The Scottish Parliament
Pàrlamaid na h-Alba

Rural Affairs Committee

Gillian Martin MSP
Cabinet Secretary for Climate Action and Rural Affairs
Scottish Government

5 November 2026

Dear Cabinet Secretary

Rural Affairs Committee pre-budget scrutiny

Dear Cabinet Secretary,

I am writing on behalf of the Rural Affairs Committee to set out its conclusions from its pre-budget scrutiny and to request further information to inform its consideration of the Scottish Government's forthcoming Budget. The Committee considered evidence from its inquiry into the Rural Support Plan, its introductory sessions on peatlands, forestry and marine matters, and the evidence provided by you and the Minister for Agriculture, Marine and the Islands on 7 October 2026. Since then, the Committee also held an introductory session on land reform, which is also reflected on below.

Agriculture

The Committee recently held a short inquiry into the Scottish Government's Rural Support Plan (RSP). Some of the key budget elements of this scrutiny are summarised below, however the Committee's wider conclusions and recommendations on these issues will be set out in its forthcoming report on the Plan.

The Committee asks the Scottish Government to reflect on the evidence summarised below, and the recommendations in the forthcoming report on the Rural Support Plan, in the development of its budget proposals for agriculture.

Total budget
The RSP reflects the set agriculture budget. The RSP uses 2026/2027 and 2025/2026 budget figures to indicate that the total budget is £677 million, which also includes the Forestry Grants Scheme (£711 million if funding "outside the tiers" is included).

The Committee heard this budget represented a real terms cut. Soil Association Scotland said:

> "For a long time, we have advocated for a larger overall budget for agriculture. After all, our calculations suggest that, if the budget had just kept pace with inflation, it would actually be about £910 million at present, rather than £670 million. There is a significant gap in that respect. However, having listened to the First Minister yesterday and being aware of the state of the public finances, I think that we can expect the agriculture budget not to increase. That being the case, the current budget will have to work harder and be far better targeted than it is."

The Committee heard the Scottish Government's responses to the above at our meeting on 7 October where you and the Minister outlined several challenges which have impacted both the amount of money that it has been possible to put into agricultural support and how much that money is able to deliver:

- High inflation has increased cost pressures across Government budgets;
- the block grant does not receive an inflationary uplift, requiring spending within fixed allocations;
- UK agricultural funding to Scotland has fallen from 17.4% to 7.9% following Barnett consequential arrangements; and
- EU exit has reduced funding uplifts previously available through EU programmes

Farm advice

The Committee heard consistent evidence that high-quality advice and knowledge exchange will be critical to delivering the outcomes of the Agriculture and Rural Communities Act.

The Committee heard that farmers and crofters are being asked to adapt to significant challenges, including responding to the climate and nature crises, improving animal health and welfare, and strengthening the long-term resilience and profitability of their businesses. Witnesses emphasised that achieving these outcomes will depend not only on financial support, but on access to trusted, independent advice to help land managers make informed decisions and implement change.

For example, Eleanor Kay from Scottish Land and Estates told the Committee that –

> "In relation to what makes a productive farm, we know that 70 per cent of the difference between the profitability of the top and bottom-performing farms is driven by management decisions rather than geography, soil or other variables. That has a huge impact on whether a farm is profitable. If it is profitable, it is far easier to invest in some of the transitions that are needed, because they require an ability to free up capital."

The importance of farm advice was a point of consensus among stakeholders. However, many argued that the budget available for advisory support through Tier 4 is insufficient to meet demand. Witnesses highlighted Whole Farm Plans as one example of where limited advisory capacity risks reducing the impact of Whole Farm Plans, with some suggesting that the process has become a tick-box exercise rather than a meaningful opportunity to improve business and environmental outcomes.

Agri-Environment Climate Scheme
Related to both climate change and nature restoration, the Committee heard frustration that the Agri-Environment Climate Scheme had been cut in recent years, with it suggested it was now only receiving half the funding it was 10 years ago. Scottish Environment LINK cited 2023 Scottish Government analysis which was complimentary of this scheme, finding that "Greening and Less Favoured Area Support Scheme have been found not to deliver as effectively as possible on their stated objectives" while "some small schemes, such as the Agri-Environment Climate Scheme, have been found to have a positive impact, though limited by budget or uptake".

