This has been allocated as capital to the Agriculture Transformation Fund and work continues at pace to develop proposals to use the full funding allocated.

As I informed Parliament in my response to PQ S6W-34744 on 7 February, the First Minister announced more details on this funding at the NFU Scotland Conference that day. He outlined that the £20 million package of support to assist in implementing transformational change required to deliver its Vision for Scottish Agriculture will provide:

- capital funding to support investment in equipment and measures aimed at driving efficiency and supporting nature and climate friendly farming;
- innovative food and drink investment; and
- funding for Lidar surveys.

The First Minister went on to announce that around £14 million would be allocated to the first of these aims, delivering a Future Farming Investment Scheme (FFIS). This scheme will offer something new for Scottish agriculture – flexible capital grants that can be used to improve efficiency or support nature and climate-friendly farming. My officials are consulting with stakeholders to ensure the capital grant scheme guidance and application processes work for a range of businesses. As I confirmed to the Committee, we want applying to this scheme to be simple and straightforward.

I would be happy to provide a further update to the Committee when further details are available and the guidance and application process for the FFIS has been prepared.

### **Preparing for Sustainable Farming scheme**

The Preparing for Sustainable Farming scheme (PSF) has been extended for an additional year to continue to provide financial support for soil analysis, carbon audits and animal health & welfare interventions.

The claim window for 2025 is due to open on 1 March 2025 with no change to current payment rates or scheme guidance. This funding will help farmers and crofter perform actions that will help them meet the whole farm plan requirements, providing:

- Financial support towards the cost of soil analysis;
- £500 towards having a Carbon Audit performed;
- £750 for first claim and then £500 annually to deliver a choice of animal health and welfare interventions

This demand led scheme has, from 2022, annually increased the numbers of claims submitted and to date (20/02/2025) we have received:

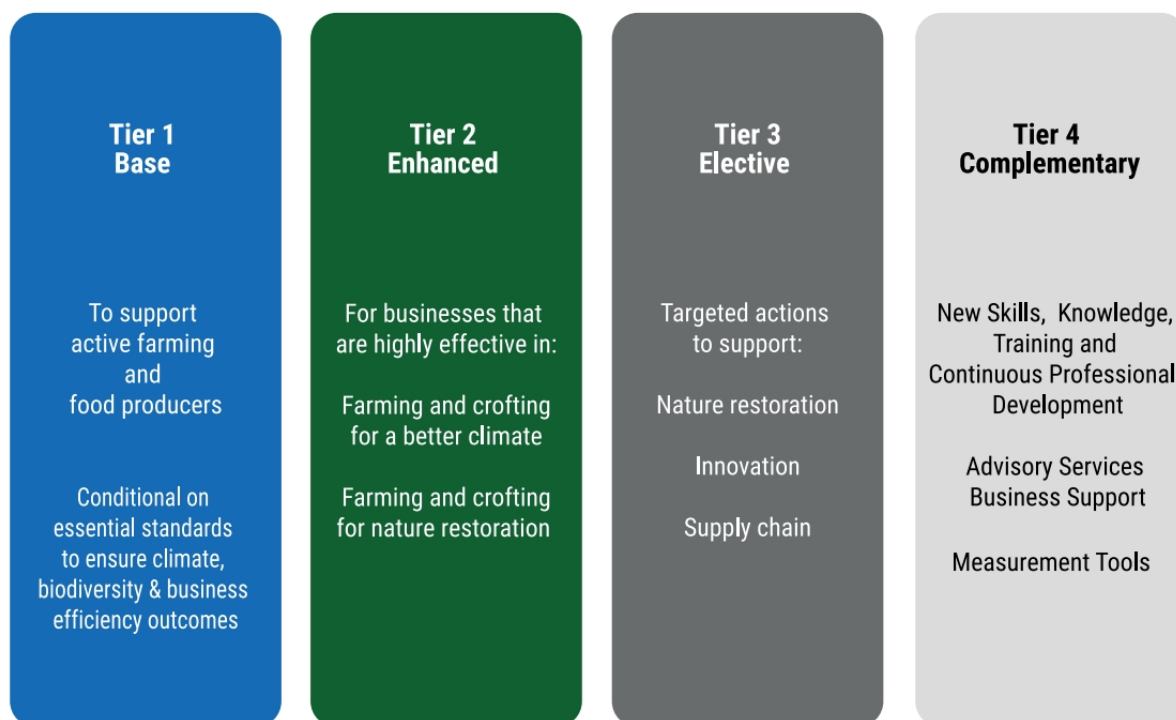
PSF option	No. of claims	Value
Soil analysis	3,417	£3,712,312.73
Carbon audits	2,888	£1,444,000.00
Animal health and welfare	3,314	£2,179,750.00
<b>Total</b>	<b>9,619</b>	<b>£7,336,062.73</b>

