OFFICIAL REPORT
AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Tuesday 4 September 2018

Session 5

The Scottish Parliament
Pàrlamaid na h-Alba

Tuesday 4 September 2018

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ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE
23rd Meeting 2018, Session 5

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

Claudia Beamish (South Scotland) (Lab)
*Donald Cameron (Highlands and Islands) (Con)
*Finlay Carson (Galloway and West Dumfries) (Con)
*Richard Lyle (Uddingston and Bellshill) (SNP)
*Angus MacDonald (Falkirk East) (SNP)
Alex Neil (Airdrie and Shotts) (SNP)
*Alex Rowley (Mid Scotland and Fife) (Lab)
*Mark Ruskell (Mid Scotland and Fife) (Green)
*Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Riddell Graham (VisitScotland)
Iain Gulland (Zero Waste Scotland)
Jonathan Hughes (Scottish Wildlife Trust)
Phil Mackie (NHS Health Scotland)
Francesca Osowska (Scottish Natural Heritage)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION

The Robert Burns Room (CR1)

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Tuesday 4 September 2018

Decision on Taking Business in Private

10:01

The Deputy Convener (John Scott): I welcome everyone to the 23rd meeting in 2018 of the Environment, Climate Change and Land Reform Committee. We have apologies from Alex Neil and Claudia Beamish; we are sorry that they cannot be with us.

I remind everyone present to please switch off their mobile phones and any other electronic devices, as they might affect the broadcasting system.

Agenda item 1 is a decision on whether to take agenda items 3 and 4 in private. Do members agree to do so?

Members *indicated agreement.*

Draft Budget Scrutiny 2019-20

10:02

The Deputy Convener: The next agenda item is pre-budget scrutiny of the Scottish Government's budget for 2019-20 in a round-table format. We are grateful to the many people who have come to support the session: Riddell Graham, director of industry and destination development, VisitScotland; Iain Gulland, chief executive officer, Zero Waste Scotland; Jonathan Hughes, chief executive, Scottish Wildlife Trust; Phil Mackie, lead consultant in public health, Scottish managed sustainable health network, or SMaSH—if that is the right way of pronouncing that acronym—and head of the Scottish public health network, NHS Health Scotland; and Francesca Osowska, chief executive and accountable officer, Scottish Natural Heritage.

We will go straight to the question-and-answer session. I invite Finlay Carson to kick off the questions and get the discussion going.

Finlay Carson (Galloway and West Dumfries) (Con): Good morning, everybody. I want to try to understand how the budget that our committee is interested in contributes to some of the national outcomes. What benefits are there for the economy and jobs from maintaining a high-quality natural environment and landscape and biodiversity? To what extent are those benefits realised? My question is initially for VisitScotland and SNH.

Riddell Graham (VisitScotland): To set things in context, all the visitor surveys that we have ever carried out have made it very clear that Scotland's scenery and landscape are the key motivation for visitors coming to Scotland. I have the figures in front of me and, in fact, 50 per cent of people who were asked why they came to Scotland in the first place said that it was because of the scenery and the landscape. They are absolutely key drivers in bringing visitors—particularly international visitors—to the country, so the importance of the environment cannot be overstated.

VisitScotland plays an important role in promoting that as part of our overall marketing activity online and through all the other partnership work that we do. We work very closely with Scottish Natural Heritage on a range of related issues that promote the countryside and scenery. We are part of the national walking and cycling network and we also promote Scotland's great trails, which are about access to the countryside. Those two aspects are very important to our overall activity.

Finlay Carson: I declare an interest as I am very much involved in the campaign for a

Galloway national park. Can you give some examples of how important the establishment of the two national parks that we have now has been in attracting visitors?

Riddell Graham: We work very closely with both national parks. They are very different purely because of their size and scale, and they suffer from different visitor pressures dependent on their locations. The Loch Lomond park is hugely important for day visitors, particularly from the central belt, and we have been working with the park to help to promote the new access agreements that it has brought into place. In the Cairngorms, we work predominantly through the Cairngorms Business Partnership, which is an industry group, to ensure that the businesses in the park benefit from tourism in the most appropriate way. That very active group promotes the quality of the visitor experience as part of individual businesses' overall promotional activity.

The parks are clearly different, but they both attract significant numbers of visitors in different ways.

Finlay Carson: Are you saying that the national parks have a positive effect on visitor numbers?

Riddell Graham: The two existing national parks clearly do. I am very aware of the campaign for additional national parks throughout the country. I live in the Borders and am part of the south of Scotland partnership, and the campaign is a key element of activity down there—we have been lobbied fairly heavily by the group that is trying to encourage the creation of new national parks. Evidence that they will significantly increase visitor numbers remains to be seen, but I recognise that there is an argument for that.

Francesca Osowska (Scottish Natural Heritage): I will come back to Finlay Carson's initial question about the benefits to the economy of the environment and the natural world. I want to reinforce Riddell Graham's point about Scotland's landscapes and how they help to market Scotland plc. If anybody has watched the powerful "Scotland is Now" film, they will have seen that Scotland's landscapes and natural beauty are ever present in it.

On a wider level, one of the areas of work that SNH has been keen to promote is what is called a natural capital approach, which is about ensuring that we are able to quantify Scotland's natural assets and the benefit to the economy that can be derived over a long time horizon. We should see the environment as an asset, but—as with all assets in a business dimension—one that needs to be protected; otherwise, it will be depleted and will not be able to contribute in the long term. Current estimates suggest that Scotland's natural capital is worth around £20 billion per annum to the economy, including tourism, renewable energy, food and drink and other sectors.

I will come back to the question on which the committee is hoping to get some thinking, which is how the organisations in the room contribute collectively to national outcomes. Two outcomes that are particularly relevant to SNH are,

"We value, enjoy, protect and enhance our environment"

and—this might be pertinent to Finlay Carson's question—

"We have a globally competitive, entrepreneurial, inclusive and sustainable economy".

We have submitted evidence of examples of SNH's work in protecting and enhancing our environment. About 80 per cent of our budget goes towards that work, including in protected areas.

Beyond that, we lever in funds from elsewhere. An important message from today is the ability of the organisations in the room to lever in funds. For example, on the agri-environment scheme, we plan to contribute £1.5 million in 2018-19 but potentially to lever in £47 million-worth of benefits to the rural economy. The central Scotland green network is really important to the second national outcome that I mentioned, and we contribute to that and help to lever in funds to support an economically sustainable model and green space.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): The witness from SNH just helpfully talked about the national outcomes, but the witness from VisitScotland did not. I am interested in hearing throughout the evidence-taking session the extent to which the bodies that are represented at the meeting feel that the national outcomes are part of their core planning process and have a direct influence. There is not much point in having them if that is not the case because, ultimately, delivery is the bodies' responsibility. I am interested in hearing from VisitScotland how the national outcomes influence its planning. I suspect that there will not be much more for SNH to say, because it has already covered that.

Riddell Graham: I have with me a copy of the graphic of our current corporate plan and will be delighted to share that after the meeting. We are directly involved in helping to deliver seven of the national outcomes and indirectly involved in the others. Therefore, without any question, the national outcomes play a key part in our planning process. They set the strategic context for any work that we do and we are able to identify areas throughout the national performance framework to which we can contribute. I reassure you that the outcomes are a key part of our planning process and I am happy to share the graphic.

Mark Ruskell (Mid Scotland and Fife) (Green): Francesca Osowska from SNH mentioned the central Scotland green network. SNH has a range of tools that it can use in conjunction with partners to grow the natural capital and the impact on the economy. What about a national ecological network?