The Committee heard that this budget had been shown to be effective, but that, despite that, it is smaller than it used to be.

Horticulture
The Committee heard concerns that the area-based nature of support within the RSP may limit the extent to which horticultural producers can benefit from agricultural support, despite the Plan identifying increased domestic fruit and vegetable production as a key outcome. Witnesses highlighted that many horticultural businesses operate through intensive production systems and therefore have limited access to area-based payments. The Committee also heard a proposal from the Soil Association Scotland for a market garden scheme, which was suggested could support smaller-scale producers by funding holdings below 30 hectares with a turnover of up to £20,000. It was argued that such a scheme would support "significant food producers who are not currently able to access significant area based payments".

While the majority of the Committee's views on agriculture budget issues will be set out in our report on the Rural Support Plan, the Committee would welcome responses on the following:

1. **It would be helpful to understand the extent to which this funding is already committed or ring-fenced for specific schemes, such as the Future Farming Investment Scheme (FFIS), and how much flexibility the Scottish Government has to reallocate funding across different agricultural support measures.**

2. **Clarification would be helpful on how capital funding will support investment in farm infrastructure and system upgrades, including helping producers meet new animal welfare requirements, such as the transition away from farrowing crates for pigs.**

Public Service Reform

The Committee heard that public service reform is closely linked to budgets within the rural affairs remit, with financial savings among the stated aims of reform.

Our scrutiny focused on two areas:

- Scottish Forestry and the proposal to potentially include them in the merger of NatureScot, SEPA, and Zero Waste Scotland; and
- budget pressures on the Marine Directorate, following on from scrutiny of the session 6 Rural Affairs and Islands Committee, particularly looking at the budget for scientific research.

Scottish Forestry

The Committee notes your evidence that no decision has been taken on the future of Scottish Forestry and that any decision will be assessed against three tests – whether outcomes will be improved; whether it will reduce duplication and allow the sharing of backroom functions; and whether it will be simpler for clients and the public. The impact of public service reform on delivery capacity and investor confidence should clearly be central to that assessment.

The Committee heard significant concerns from stakeholders about the potential inclusion of Scottish Forestry in the proposed merger of NatureScot, SEPA and Zero Waste Scotland. In particular, Woodland Trust Scotland, Confor and the Institute of Chartered Foresters highlighted risks to forestry expertise within the public sector and potential delays to progress on woodland creation targets. The Committee also heard evidence from Confor that uncertainty over future forestry governance could deter long-term investment in the sector.

3. **The Committee requests clarity on the options still under consideration by the Scottish Government in regard to Scottish Forestry's inclusion in the merger, including whether these options encompass retaining the current arrangements, transferring Scottish Forestry in its entirety, or transferring only particular functions to a new environmental body.**

4. **The Committee requests, for each option, the Scottish Government provides details of any transfer of functions, expected savings and timescales, budgetary implications, risk assessments, transition costs (including staffing and training requirements), and the point at which net savings would be achieved.**

5. **Finally, the Committee requests clarity on how investor confidence is considered in the assessment process and whether this forms part of the existing "improving outcomes" test or requires separate consideration.**

Marine Directorate capacity and resources

Stakeholders reiterated similar concerns to those raised by the Session 6 Rural Affairs and Islands Committee about declining fisheries research capacity and Scotland's international reputation, linked to structural changes, real-terms budget cuts and deteriorating facilities. These concerns appeared to be a point of consensus amongst stakeholders, for example Elspeth Macdonald from the Scottish Fishermen's Federation said:

> “Resources have become increasingly thinly spread as the demand for science and evidence has expanded. We see a significant reduction in the amount of effort that goes towards actual fisheries science.”

Phil Taylor from Open Seas added that what money is spent on science, could be better utilised and argued that the Scottish Government should be clearer on how money is spent.

The Committee notes your commitment to engage with the sector.