The PSF scheme will stop at the end of 2025, so we strongly encourage farmers and crofters to act now to make use of this support and continue to prepare for the new support framework.

### Schemes to support farming

The Committee asked for a diagram that demonstrates the various schemes used by the Scottish Government to support farming practices. On reflection, I think that the most comprehensive source for the Committee and the sector is the page listing [“All Schemes”](#), on the Rural Payments and Services website. This provides an overview of the 24 funding schemes or advice services, whether they are currently operational or now closed, and links to detailed advice on accessing each.

For future support, as you are aware, a 4 tier framework is proposed. This was confirmed during the Parliamentary consideration of the Agriculture and Rural Communities (Scotland) Bill in 2023-24. The following infographic summarising the 4 tiers is available at [Agricultural Reform Route Map](#) alongside some further explanation of each tier.



## **In-year transfers affecting the RALRI budget**

Every year, a range of one-off or recurring in-year transfers are made by portfolios, for example, where funds are transferred to a delivery body, or to balance one budget with an underspend and another budget with a pressure. The RALRI in year transfers made at Autumn and Spring Budget Revisions 2024-25 are set out in the attached tables.

## **NatureScot's funding settlement**

NatureScot Grant-in-Aid (GiA) is funded through the Net Zero and Energy portfolio, and provides NatureScot with its operational budget to deliver statutory functions and its Corporate Plan. The proposed GiA allocation for NatureScot in 2025-26 is £68.2m. This is a 4% cash terms increase compared to 2024-25 Budget Bill allocation.

In addition, NatureScot receives significant in-year funding, most notably for peatland restoration, but also other funding such as the Farming with Nature programme. This in-year funding was included in the post-ABR budget used as a comparator figure in the budget documents.

The funding for the peatland restoration programme sits within the RALRI portfolio and facilitates the delivery of restoration projects through the Peatland ACTION partnership – comprised of NatureScot, Forestry and Land Scotland, Cairngorms National Park Authority, Loch Lomond and the Trossachs National Park Authority and Scottish Water.

In 2023-24, we invested £27.9 million and restored 10,360 hectares of degraded peat – the highest ever amount in a single year. Many of the 2024-25 projects are still to complete, however we are on track to restore over 10,000 hectares – as committed to in the 2024 Programme for Government. The 2024-25 budget is £26.9m, of which £14.05m has been allocated through NatureScot.

Through the draft 2025-26 Budget, we plan to invest £35.5 million to fund the restoration of around 14,000 hectares of degraded peatland in Scotland. If passed by Parliament, the 2025-26 budget allocation will be a 32% increase on the 2024-25 budget.

## **Marine Directorate: more detailed budget allocations**

The draft 2025-26 Budget is underpinned by the following indicative portfolio allocations within Marine Directorate.

	2024-25 Budget	2025-26 Budget
Marine Directorate	£m	£m
Operational Delivery	29.3	29.9
Science Evidence, Data and Digital	16.5	17.7
Marine Economy and Communities	4.1	4.2
Marine Environment	8.2	8.2
Corporate, Strategy and Marine Planning	6.5	6.6
<b>Fiscal Resource Total</b>	<b>64.6</b>	<b>66.6</b>
Non-cash	6.1	5.7
Capital	7.3	7.3
<b>Total</b>	<b>78.0</b>	<b>79.6</b>

The allocations will be further refined through the business planning processes that take place ahead of the new financial year and which informs the Annual Delivery Plan (ADP).

The intention is that the final portfolio allocations will be shared with the RAI Committee following the conclusion of the ADP process.

### Update on marine pay negotiations

Marine Directorate continue to work constructively with Marine Unions and aim to start pay negotiations for 2025-26 following the publication of the technical guide on public sector pay policy which is expected to issue at the beginning of March.