Francesca Osowska: Discussions continue with the Scottish Government on how a national ecological network would work. I am happy to come back to the committee once we have concluded those discussions.

To come back to Stewart Stevenson's point, there is loads more to say about the national outcomes but I will not detain the committee. We provided written evidence on our direct and indirect contribution to the national outcomes. As with VisitScotland, the national outcomes are reflected in our corporate plan and will be reflected in our as yet unpublished annual report because, as well as seeing our work within the framework of the national outcomes, we lead reporting on three of the indicators in the national performance framework and contribute to three others. Therefore, they are very much at the front of our minds.

Alex Rowley (Mid Scotland and Fife) (Lab): I have a question for VisitScotland about working with other public bodies. In its submission, VisitScotland talks about the £6 million investment in the rural tourism infrastructure fund. It highlights investment in toilets, but Highland Council has decided to close many public toilets. VisitScotland says that it is important to invest in public toilet infrastructure for tourism, but the local authority is closing toilets throughout the Highlands. How does that add up?

Riddell Graham: The timing of your question is really good because we are scoring the applications to the fund this afternoon. In the first round, we have had 29 formal applications, and a couple of them include toilet provision in some shape or form. The important message is that the fund is about capital infrastructure. In the Borders at least, there has been some confusion about revenue funding being provided to run the toilets. That is not the case, because it is not the fund's purpose.

The point behind the fund is to improve the overall visitor experience, particularly in areas that are under a lot of pressure. Clearly, the most important criterion on which we will make our decision is whether there is clear evidence that there is a lot of pressure on a particular area, with a lot of new visitors arriving and a lack of facilities to cope with that, but another criterion will be whether, once new facilities are created, there will be a sustainable management system in place that will enable them to be kept clean and kept open. With regard to the two applications that I have been looking at, the evidence is pretty graphic. We have had photographic evidence supplied, and we will be looking very carefully at it.

I cannot comment on the decision of Highland Council to close existing toilets, but I know that our decision-making process will include a provision to provide new and additional facilities.

10:15

The Deputy Convener: I invite Phil Mackie to answer, but I ask him to bear in mind that we will deal with the area of health in our next question.

Phil Mackie (NHS Health Scotland): I just want to make the comment that the ecological framework is a concern that goes beyond VisitScotland, Scottish Natural Heritage and the Scottish Environmental Protection Agency. An ecological framework will help and support all of us to be much more effective in collaboration and might well be extremely effective in helping us to answer the question at the heart of the matter, which is to do with whether the sustainable development goals are being achieved. If anything can be picked up clearly from the committee's response to the Government, it is that that type of approach is one that would be welcomed by more people than those who are involved in what we might call the ecology organisations.

The Deputy Convener: I think that you are absolutely right. One of my impressions from reading the submissions is that there is a growing development of a collaborative approach across all the agencies in this portfolio. That is vital.

Phil Mackie: We can discuss that further later.

The Deputy Convener: Finlay Carson, would you like to ask your question on the circular economy?

Finlay Carson: I have a quick question on the last section, which requires, I hope, an equally quick answer.

At the previous evidence sessions, I got the impression that the chair of SNH was suggesting that the national outcomes were more easily delivered because of the national parks that were in existence. Do you agree that the national parks assist SNH in achieving its objectives in relation to the national outcomes?

Francesca Osowska: Like VisitScotland, we work closely with the national parks to deliver outcomes within the boundaries of those parks. We also have responsibility for the delivery of those outcomes across the whole of Scotland outwith the national park areas.

Finlay Carson: Are there any objectives that are more easily delivered because of the national parks framework?

Francesca Osowska: I would not say that any are more easily or less easily delivered because of the national parks framework. We work with a range of partners, including national parks and, outwith the national parks framework, local authorities and other partnership groups.

Finlay Carson: Moving on, I have a question for Mr Gulland. I understand that 18 projects are being delivered through the circular economy investment fund that was set up 2016. As has been said, our high quality natural environment has an impact on the maintenance of the economy and jobs. What role has the circular economy investment fund played in that?

Iain Gulland (Zero Waste Scotland): Thank you for the opportunity to come along today. As you know, the circular economy fund is about investing in new business to support Scotland's transition to a circular economy in which we use more of our materials more efficiently and effectively rather than disposing of them. It is seen as an innovative fund that can support new and innovative businesses and projects. The thrust of it is to increase the availability of jobs and the turnover of businesses—existing ones and start-up ones—that are accessing the fund.

Although the work that we do in Zero Waste Scotland fulfils the ambitions around outcome 6, with regard to the environment, we are very much focused on outcome 4, which concerns the economy, and outcome 7, which concerns innovation and jobs.

At the moment, 18 projects use the fund, but there is a pipeline of other projects. We are working on 21 applications that have been submitted for clarification and final assessment. There is a huge appetite for projects that are about real transformative change in Scotland.

Stewart Stevenson: As the subject of the circular economy has come up, I would like to extend that by asking whether public procurement has a role to assist in developing it. That may be a question for Mr Gulland, but others might want to comment as well.

Iain Gulland: We at Zero Waste Scotland see opportunities for public procurement to become a pull for new circular economy businesses, in particular using business models such as leasing and renting rather than buying products and services. We could realign public procurement to make use of the more than 80 businesses that we currently support through our business support services. Those businesses could provide products and services to the public sector, but the question is how we work with procurement professionals to think about the whole-life costing of products and services in a different way and to look at the availability of such businesses here in Scotland. There is a challenge there, as there is around all public procurement. However, over the past few years, we have worked with public procurement people in central and local government and have provided training packages not only on sustainable development but on the circular economy and the opportunities that are out there. We are keen to build on that.

The Deputy Convener: Do you have specific projects in mind? Is there low-hanging fruit out there that could be picked so as to improve our lot in that regard immediately?

Iain Gulland: At the moment, we are doing a study with a number of public sector agencies across the public estate to identify the low-hanging fruit. We have a very good relationship with the national health service in looking at its opportunities. About a year and a half ago, when it was looking at transferring some of its hospital provision, we did a study with it on the availability of its assets. The things that naturally might have been thrown out in the past were assets that could have been—

The Deputy Convener: Drugs?

Iain Gulland: It was more equipment, from surgical and medical equipment down to beds and desks, and all sorts of things in between. We looked at how such assets could be utilised again in the NHS and in other agencies. The approach was about record keeping, understanding what the assets were and tracking them. On the back of that, we are now working with the NHS more widely on the availability of assets. We are also looking at procurement and opportunities to lease or rent specialised equipment in a different way in future, so that there is more of a maintenance element to the process and increased use of innovation rather than just buying things.

The Deputy Convener: Excellent. Before we go on to health, we will have one last answer from Francesca Osowska.

Francesca Osowska: I just want to pick up on the point about the role of other agencies in the circular economy and how, through our own corporate approaches, we can make sure that we uphold the principles of sustainability. I will make a few points in relation to SNH's position on single-use plastic. We are taking steps to reduce it in our offices and are undertaking an audit of that, further to initial steps such as trying to ban the use of single-use plastic coffee cups in our main buildings. We have reduced our carbon emissions by 27 per cent since 2015. We are also looking to work collaboratively with partners, particularly on

sharing space to enable a more efficient corporate and collective approach.

The Deputy Convener: Donald Cameron will talk us through question 2.