On marine issues more widely, the Committee heard frustration at delays and changes to timelines of previous commitments over the past several years. Some of the current commitments the Committee understands are expected in the coming years are provided in Annexe A.

The Committee remains concerned about whether the Directorate has the capacity and resources required to fulfil its functions. Members therefore seek further information on how the Directorate's budget is determined, including whether funding is driven by the Scottish Government's policy ambitions and statutory responsibilities, or whether these ambitions are being shaped by available resources. Specifically:

6. **The Committee requests continued detailed annual reporting on Marine Directorate budget allocations and expenditure, as sought in its predecessor’s 2025-26 budget letter.**

7. **The Committee requests further information on how the Directorate establishes its annual delivery priorities and resource requirements, including:**

    a. **Details of the annual business planning process, including how resource requirements for core functions and policy commitments are identified; how the Directorate's overall budget is determined; who is involved in the planning process; how any gaps between required and available resources are identified and managed; and the extent to which annual funding allocations can be adjusted to accommodate new and emerging fisheries research priorities, including supporting commitments in the Future Fisheries Management Strategy (FFMS) to support diversification and explore new fishing opportunities for Scotland's fisheries sector;**
    b. **How Remote Electronic Monitoring (REM) data analysis is being used to inform fisheries management decisions, including any specific research projects involving REM data analysis and budget and staff resource assigned to this work;**
    c. **An update on medium and long-term plans to restore scientific research facilities in the Marine Directorate Aberdeen labs including details of budget allocation and spend on this work to date;**
    An update on procurement of replacement research vessels including details of budget allocation and spend on this work to date.

8. **For each of the policy commitments listed in Annex A, the Committee requests an update on:**
    d. **A timetable for delivery and key delivery milestones achieved to date;**
    e. **Where possible, spend to date for each financial year since the commitment was made and budget allocated for specific delivery projects;**
    f. **Outputs delivered so far and outcomes achieved against policy objectives;**

Forestry and woodland creation

The availability of funding for woodland creation was raised as a key concern to the Committee.

The Forestry Grant Scheme budget for 2026-27 was £58.6 million, compared with around £77 million in 2023-24 and around £45 million following the approximately 40% reduction in 2024-25. The Committee heard that this reduction significantly affected delivery against planting targets.

Similar to what we heard on the potential Scottish Forestry merger, witnesses emphasised that sustained investment and funding certainty are critical to delivering woodland creation targets and maintaining investor confidence in the forestry sector.

The Committee notes Ministers' recognition of forestry's contribution to Scotland's climate, biodiversity and rural economic ambitions. The Committee also notes the view that woodland planting ambitions cannot be achieved with public money alone.

Following this evidence, the Committee is concerned about the impact of budget pressures on the delivery of the Climate Change Plan's woodland creation targets. The evidence demonstrates the importance of funding certainty to delivery and investor confidence.

9. **The Committee requests further information on whether the Scottish Government intends to resource the full woodland creation target for 2027/28 from public money in next year's budget. Specifically:**

    a. **What work was undertaken to assess and enable the industry's ability to replace reduced woodland grant funding with carbon credit income, and whether that income has materialised at the level anticipated? and**

    b. **The Committee seeks clarification on how the Scottish Government expects future woodland creation targets to be funded. In particular, what level of private investment, including through carbon credits, is assumed in current projections; what evidence supports those assumptions; and what action the Scottish Government will take if**

private investment does not materialise at the scale required to meet planting targets.

Peatland Restoration

Peatland restoration is a key pillar of Scotland's climate ambitions. The 2026 Climate Change Plan commits to increasing peatland restoration by 10% each year to 2030 and maintaining levels thereafter, leading to the restoration of more than 400,000 hectares by 2040. The Peatland Action Five Year Partnership Plan, published in December 2025, gives a baseline of 12,000 hectares in 2025-26 for the annual increase.

The Committee notes that the previous target, set in the 2018 Climate Change Plan, of restoring 20,000 hectares a year from 2019 was consistently missed, but that good progress has been made in recent years and that this was reflected by witnesses during the Committee's evidence sessions.