### Marine Directorate Income Breakdown

The term 'income' describes all receipts that are received into the Marine Directorate either through invoice billing arrangements or internal transfers and are based on a system of cost recovery.

The following table sets out the main income categories with their 2024-25 budget allocations and forecast outturn position (the reduced forecast reflects some drop-off in demand led areas).

Description	Budget (£'000)	Forecast (£'000)
Shared Service Arrangements	2450	2200
Marine Licence Fees	3400	2800
Science External Contracts	3800	3400

Misc. Income	100	100
Marine Fund Scotland - Technical Assistance	500	500
<b>Total</b>	<b>10250</b>	<b>9000</b>

### **Scottish Budget Island Communities Impact Assessment**

A partial Island Communities Impact Assessment (“ICIA”) was completed for the Scottish Budget 2025-26, with policy areas and portfolios across the Scottish Government asked to consider if decisions taken had a disproportionate impact on islands. This assessment concluded that the Scottish Budget 2025-26 is unlikely to have an effect on an island community which is significantly different from its effect on other communities. Therefore, in accordance with our statutory obligations, we have not completed and published a full ICIA for the Scottish Budget 2025-26. The outcome of this decision was published on the [SG website](#) in the Budget Supporting Documents published on 11 December 2024 (alongside the Consumer Duty Impact Assessment for the Scottish Budget 2025-26).

Responsibility for the design and implementation of policy, whether a significant difference is created or not, lies at the individual policy and portfolio level. Policy teams across the Scottish Government have been consulted as part of this initial evaluation via the partial ICIA and, where new policy development is required, a more detailed analysis of the needs of island communities will be carried out.

I hope this is helpful.

Yours sincerely



**MAIRI GOUGEON**

## Annex: Rural Affairs, Islands and Land Reform In Year Transfers 2024-25

The data provided in the tables below is taken from the following publications:

[Autumn Budget Revision 2024-25 – Supporting Document](#)

[Spring Budget Revision 2024-25 Supporting Document](#)

**Table 1: Rural Affairs, Islands and Land Reform In Year Transfers 2024-25**

	Operating	Capital	Total
	£m	£m	£m
<b>Total Budget in the Budget Act</b>	<b>1,090.206</b>	<b>19.617</b>	<b>1,109.823</b>
Total changes proposed at ABR	-7.739	-2.100	-9.839
<b>Total Budget post ABR</b>	<b>1,082.467</b>	<b>17.517</b>	<b>1,099.984</b>
Total changes proposed at SBR	-15.233	0.498	-14.735
<b>Total Budget post SBR</b>	<b>1,067.234</b>	<b>18.015</b>	<b>1,085.249</b>

**Table 2: Transfers by Level 2 Budget Line**

	Autumn Budget Revision				Spring Budget Revision		
	Operating	Capital	Total		Operating	Capital	Total
	£m	£m	£m		£m	£m	£m
<b>LEVEL 2 BUDGETS</b>							
<b>Agricultural Support and Related Services</b>							
Net release of emerging and planned underspend to support priorities	0.000	0.000	0.000		-7.485	2.000	-5.485
Technical adjustment of non-cash budget for depreciation	0.000	0.000	0.000		-7.688	0.000	-7.688
Miscellaneous minor transfers	-0.561	0.000	-0.561		0.041	0.000	0.041
<b>Total</b>	<b>-0.561</b>	<b>0.000</b>	<b>-0.561</b>		<b>-15.132</b>	<b>2.000</b>	<b>-13.132</b>
<b>Rural Services</b>							
Miscellaneous minor transfers	-2.267	0.000	-2.267		0.880	0.000	0.880
<b>Total</b>	<b>-2.267</b>	<b>0.000</b>	<b>-2.267</b>		<b>0.880</b>	<b>0.000</b>	<b>0.880</b>
<b>Marine Funding</b>							
Miscellaneous minor transfers	-0.500	0.000	-0.500		0.000	0.000	0.000