Donald Cameron (Highlands and Islands) (Con): I would like to concentrate on the national outcome of being healthy and active. We would all agree that there are clear benefits for health and wellbeing in maintaining a high-quality natural environment. The Scottish Government has suggested that, if just 1 per cent of the sedentary population were to move to a healthy pathway, a thousand or so lives would be saved, and £1.4 billion would also be saved across the United Kingdom.

My question is initially to Phil Mackie. To what extent are those benefits for health and wellbeing being realised?

Phil Mackie: That is a very good question. The question is not so much whether there are benefits as about making sure that there are. We have shared our cost estimates with the committee and others have looked at them in terms of the financial consequences to the healthcare system, particularly in Scotland. The estimates come from Health Scotland material that was published following studies from University of Oxford, and they show the £94 million that has been quoted in various documents.

On the degree to which there will automatically be a cost saving, that is something that we hope we will achieve. There are many areas of necessary change. What we are hearing around the table is a recognition that change is needed to open up the tourist environment and the natural environment, and to encourage and support people to become more active themselves and therefore take greater control over their ability to make a contribution.

However, we have to manage that and we have to achieve that change. For example, we have to ensure that having more active travel translates into things that people use and support. I would use the word “could” rather than “would”.

Donald Cameron: I am glad to hear that, because it is all very well to have high ambitions such as, “If we did this, we could save this much,” but we should surely focus on the practical achievement of that. I think that that is what you are saying.

Phil Mackie: That is what I am getting at. The organisation that I represent—the Scottish managed sustainable health network—is looking at how we achieve that core benefit. Core benefits do not happen automatically. Working together, collaborating and ensuring that many of the agencies that are represented here today work with health agencies to promote wellbeing that can lead to health is an essential first step. However, we need to be more savvy. Many of these changes will be generational and will not bring instant returns on investment. We are now looking at the ageing population and the co-morbidity that individuals experience as a consequence of their activities of 25, 30 or 40 years ago. We do not just need to invest in the future; we need to invest in core benefit for the future.

Donald Cameron: SNH reported a likely return on investment in the central Scotland green network of £6 billion by 2050. Do you have any comments to make on the questions that I have asked about health and wellbeing and what you can achieve?

Francesca Osowska: Absolutely. I do not want to repeat the evidence that we have already provided, but we highlighted the national walking and cycling network that we lead and on which we work with other partners. Making routes available for people to either travel actively or walk, cycle, run or jog recreationally is an important part of that work. A number of journeys have been generated through the use of the national walking and cycling network.

The work that we are doing on green health partnerships in Lanarkshire, Dundee, North Ayrshire and Highland is also about making sure that we, along with our partners, present opportunities for people to enjoy the outdoors and green space. We have also mentioned the green infrastructure fund.

Underpinning all this, and perhaps demonstrated most by the work that we are doing with the green health partnerships as well as our wider work, is our ability to introduce the concept of green places or green corridors, whether via planning or through working with Sustrans on its developments. That is important, as is taking a place-making approach, which is about ensuring that the community is involved in discussions. The same report that Donald Cameron mentioned shows that having good-quality local green space—and I stress that it should be local—that people can access and use regularly could save the NHS £94 million a year in direct health treatment.

10:30

Donald Cameron: I take this opportunity to commend you for leading by example when you swam across the Corryvreckan whirlpool this summer.

Francesca Osowska: Thank you.

Donald Cameron: I am sure that that will have an impact on the national outcome of people being healthy and active.

The Deputy Convener: I offer congratulations on that achievement, on behalf of us all. Does anyone want to declare a similar achievement? Mr Ruskell?

Mark Ruskell: No, certainly not. [*Laughter*.] That has rather thrown me, convener.

I have a rather plain question for SNH. Is enough investment going into our green infrastructure, particularly in urban areas? I am aware of the green infrastructure fund that you have established, but is it enough? If not, where should the money come from?

Francesca Osowska: As you know, the green infrastructure fund currently covers about 30 disadvantaged communities. We are levering in funds from elsewhere to support the projects.

I think that when I was last at committee I was challenged on whether the amount of funding that SNH has is enough. No non-departmental government body chief executive would turn down funding, but at the moment we are very clear on the outcomes that we are seeking to achieve, how we will maximise them and how we will lever in funding from elsewhere, including a number of European Union sources. As has been highlighted, it is a zero-sum game: more money for SNH would mean less money for someone else: I am not sure that I am in a position to say who that someone else should be.

Jonathan Hughes (Scottish Wildlife Trust): Let me give a little of the strategic context. I agree with Francesca Osowska that investment in the stocks that are our natural capital—our natural environment and ecosystems—will, over time, tend to generate flows of benefits, be they health, economic prosperity or social cohesion benefits. We were therefore very pleased that in the Government's 2015 publication, "Scotland's Economic Strategy", there was a commitment that

"Protecting and enhancing this stock of natural capital, which includes our air, land, water, soil and biodiversity ... is fundamental to a healthy and resilient economy."

I would go further and say that that is fundamentally linked to delivery of health and wellbeing benefits.

Let me make that real; it is all very well in theory, but I think that Mr Cameron was asking where the evidence of those benefits is and how such investment would pay off. There is now a huge body of research that tells us that good health into old age is associated with access to biodiverse and accessible green space. I can give references to the committee, if you wish. A recent Scotland-based study reported lower levels of stress and steeper declines in cortisol secretions, which are associated with a range of health complications, in individuals who were living in greener streets and greener urban areas. That is particularly the case for people who live in areas of multiple deprivation; the effect is greater for those people. The research base exists, and it is very strong.

The modelling is also very strong. The Scottish Wildlife Trust, in conjunction with Stirling Council, recently carried out a natural-capital assessment of the net economic benefits that will flow from investment in green infrastructure in Stirling. We know that a modest investment could bring net economic benefits of about £218 million over five years and that if, for example, a city park were to be constructed, that would bring an average of £280,000 every year in tangible benefits to the people of Stirling.

There is a lot of modelling and research behind the arguments. In Scotland, we are probably still at the stage of collecting data to feed into the evidence base, but the arguments for extra investment are pretty compelling.

I will say what Francesca Osowska probably could not say: SNH's budget has been declining for a number of years. It has fallen as a share of the total in 2012-13 from £58 million to an expected budget this year of £46.2 million. That is a steep decline, and it impairs SNH's ability to deliver on a range of the preventative spend measures that could save Scotland money and, over time, deliver a full range of national outcomes, which is the point of this meeting. I will possibly go where Francesca, because of her position, cannot and say that that investment in SNH is critical to the delivery of some of the national outcomes.

I will come on to the knock-on impact on charities, such as the Scottish Wildlife Trust, if I may.

The Deputy Convener: Okay. Before you do, Mr Rowley has something to say.

Alex Rowley: I will pick up on Mr Hughes point. I entirely agree with the need for investment. I live about 10 minutes' walk from Lochore meadows country park. On a recent visit to a primary school, I asked how many kids had visited the park and was amazed by the number of them who did not put up their hands.

We have a beautiful countryside. I am surrounded by the countryside where I live. Where is the joined-up work to enable people to go out and enjoy it? That does not seem to happen.

Jonathan Hughes: Clearly, education policy is hugely important in mobilising teachers and children to get out into the environment and to

engage in so-called real-world learning, which has all sorts of benefits for the children. There needs to be joined-up working to enable kids to get out every week into their local natural environment. Unfortunately, some green spaces are of such poor quality that they will not deliver the outcomes that the schools and all of us are looking for, so investment is required in local green infrastructure in particular.