The Committee heard that long-term funding certainty is essential to support workforce development and delivery capacity. Stakeholders argued that longer-term commitments would enable greater private sector investment and help scale up delivery.

The Committee also heard that restoration costs are increasing as the most straightforward projects are completed, meaning that future progress is likely to be more complex and expensive. As a result, witnesses cautioned against assessing the programme solely on the basis of hectares restored per pound spent.

The Committee considers peatland restoration to be an important investment in climate and biodiversity outcomes. Continued progress will require budgets that keep pace with increasingly complex delivery projects.

The Committee considers that success must also be assessed by the wider outcomes and co-benefits delivered, rather than the number of hectares restored alone. Evidence highlighted the value of ensuring smaller-scale landholdings, including crofts, can access support for restoration and the need to ensure funding mechanisms do not 'price out' smaller projects. As restoration costs rise, funding decisions and reporting should make those benefits visible and explain how they are weighed alongside the area restored.

10. **The Committee requests the Scottish Government outlines whether the funding allocated for peatland restoration in 2026-27 is sufficient to deliver the annual restoration target of 13,200 hectares, and whether it intends to fully resource the 14,520ha target for 2027-28 from public funding. In addition, the Committee requests responses on:**

    g. **How will the Scottish Government assess funding requirements for future years given rising restoration costs and increasing annual targets?**

h. **What additional funding sources or delivery mechanisms will be used if existing budget allocations are insufficient to meet annual restoration targets?**

11. **How will the Scottish Government measure, monitor and report the wider outcomes and co-benefits of peatland restoration, and ensure these are maintained as costs increase?**

12. **How does the Scottish Government ensure that project selection and value-for-money assessments appropriately recognise the benefits of smaller-scale restoration projects?**

Land reform and community ownership

The Committee recognises that its consideration of this issue took place before it had the opportunity to take evidence from the Cabinet Secretary on issues around land reform, and as such, the Scottish Government has not had an opportunity to respond to the points raised. The positions set out below should therefore be read in this context.

The most recent evaluation of the Scottish Land Fund was published by the Scottish Government in March 2021. It found that the Fund has played an important role in enabling community ownership and delivering a range of economic, social and environmental benefits. However, evidence received during the Committee's scrutiny suggests that there is a growing need to ensure that the Fund remains equipped to support future acquisitions in a changing market.

The Committee also notes the Scottish Land Commission's SEFARI Fellowship to understand changes in demand for largescale community land acquisitions report and draws attention to its finding that "Most commonly, respondents felt that increasing both the total budget of the fund and the maximum amount possible to grant any single acquisition would make a substantial difference".

The Committee also heard evidence on the Scottish Government's Programme for Government commitment to "Establish a new 'Last Provider Fund' to support the sustainability of the last remaining shops and pubs in rural and island communities." The Committee heard that this had strong links to community wealth building plans but also that it should not be drawn too narrowly and there were arguments for opening the fund up, to allow it to be used for other essential community assets with an explicit focus on rural resilience.

13. **The Committee recommends that the Scottish Government considers increasing the resources available through the Scottish Land Fund and explores options to provide greater flexibility in the support available to communities, including alternative financing mechanisms where appropriate. This would help ensure that the Fund remains capable of supporting community ownership ambitions and responding to evolving market conditions. In addition:**

a. **The Committee requests further information on how the £7 million annual allocation has been spent, with annual allocations, expenditure and underspends, and an assessment of the outcomes achieved, including examples of successful projects and those that have not met their objectives.**

b. **The Committee requests more information on the lessons learned by the Scottish Government from existing evaluations of the Fund, whether further review is planned, and how findings have informed its design and delivery.**

c. **The Committee requests the Scottish Government set out its understanding of the reasons for any underspends and piecemeal applications, including barriers arising from community capacity, eligibility requirements or the conditions attached to funding;**

d. **The Committee requests the Scottish Government's view on whether the allocation is sufficient to meet community aspirations. It also seeks views on whether a dedicated revenue funding component would strengthen the programme by enabling communities to undertake development work, build organisational capacity, prepare business cases, navigate asset acquisition processes, and support the long-term management and sustainability of assets once acquired.**