	Autumn Budget Revision				Spring Budget Revision		
	Operating	Capital	Total		Operating	Capital	Total
<b>LEVEL 2 BUDGETS</b>	£m	£m	£m		£m	£m	£m
Release of emerging and planned underspend to support priorities	0.000	0.000	0.000		-3.000	-0.250	-3.250
<b>Total</b>	<b>-0.500</b>	<b>0.000</b>	<b>-0.500</b>		<b>-3.000</b>	<b>-0.250</b>	<b>-3.250</b>
<b>Marine</b>							
Additional funding to enable distribution to Local Government of Crown Estates Net revenues	5.364	0.000	5.364		12.420	0.000	12.420
Release of emerging and planned underspend to support priorities	0.000	0.000	0.000		-2.500	-1.000	-3.500
Additional AME funding for depreciation of donated assets	0.000	0.000	0.000		1.308	0.000	1.308
Depreciation adjustment	0.000	0.000	0.000		-0.674	0.000	-0.674
Miscellaneous minor transfers	-0.331	0.000	-0.331		-0.120	0.000	-0.120
Technical Budget adjustment	2.000	-2.000	0.000		0.000	0.000	0.000
<b>Total</b>	<b>7.033</b>	<b>-2.000</b>	<b>5.033</b>		<b>10.434</b>	<b>-1.000</b>	<b>9.434</b>
<b>Islands</b>							
Transfer to Local Government to support the Islands Cost Crisis Emergency Fund	-1.000	0.000	-1.000		0.000	0.000	0.000
Miscellaneous minor transfers	-0.237	0.000	-0.237		0.000	0.000	0.000
<b>Total</b>	<b>-1.237</b>	<b>0.000</b>	<b>-1.237</b>		<b>0.000</b>	<b>0.000</b>	<b>0.000</b>
<b>Land Reform</b>							
Miscellaneous minor transfers	0.015	0.000	0.015		-1.053	0.000	-1.053
<b>Total</b>	<b>0.015</b>	<b>0.000</b>	<b>0.015</b>		<b>-1.053</b>	<b>0.000</b>	<b>-1.053</b>



	Autumn Budget Revision				Spring Budget Revision		
	Operating	Capital	Total		Operating	Capital	Total
<b>LEVEL 2 BUDGETS</b>	£m	£m	£m		£m	£m	£m
<b>Scottish Forestry</b>							
Miscellaneous minor transfers	0.099	0.000	0.099		0.337	-0.252	0.085
<b>Total</b>	<b>0.099</b>	<b>0.000</b>	<b>0.099</b>		<b>0.337</b>	<b>-0.252</b>	<b>0.085</b>
<b>Forestry and Land Scotland</b>							
Transfer from Natural Resources and Peatland to support peatland restoration work	3.645	0.000	3.645		0.000	0.000	0.000
Transfer from Natural Resources and Peatland to support peatland restoration work and to protect and restore Scotland's Atlantic Rainforest	0.000	0.000	0.000		5.985	0.000	5.985
<b>Total</b>	<b>3.645</b>	<b>0.000</b>	<b>3.645</b>		<b>5.985</b>	<b>0.000</b>	<b>5.985</b>
<b>Natural Resources and Peatland</b>							
Transfer to NatureScot to support peatland restoration work	-9.007	0.000	-9.007		-5.893	0.000	-5.893
Transfer to Forestry and Land Scotland to support peatland restoration work	-3.645	0.000	-3.645		0.000	0.000	0.000
Transfer to Forestry and Land Scotland to support peatland restoration work and to protect and restore Scotland's Atlantic Rainforest	0.000	0.000	0.000		-5.985	0.000	-5.985
Miscellaneous minor transfers	-0.099	-0.100	-0.199		0.000	0.000	0.000
<b>Total</b>	<b>-12.751</b>	<b>-0.100</b>	<b>-12.851</b>		<b>-11.878</b>	<b>0.000</b>	<b>-11.878</b>

	Autumn Budget Revision				Spring Budget Revision		
	Operating	Capital	Total		Operating	Capital	Total
<b>LEVEL 2 BUDGETS</b>	£m	£m	£m		£m	£m	£m
<b>Research Analysis and Other Services</b>							
Transfer to NatureScot to support the delivery of the Facility for Investment Ready Nature	-1.200	0.000	-1.200		0.000	0.000	0.000
Miscellaneous minor transfers	-0.015	0.000	-0.015		0.030	0.000	0.030
<b>Total</b>	<b>-1.215</b>	<b>0.000</b>	<b>-1.215</b>		<b>0.030</b>	<b>0.000</b>	<b>0.030</b>