If I may, I will indulge in telling a personal story. I have a half-Norwegian daughter. She went to school here until she was eight years old and then went to Norway for the rest of her schooling. She is now 18. In Norway, not a school week went by during which they did not get out for at least half a day—normally it was a full day—into the natural environment. There is no such thing as bad weather in Norway, just bad clothing. That has had tremendous benefits for her and her peers.

The Deputy Convener: I will also indulge myself, as well as broaden out the conversation a little and get a handle on the other benefits, and ask whether anyone wants to talk about crime reduction, mental health improvement, sequestration or flood damage, as they relate to the central Scotland green network. Francesca wants to comment, so she can speak first.

Francesca Osowska: First, I will comment on the point about joined-up thinking in relation to young people accessing green space. I agree that that is important. We have a network of national nature reserves. Much of the work of our staff on NNRs is about engaging with local primary and secondary schools to encourage them to visit. There are barriers to that, including curricular time and transport. We try to overcome that and provide as much support as we can, but it can be challenging for schools in some areas.

In recognising that challenge, we have looked at other ways to engage young people in local green space. For example, the learning in local green space project supports 100 schools in disadvantaged areas, encourages pupils to learn in green spaces and ensures regular visits up, to 2020. In March, we launched the outdoor learning in nature fund which, again, supports young people to have regular outdoor learning experiences. We have received 43 applications—it was massively oversubscribed—and, so far, we have funded about 16 projects worth £410,000. We will have a second round later in the year.

On your question, convener, about other areas of benefit, we have talked about health. Primarily we have focused on physical health, but mental health is increasingly important. The study that the Scottish Government's rural and environmental science and analytical services division conducted identified mental health benefits—as well as justice and crime prevention benefits—as a key factor in the central Scotland green network. I visited a project in the Borders that is run by the John Muir Trust, which we are in partnership with—it is obviously outside the CSGN—working with people with alcohol and drug dependency issues. It took people from the central belt to the Borders and involved them in a planting scheme. The feedback from that project was that the rates of relapse to alcohol or drug dependency were much lower than among people on other programmes, and the evidence suggested that the outdoors was the crucial factor in those better success rates.

Phil Mackie: The evidence on the effect on wellbeing of green space and blue space and the degree to which they have an impact on support for people with mental distress is absolutely clear. It is unquestionably the case that the degree to which we are opening up, to people from a much broader range of social and economic backgrounds, access to help and support to make use of green space and blue space is an issue in itself, as Mr Rowley highlighted.

I brought up the issue of an ecological framework because it relates to the need to recognise that the degree to which we focus on the individual behaviours of people as health seeking must be set in the context of their social, economic and cultural circumstances. We have talked about the potential £94 million of cost savings that could be attributable to tackling physical inactivity. That represents 17 per cent of the total costs to the national health service of the diseases that result from physical inactivity. Therefore, the key to saving the remaining 83 per cent of those costs is out there somewhere in other determinants of health—it is to do with tackling environmental, social and cultural injustices and maintaining economic sustainability so that we can reduce the economic problems that people experience. We must also look at that if we want to improve health—I am thinking, in particular, of mental health, as well as physical health.

Iain Gulland: I refer to Zero Waste Scotland's work on tackling litter and fly-tipping—in particular, in relation to people's health. There is emerging evidence on the impact that litter, fly-tipping and the general untidiness of where people stay has on their mental wellbeing. Our work has focused on the economic impacts of litter and fly-tipping—the costs of clearing up, of potentially putting off tourists and of affecting the degree of inward investment—but there is a growing sense that the issue is impacting on people's lives, too.

Over the past few years, we have worked with the Government on the wider strategy on tackling litter, and the new code of practice that went through Parliament this year puts increased

emphasis on litter prevention, rather than on just cleaning the stuff up. That work is about engaging with people in communities across Scotland on measures to reduce the impact of litter.

We can cite previous work that we have been involved in, including adoption of the single-use carrier bag levy, and we are working with the Scottish Government on modelling a deposit return system that will tackle elements of the litter stream. Those are important measures, and not just from the point of view of the economic and business opportunities that are created by recycling materials and putting them back into productive use—they are part and parcel of making the lives of people in Scotland much better.

The Deputy Convener: I could not agree with you more. From my observations, people behave completely differently in a litter-free environment from how they behave in one that is overcrowded with litter.

Jonathan Hughes: Did you also ask a question about flooding?

The Deputy Convener: Yes, I did. Do you want to say something about that?

10:45

Jonathan Hughes: As no one else has answered it, I will try to do so, because it is an important issue. The fact is that a lot of the general duties in various acts that have been passed over the period of this Parliament's existence have not been followed through and implemented properly. One such duty is the natural flood management duty in the Water Environment and Water Services (Scotland) Act 2002. The environment sector was very pleased to see that duty in the 2002 act, but it simply has not been delivered with regard to green infrastructure investment in towns and cities, or in terms of investment in resilient landscapes. I am thinking in particular of peatland and forest landscape restoration.

In more recent years, we have started to catch up with peatland restoration. However, although that has been very welcome, the idea of natural flood management has not been embedded in the budget and that investment has not been made. As a result, the costs of river flooding to the Scottish economy are, when annualised over a period of time, still an estimated £32 million a year. If we can restructure the budget in a way that would allow more investment in green infrastructure in towns and cities and in their catchment areas, that would be money well spent. It is very low-hanging fruit and a very cost-effective way of reducing the impacts and costs of flooding.

The Deputy Convener: Thank you all very much for your answers to my questions. I will take a final contribution from Phil Mackie before we move to the next question.

Phil Mackie: I think that we should not underestimate the health consequences of flooding—the degree to which mental health is lost as a result of loss of place, and the degree to which individuals, particularly older people, might be put at risk. The flooding of the Water of Leith at Colinton just a few years ago showed just how risky that sort of thing can be for older people. We need to recognise that the indirect health consequences of what is currently happening in much of the day-to-day work of investment and capital expenditure are as important as what will happen in any future investment or preventative work.

The Deputy Convener: With climate change marching on, I could not agree with you more. I sat on the committee that scrutinised the flooding legislation some 10 years ago, and from evidence that we heard at the time, I know that the consequences of flooding and the effect on mental health, in particular, are well documented.

Angus MacDonald (Falkirk East) (SNP): Thanks, convener. I am keen to explore further an issue that we have already touched on: the impact of budget reductions. Where do you see the greatest risk of future budget reductions having a negative impact on national outcomes? Perhaps by way of an opener to a discussion on the issue, you can give us your views on the risks of reducing spend on enforcement regulations.

The Deputy Convener: Who would like to pick up on that question?

Jonathan Hughes: Perhaps I can start with a quote from the European Commission, which has said:

> "Green infrastructure is a catalyst to economic growth. It is usually cheaper than traditional grey infrastructure, creates sustainable jobs and brings great returns on investments."

Any cuts to investment in the fundamental health of our environment will have negative impacts on the flows that we achieve from that investment.

Going back to the update that the committee received in December 2017 on the national outcomes in Scotland performs, I note that only one of the 11 scorecards received showed that none of the indicators was assessed as improving—that was the Environment, Climate Change and Land Reform Committee's portfolio, in effect. We are not achieving those environmental outcomes and, by extension, the positive services and benefits that we gain from a healthier natural environment. That is the context in which we are operating.