14. **The Committee also asks for further information on the proposed Last Provider Fund, including how its purpose and design compare with the UK Government's Community Ownership Fund and how it would address the particular needs of rural communities. It requests a definition of "last provider" and the boundaries of eligibility, including whether key community assets (noting that the Programme for Government only refers to shops and pubs) would fall within scope, e.g. petrol pumps, schools, nurseries, community halls.**

The Committee welcomes your responses to the points raised above to support the Committee's further scrutiny of the Budget. In line with the usual protocols, I would be grateful for a response when the draft Scottish Budget issues.

Yours sincerely,



Mark Ruskell MSP
Convener

Annex A - Marine Policy Commitments

Future Fisheries Management Strategy 2020-2030 Delivery Plan Update 2025

- Support the fishing industry to consider improved ways to raise working standards in the fishing sector, for example through accreditation routes.

- Review pelagic capacity limits and consider options for distant water and other opportunities.

- Investigate the potential development of Community Quota Initiatives

- Adopt a blue economy approach in the National Marine Plan, to “address issues around the shared marine space” and “how fishing interests can work alongside other marine users including offshore renewables” - The consultation on the Planning Position Statement states "the anticipated consultation on a draft NMP2 has been postponed to allow for further consideration of both the feedback received, and our intended approach to the draft NMP2".

- Refocus the work of RIFGs to work primarily on comms and engagement in support of 2025 priority projects such as interim measures, IFMI and inshore vessel tracking and continue to support the Chairs in improving transparency via their Operational Plan and website development.

- Introduce improved vessel tracking and monitoring on fishing vessels.

- Review management arrangements for the inshore fleet under IFMI - The IFMI call for evidence analysis report (published June 2025) committed to "bring proposals alongside the necessary assessments to public consultation in early 2026, with the intent to begin implementation in late 2026".

- Consider the outputs from the Seafish exploratory work on non-quota FMPs and consider expanding the use of TACs for non-quota species.

- Undertake a review of Quota Management Groups.

- Consider future options for the use of VMS onboard 12m and over vessels, including potential increases in data collection.

- Consider options for further rollout of REM to additional fleet segments.

- Develop, consult, and publish the Scottish-led FMPs by end 2026.

- Future Catching Policy - secure a suite of measures which will be taken forward into legislation.

- Refine and finalise proposals regarding the discard system under the landing obligation.

- Clyde Cod: collaborate with fishermen on science and data collection, including in the Clyde region to inform decision-making.

- Undertake further work to ensure penalties are appropriate and effective.

- Consider, with a Just Transition lens, how to mitigate impacts of fisheries management measures for marine protected areas on fisheries.

- Interim crab and lobster management measures - carry out a substantive review of the use of interim measures

Biodiversity Delivery Plan

- Assess the MPA network in respect of the resilience of marine biodiversity to climate change by 2026.

- Introduce fisheries closures to protect Vulnerable Marine Ecosystems in offshore waters between 400-800m depth, by 2027.

- Adopt a revised Priority Marine Feature list by 2027.

- Work with stakeholders to focus on identifying practical, achievable actions to reduce pressure on seafloor habitats most at risk or most extensively impacted informed as appropriate by the development of an OSPAR Regional Action Plan on benthic shelf habitats by 2027.

- Deliver additional protection for spawning and juvenile congregation areas where needed, and for species which are integral components of the marine food web, by 2028.

- Take action on marine litter including by supporting the improvement of waste management for end of life fishing gear by 2028

- Consult on proposals to transition our inshore fisheries to a more agile and responsive management system informed by the best available evidence.

- Identify high risk areas, gear types and/or fisheries for bycatch and entanglement of sensitive marine species, in which to focus monitoring and mitigation.

- Work with stakeholders to focus on identifying practical, achievable actions to reduce pressure on seafloor habitats most at risk or most extensively impacted informed as appropriate by the development of an OSPAR Regional Action Plan on benthic shelf habitats.

- Publish the response to the inshore fishing vessel tracking and monitoring consultation and implement the outcomes.