The biggest impacts of not achieving that lie, to an extent, in the risks posed by climate change to the wider rural environment. We need to make our wider rural environment much more resilient to the impacts of climate change. The national ecological network has been mentioned, and investment in that is essential for climate change adaptation. Similarly, we need a resurrection of the land use strategy. It has been held in abeyance for several years, but I hope that we will see something of a resurgence in the coming years. Those are strategic priorities that have been identified by Government but which have not been followed through, and there will be consequences if we do not make that investment now.

The other big area where we will see negative issues emerging is the lack of investment in green infrastructure in towns and cities and peri-urban environments. We need to get the planning right, with not just new green infrastructure for new developments, but retrofitting of green infrastructure in our towns and cities and work to ensure that people have regular access to nature, given all the health and social cohesion benefits that that brings.

Those are the two big priorities, for me: big investments in rural landscapes to make them more resilient to climate change impacts, and nature-rich investments in green infrastructure in towns and cities. Those could bring substantial benefits.

The Deputy Convener: Would Francesca Osowska like to talk about the threat of budget reductions?

Francesca Osowska: Yes. Thank you. As Jonny Hughes outlined, SNH's budget has reduced by 25 per cent in the past five years. In SNH, our greatest asset is our people, so we have seen a marked reduction in the number of staff, which impacts in particular on our local engagement. It also impacts on the grants that we are able to give to bodies such as the SWT, RSPB Scotland, the National Trust for Scotland and others.

Because we recognise that, in the medium-term financial position, things are unlikely to improve, we are looking for different ways of working. Although some of our funding to other bodies via framework grants has decreased, we are looking to establish funding streams that are based on agreed and shared outcomes and which have more of a challenge fund approach, which we hope will lever in more funding from other sources.

We are also very conscious that the public sector is not the only source of funding for environmental issues. I am sure that the committee is familiar with the "Where the Green Grants Went Scotland" report that the environmental funders network published last year, which showed that Scotland is perhaps not keeping pace with other parts of the UK in terms of leverage from trusts and other sources of that type into the environment. In SNH, we found that report really interesting. We have discussed it with Scottish Environment LINK and we want to do some further work on how we can jointly think about diversification of funding sources into the sector as a whole.

Mark Ruskell: Is it a question, then, of creating discrete funds for investment in landscape or urban green infrastructure, or is it about using the existing subsidy regime—for agriculture, say—more effectively? Jonathan Hughes mentioned that it is a zero-sum game so, if you argue for more money, there will be less money somewhere else, but there is a lot of money floating around in the system at the moment, and it is being spent in different ways. How do we get better outcomes from that?

Jonathan Hughes: I would really like to answer that question. You are absolutely right. Last year, the Scottish Wildlife Trust produced, as a result of the Brexit vote, a blueprint for Government policy on how the common agricultural policy might be delivered in Scotland. In the current Scottish rural development programme, about 15 per cent of the spend goes to agri-environment spend—in effect, green infrastructure and environmental outcomes spend. That is a tiny percentage. If we could up it significantly and use that money for public benefits, we could see a turnaround in some of the amber and red indicators in the Scotland performs framework related to the environment by deploying existing budgets that, in some circumstances, do not have a policy purpose.

Francesca Osowska mentioned the "Where the Green Grants Went Scotland" report, which has pretty shocking statistics. Between 2012 and 2016, only £1.9 million a year went into Scotland from UK-level trusts and foundations—that was for everything, from the climate to landscape and marine work. Scotland has 56 per cent of the coastline but gets only 3 per cent of the total UK environment grant funding from trusts and foundations. The position is even worse in relation to the climate, with 0.4 per cent of the UK total coming to Scotland. Those are stark figures. England and Wales get 20 times the funding received by us and organisations like ours in Scotland.

One of the most important points that I want to make relates to the knock-on impact of reductions in budgets such as the reduction in the SNH budget, which will obviously have an impact on such charities as the Scottish Wildlife Trust. It means that we cannot use that funding for

leverage to access grants, including those from down south.

The Deputy Convener: Why is the share of spending much reduced?

Jonathan Hughes: Only six of the 41 trusts and foundations that give to environmental work are based in Scotland. We are addressing that; I am going to London next week to give a presentation to environmental funders on the issue.

The Deputy Convener: Six out of 41 is still 15 per cent, roughly. Your figures for the funding that is allocated to Scotland are much lower than 15 per cent.

Jonathan Hughes: The issue is leverage. If our environmental charity, and environmental charities across the board, do not have a secure pot of money with which to match fund the pots that we could bid for down south, we simply will not be able to make those bids. The funds do not fund 100 per cent; the intervention rates can be as low as 40 or 50 per cent. Without unrestricted income to match funding, we cannot pursue that funding, so there is less money coming into Scotland. In effect, less money transferring to charities from agencies such as SNH means less money coming into Scotland from those sources. That important point about lack of leverage is often not recognised.

Iain Gulland: With regard to the recycling sector and the circular economy, we are in a transition, particularly in Scotland. We have attracted a lot of interest in what we are doing in Scotland by demonstrating and broadcasting our ambition around the circular economy. Funding and other support packages have been made available through Zero Waste Scotland and other agencies. That has attracted a lot of interest from home-grown businesses and communities and from outside Scotland, and money and investment have helped.

It is all coming to fruition. There is greater public awareness—we can talk about "Blue Planet II" and the impact of plastics on communities, with people and businesses wanting to take action, and not only on plastics. The circular economy is a global trend that everybody recognises. Other countries see Scotland as a leader and are identifying their strategies and the infrastructure that they require. For Scotland to pull back from a commitment to that field would be counterproductive. Now is the time to realise all that ambition and all that has been learned about investment, the infrastructure that is required and the evidence base that has been built up. Now is the time to push through and realise our ambition. Other countries are catching up and developing their own funding and support packages, many of which are aligned to what we have done in Scotland. Those countries see the opportunities, so for us to not take the journey and fulfil that commitment might be counterproductive.

That said, there are things that we could do with public finance in terms of leveraging continual investment from producers and product manufacturers through extended producer responsibility.

The other aspect is that opportunities around investment are becoming more mainstream, particularly with regard to our partnerships with the likes of Scottish Enterprise, Highlands and Islands Enterprise and the new body in the south of Scotland. However, their budgets are under pressure too. They now come to the table realising that, although they can bring their services and support to the endeavour, they are under pressure.

11:00

Compared to five years ago when we were trying to get people to take action, now is a really great time because businesses, communities and individuals want to take action. They recognise the importance of the work and really want to be supported.

On Angus MacDonald's point about enforcement, colleagues at SEPA are obviously much more aligned to issues of criminal activity in recycling and waste management, but I absolutely agree that we need a robust regulatory and enforcement framework. If we do not have that, the area is completely unattractive for investment—

The Deputy Convener: Are you saying that the framework should be more robust?

Iain Gulland: No, I think that it is robust. Sorry, I am talking about enforcement. Waste is sometimes still in the shadows so, if we do not enforce the framework and if waste is not seen as having that robust enforcement framework around it and being on a level playing field, it will be less attractive to private sector investors, who have other opportunities in Scotland—in renewables, for example. We need to recognise that.

The Deputy Convener: So the legislation is fine; we need better enforcement rather than more legislation.

Iain Gulland: I think that the question was about what the impact might be if we started to reduce funding for enforcement. If we were not able to enforce our regulatory framework and support the tackling of criminal activity in the waste industry, which SEPA is very much focused on, that would be to the detriment of inward investment.

Angus MacDonald: I want to further explore that issue. Do any other members of the panel have a view on what Iain Gulland said about reduced spend on the enforcement of regulations?

Francesca Osowska: The regulatory environment in which we operate is largely derived from EU directives. We have a commitment from the Scottish Government that, as we move through the process of exiting the EU, environmental regulation standards will not be diminished compared to the framework in which we currently operate. That is very welcome from our perspective, because ensuring that we have high standards that are enforced is important in maintaining our natural assets and natural capital—all the things that we started talking about in this conversation, including the landscapes that we enjoy so much in Scotland.

Alex Rowley: I want to ask again about working together with local government, which has the biggest function in terms of environmental health. Take Edinburgh council as an example, which I recently noticed has put, I think, a £5 charge on the collection of green waste. Other local authorities, including Fife, where I come from, have closed recycling centres for X number of days to save money, and now have charges for the uplift of different things. The evidence suggests that all that leads to more fly-tipping and more pressure on councils. Do you agree with that? What collaboration do you have with local authorities on such areas about which they have to make decisions that have an impact?

I have a question on legislation. You talked earlier about food waste. We have to do work on getting behavioural change, but is there also a need to look at how we regulate three-for-one, two-for-one and three-for-two buys, for example, for which there is evidence that they can lead to food waste?

Iain Gulland: We work one-to-one with all councils in Scotland in support of changes to their recycling services, so we are in touch with a number of authorities and we understand the financial pressures that they are under.

In the past, we have provided funding support for investment in new infrastructure, particularly around food waste collections over the past five or six years, and we currently support a number of councils that are adopting the Scotland-wide charter for recycling services, which aims to bring all authorities into alignment with a common approach. We are well aware of the individual pressures that the authorities face, which comes back to the point about funding. That is not just about local government or central Government funding; it is about how we can lever in other types of funding through producer responsibility and bring together a different package of support for local authorities.

There is now loads of evidence that recycling is the right thing to do. Nobody denies that keeping stuff out of landfill or other disposal is the right thing to do. There are economic savings to be made for councils and individual householders, and there is huge economic benefit in repurposing materials here in Scotland. We just need to understand how we can afford to extract those materials out of the waste stream to make the approach work, because the benefits far outweigh the investment that we need to put in at the beginning. However, we need to talk about who funds that. Is it down to local authorities or central Government, or a mix of the two? What is the role of the private sector, particularly in relation to producer responsibility, in shaping that?

That is more of a policy issue, but we have work in hand on that with Scottish Government colleagues. Currently, local authorities are under pressures. Councils such as Edinburgh would possibly admit that they are not providing the services that they would like to provide. That is simply about affordability and how councils can afford to do the things that they want to do to capture all the economic opportunities.

On food waste, we probably could do more. A lot of retailers have shifted away from two-for-one and three-for-five offers and that sort of stuff. Retailers are participating more in relation to issues such as discounting—they are much more involved in trying to reduce food waste. However, we could do a lot more, particularly on education and working with consumers or citizens on how they use the food that they buy. That is not so much about two-for-one offers; it is about what people do with food when they get home. People leave it in the fridge and forget about it.

I am not sure that legislation is needed, but we need real behavioural change. Somebody said to me that we need the sort of positive impact that came on the back of David Attenborough's programme. We need something similar on food waste—a kind of "Brown Planet" approach. We need something on the impact of food waste that captures people's imagination. I do not dismiss the impacts of plastic but, in terms of carbon, food waste has a far more significant impact.

Sorry—I have forgotten the final question.

The Deputy Convener: You have done very well. We will move on to the next question, which I have volunteered to ask. I should have done this much earlier, but I declare an interest, as a farmer.

How well do we understand the links between where we allocate public money in the budget and its impact on national outcomes? As part of the new budget process, what can we do to improve

our understanding of how budget decisions affect those outcomes, given that we are moving to a much more outcome-driven reality?

Francesca Osowska: Again, I will try not to repeat what our written evidence says or what I have said previously. Stewart Stevenson asked earlier about how real the national outcomes are. The national performance framework has been running since 2007, and I think that it is very real for public bodies. Any of the corporate plans will reflect the outcomes, and we have a duty to report on that through various mechanisms.

SNH can give figures on how our budget relates to the national outcomes. For example, around 80 per cent of our budget contributes to the outcome

"We value, enjoy, protect and enhance our environment".

That includes our work on protected areas, habitats and species and planning for great places.

I think that your question is about the long-term impacts on each of those outcomes. As Jonny Hughes mentioned, we can track, through the national indicators, how the long-term impacts are changing. The cause and effect relationship between spend and impact on outcomes requires more detailed work. Donald Cameron has already referred to one report that shows rates of return around the central Scotland green network. To answer the question in a properly scientific way, we would need to do some further longitudinal analysis.

We have a lot of information on outputs, such as how many people we are supporting and what we are doing for nature. I am sure that Phil Mackie, Iain Gulland, Jonny Hughes and Riddell Graham could produce the same, in terms of how we are supporting different parts of Scotland's economic and social firmament. I suggest that, to answer the question properly, we would have to take a rigorous, analytical approach.

The Deputy Convener: That may be a piece of work for a university at some time.

Phil Mackie: Financial votes are often associated with current activity, which includes an element of preventative activity. We rarely cost for future return. Invest-to-save approaches—whether in the NHS, waste management systems or natural heritage investment—are trying to invest for a future potential cost response.

When Sir Derek Wanless worked for the UK Treasury, looking at the impact of preventative spend on the NHS, he recognised early on that the NHS has to budget for current activity as well as future prevention, and it has to aim for the two to taper towards each other. The aim is to invest in preventative work and current activity and for the two funding streams to converge.

If that is true for health, I suspect that it may be true for other areas of public sector funding, even though there may be additional funding sources in the system. We need to look at models for the longer term and be more sophisticated in understanding the finances attributable to future outcomes. That is work for academics. We should not forget that at the moment we have to estimate the current consequences of how much physical inactivity costs the NHS, because we do not have a direct measure of that.

Our current systems do not even allow us to cost for collaboration. My director of strategy in NHS Health Scotland is the deputy chair of Scottish Natural Heritage. That is fantastic. The degree to which we can cost for our staffing contributions to the collaborative work we are currently undertaking, however, is an exercise in its own right. We need greater sophistication to reflect the collaborations that are necessary to deliver the goals that are given to us.

The Deputy Convener: That is very interesting.

Iain Gulland: I apologise that I do not have an answer to the question. I see it as needing a detailed exercise.

Anecdotally, and to build on the point that Phil Mackie made about collaboration, I point out that the success of the outcome approach for us over the past year and a half has been that we are identifying what we are doing to ensure that our work is aligned to 11 outcomes. That forces people in the organisation to think and to identify new partnerships and collaborations with organisations such as the health service, and not just in the obvious spaces. The approach requires us to identify organisations that we can work with, so that we can share activity in a way that is more efficient and effective and builds collaboration. That is something that is really pulling through into our work.

The Deputy Convener: I have certainly been involved in quite a few collaborative things over my lifetime, and I know that the Scottish Agricultural Organisation Society, under the leadership of James Graham, is the expert in the rural field. As it has done that work for a while, it might have a way of measuring the impact on businesses and collaborative projects that it runs. It might be worth somebody looking at that in the context of measuring outcomes and the value of the collaborative approach.

11:15

Francesca Osowska: May I have a second go on that? A strong theme in the evidence that the committee has heard today has been all of us tackling the root causes rather than the symptoms. I refer to the written evidence that SNH has

presented and the evidence from other colleagues that I have read. The work that we are doing together to try to get green space in at the start of conversations in development via place making and the place standards model and the collaborative work that we are doing with the NHS on how our SNH goals align with those of the NHS, for example, show that there has been a shift towards a more preventative approach and investing to save now. We will not be able to track the benefits of that for some time, but we can see that there will be a number of benefits across different fields. The central Scotland green network research is probably one of the best current examples. That means that we think that we have a clear rationale for continuing with that preventative and collaborative approach.

Jonathan Hughes: I will be extremely brief. We can model and use case studies. The modelling suggests that people who live near biodiverse natural green spaces are between 1.37 and 1.6 times more likely to have better health. However, until we have followed through on the delivery of some of our national outcomes, we will not know whether the model will play out in Scotland in exactly that way. Making a preventative investment spend is therefore a bit of a leap of faith.

The sustainable development goals are currently undergoing a progress review at a global level and, obviously, different countries are trying to track the impacts as they implement their various sustainable development goals. When that information is published, it might be a very useful resource for Scotland to see how other countries are getting on, as some of those SDGs are very similar to our national outcomes—in fact, they have been mapped across to our national outcomes.

The Deputy Convener: Yes. That is a good idea.

Mark Ruskell: We started to discuss the preventative spend agenda, and a number of examples have been raised. We are now seven years on from the Christie commission. I think that the first budget that was set after that commission had a particular preventative spend allocation. Where are we in Scotland? Wales has the Well-being of Future Generations (Wales) Act 2015, under which there is a requirement to consider preventative spend. What do we have in Scotland? We have a budget process, which we are in the middle of and which we are discussing. Is that adequate? What models should we use to assess preventative spend and build it into budgets? Are there structures elsewhere that we could learn from? I know that Phil Mackie has already mentioned potential modelling that organisations could use. I am trying to drill down to what can unlock that. It seems that we have talked about preventative spend for a long time, but it is not transparent. I am sure that every organisation that is represented here has good examples of where they are doing preventative work, but I do not get a sense of the percentages of their own budgets that they are putting into that agenda. I throw that question open.

Jonathan Hughes: I shall kick off for a change and give the statutory agencies a break.

There is a good example of where the Scottish Government is beginning to do that in the mainstreaming of climate change through several Government portfolios. Perhaps it is not gone far enough, but with the TIMES model, we are now at least beginning to try to understand how different portfolios across Government and their budgets will or will not impact in a negative or positive way on climate change targets. We could take the same strategic approach to mainstreaming expenditure in order to achieve the environmental outcomes of healthy stocks of natural capital across Scotland within budgets right across the portfolio. If we used that TIMES-type model for wider environmental outcomes, we would, I think, be getting somewhere.

I commend to the committee the mainstreaming environment into the budgeting process checklist, which the United Nations has produced. It is literally a one-pager—I am not going to read it out, but it would be a pretty good start. It includes questions such as

> "Has the ministry of finance included environmental and/or climate sustainability as a priority for public expenditure in its budget call to line ministries?"

and

> "Have projects undergone some form of screening to assess their costs and benefits?"

In other words, a kind of natural capital-type valuation is made before budgets are allocated. It is more of an evidence-based way of allocating funds.

Francesca Osowska: I, too, wanted to pick up on the natural capital approach that Jonathan Hughes and I have already mentioned as a key tool in being able to model the benefits to Scotland plc over a long period of nature. As I have said, it would cover a range of sectors including renewable energy, food and drink, tourism, agriculture and so on.

The question that I think that you are asking is about the evidence that we have that this is working and whether we in this room can base our funding decisions with confidence on a preventative approach. Looking at all the work that SNH does and which has been presented to the committee, I think that it contributes to a range of

national outcomes. By hitting multiple buttons in that way, you can demonstrate that the work has a cost saving elsewhere; indeed, we have already talked about justice, mental health and so on.

On the point about international comparisons that Jonathan Hughes raised, Finland, for example, has done a lot of work on assessing the impact of preventative spend. Widening our horizons and looking at international comparisons would be helpful. Indeed, those kinds of comparisons give me confidence as far as our spend is concerned.

The Deputy Convener: I would like to think that each agency was, as part of its daily bread, already seeing where it could improve what it was doing. However, it is still very much worth saying.

Mark Ruskell: I realise that what you have said describes the generality of the approach taken by an organisation such as SNH, but how can I as a politician drill down into a particular area such as, for example, non-native invasive species? How do I get the knowledge that allows me to find out whether the investment being put into tackling that as a preventative spend issue is actually going to deliver at the end of the day, whether the budgets that are being allocated with your organisation and others are actually going solve the problem or whether the problem will get worse at some point, because we failed to take action early on? There is perhaps a lack of clarity in that respect. Do you do and present that kind of analysis?

The Deputy Convener: I am thinking of rhododendrons.

Francesca Osowska: Indeed, and giant rhubarb.

We do carry out that analysis. In a way, it is a shame that this evidence-taking session is taking place before the publication of our latest annual report—which you will be the first to get when it is published—because I think that it sets out some of that kind of cause and effect without going into the detail of our internal monitoring arrangements. The annual report gives an overview of that.

All of SNH's corporate targets, which include those national indicators that I have already mentioned for which we are the lead or to which we contribute, are analysed by the senior leadership team and the board on a quarterly basis. We look at progress, the impact of our work and where that work supports those corporate outcomes.

As the convener said, in a sense, that is built into our day-to-day work to ensure that we are monitoring the progress against our corporate targets, which include the national outcomes.

Finlay Carson: We talk a lot about cost savings, preventative spending and the impact on future budgets. However, there has been a perception of a shift in SNH towards supporting more green urban plans and so on. Is there a conflict of interests or conflicting pressures on the budget with regard to the other part of SNH's remit, which is to ensure biodiversity, protect habitats and so on?

We all know that there are habitats where there are not a lot of voters: there might, for example, be a crested newt in the middle of Sutherland that costs an awful lot to protect. How do you balance such issues when it comes to looking for funding?

Francesca Osowska: Before I deal with the question of looking for funding, I will talk about our priorities. That was a feature of the discussion the last time Mike Cantlay and I appeared at the committee, and of the discussion when I attended with Alan Hampson. We are able to apportion our budget across the national outcomes. As I said earlier, 80 per cent of our budget contributes to the outcome that concerns enjoyment, protection and enhancement of our environment. That includes the statutory responsibilities to which Finlay Carson has alluded.

On the urban-rural split, I think that the last time I was here there was a sense in the committee that SNH had gone all "urban and deprived" and that we think that rural issues do not matter. However, 88 per cent of our project funding is for rural projects and only 12 per cent is for urban projects. A lot of that funding is levered in from EU sources.

Biodiversity is our raison d'être. The board is clear that it wants SNH to be seen more as a leader on biodiversity—or on "improving nature", to use more accessible language—than we have perhaps been seen to be in the past. We were the first country to report against the Aichi targets and we have reported against the 2020 route map. We are engaged in a lot of activity and reporting to support the work that we are doing on biodiversity, and we are about to engage in a conversation with public bodies and environmental non-governmental organisations on what comes after the 2020 route map, because that will be crucially important in terms of Scotland's future biodiversity.

With regard to the split of responsibilities between our statutory core business of supporting biodiversity and what might be seen as new activities—I do not think that they are—in terms of urban and disadvantaged communities, at its core SNH is about sustainably improving nature and improving access to nature across Scotland for everyone. We will shamelessly chase sources of funding that help us to do that. If that means that we have to make adjustments with regard to the stipulations on our own funding so that we can ensure that we deliver for the whole of Scotland, we will do that.

Jonathan Hughes: Mark Ruskell asked a question about non-native invasive species, which is a good example of the issue that we are talking about. At the moment, the economic impact of non-native invasive species through damage to forestry, crops and infrastructure is estimated to be £200 million a year. If we invest to solve that problem—either a one-off investment or investment across multiple years—we will save ourselves £200 million a year. If we go for the "make do and mend" approach, we will continue to lose £200 million a year. That is the answer to Mr Ruskell's question.

11:30

The conflict between pure nature conservation and nature conservation for the benefits that it brings to people is a false dichotomy. By recovering the natural environment and investing in species conservation and protected areas, we are securing a healthy environment for future generations. The work that we are undertaking on biodiversity and on protecting the range of native species in Scotland is the raison d'être of my organisation, and is part of the foundations of a healthy economy. Looking after species and protected places is the underpinning framework for a healthy environment. I do not see the two types of conservation as being separate.

There might be certain circumstances in which particularly rare protected species need to be protected from public disturbance, but there are ways and means of doing that. Such circumstances are rare, but we manage to do it across our suite of 120 nature reserves across Scotland. We have 30,000 people, including school kids, crawling across our nature reserves, but we manage that in such a way that there is not an impact on the environment and so that we deliver for people, as well. Species conservation, habitat conservation and protected areas are fundamental to our future generations, as Mark Ruskell said. We will be selling future generations down the line if we do not make the investment now in securing that resource.

The Deputy Convener: That will be hard enough, but climate change and increasing temperatures are making it even more difficult because change is coming to the snapshot of the environment that we are, by and large, seeking to preserve. The problem is getting so much harder and it appears that there will be less investment.

Alex Rowley: Is there more room and potential for closer working among agencies and organisations? For example, the submission from Paths for All, which is an organisation that receives funding from SNH and focuses on physical activity, states:

> "Increasing the number of people in Scotland walking every day, thereby improves wellbeing (physical, mental and social), as well as reducing health inequalities and preventing ill health".

That is a fact, which we know. The question, I suppose, is this: how do we encourage and support people to take up walking? SNH has put in the money to create and support walking groups, but are there opportunities through social prescribing, for example? Are there links with local health centres, community centres and youth organisations? Is there a way to provide better joined-up government? The work is all well-meaning. The claim is that the estimated annual health cost is £91 million. However, the work does not seem to link together. Are there more opportunities for joined-up working on preventative spending?

Francesca Osowska: There is collaboration. You mentioned Paths for All: as well as providing some of the infrastructure, it works with partners to provide local walk leaders. For example, SNH, in working with green health partnerships, supports health walks, and the national parks also support a range of health walks. There are ranger services provided at our hand and through local authorities, national parks and third sector groups.

There is an interesting tension between a nationally driven solution that is the same for everybody and one that is more community based, dependent on local circumstances and uses a place-based approach that involves communities in thinking through what will help them to enjoy their local space as much as possible. Given that we have a rich asset in our network of local offices, which are plugged into their local communities, we tend to respond in that way, so the joining up that Alex Rowley asked about is often done on the ground, through work with local partners, be they local authorities or, as is increasingly the case, community groups and trusts, to put in place the type of provision that we are talking about.

The Deputy Convener: Does anyone else want to respond to Alex Rowley's question?

Phil Mackie: I can answer the question very simply: yes.

However, how do we create an infrastructure to sustain such collaboration for the longer term? The type of collaboration that we are identifying is a generational-change collaboration; it is not something that is to be funded based on four-year or five-year votes, to be repeated and carried forward.

Let me answer the earlier question about budgets. Budgets that reflect the necessary contributions from different agencies that are working in collaboration would be an incredible

step forward for all of us who work in this field, without too much trouble.

The Deputy Convener: Notwithstanding that it might be difficult to do, I think that there is a pressing need for that. Perhaps the role of an organisation such as the Scottish environment, food and agriculture research institutes gateway, under Graeme Cook's leadership, could be enhanced a little in that regard. I am the first to admit that I am not particularly well informed, but I know that research in the same areas is being done by different people in their silos. If a collaborative approach were to be taken to the benefits that we all seek to achieve, we might better understand where everyone is in that regard. We need a body that can oversee that, and SEFARI might be in a position to do so. Perhaps there is another such body, which is better known to the panel.

Phil Mackie: I am not in a position to comment on SEFARI, but I point out that we are slap-bang in the middle of a major reform of the public health system across Scotland, which involves the creation a new national public health Scotland agency. The new agency will have a vested interest in a range of the areas that we are talking about, from environmental sustainability to physical activity and obesity reduction, all of which have major impacts.

I was going to make the point that we need to be clear that the doing of an activity is of itself important, but might not be sufficient. The individual physical activity that is necessary to promote cardiovascular health is important, but it is on a much lower level than, say, weight management physical activity or the levels of population physical activity that could give rise to changes in environmental support and carbon reduction, through active travel. All those issues are part of the generational change that the collaboration that we are talking about needs to understand, so that the research about which we are all talking very passionately is translated into everyday sustainable actions by individuals, and by the organisations that create the social, economic and cultural environments around them.

This year we have seen a major report from the Scottish burden of disease study team, which looked at the impact of inequality. It is very clear that individual behaviour change will not alone be sufficient to make the changes that are inherent in tackling the health inequalities that are associated with social inequalities, and which we on the panel have touched on throughout the meeting. That is the sort of collaboration that is needed—not partnerships that reflect others' budgets and activities.

The Deputy Convener: That sounded almost like the last word, but I will give the last word to Richard Lyle.

Richard Lyle (Uddingston and Bellshill) (SNP): Thank you, convener. I think that we all agree that anything that we want to do always comes down to money and funding. Do the panel members have views on the opportunities or risks that might come from increasing the proportion of income for environment, climate change and land reform public bodies that comes from charges and fees? Who else can we get money from?

The Deputy Convener: That sounds like a real budget question.

Francesca Osowska: Yes. I have mentioned SNH's earlier work on diversification of funding. We have broken that down into four categories: funding sources, investment in natural capital, income generation and cost reduction. Richard Lyle is talking about the third category—income generation through charges and fees. We have looked at that area. We could charge for planning services, for licences that we issue and for some of our advisory services. There would be risks in that, such as in how we would engage with the public in a fee-paying world. We are still working through the risks and the opportunities. However, even if we set our fees at the extreme end of what the market might accept, the return in relation to our £47 million budget would be relatively low—it would probably be in the low hundreds of thousands of pounds, and maybe up to £1 million.

There is more potential in some of the other categories that I mentioned. For example, on funding sources, there would be greater potential if we were able to access trusts and foundations in the way that happens in, for example, England and Wales. That is not to say that we will not progress the work on fees, charges and other ways of generating income by our own hand, as well as sponsorship, but I want to be realistic about the scale of what we would bring in, and to highlight that taking that approach would change the nature of a public body offering services for all.

The Deputy Convener: Excellent. Thank you very much. Does anyone else want to contribute on fees and charging, or to make any other point before we finish?

Jonathan Hughes: I will wrap up my point in this last chance to comment. If a set of national outcomes are agreed, there needs to be budget allocation to deliver them, which is the nature of today's conversation. That seems to be an obvious thing to say, but that is sometimes not the case.

My fear in asking public bodies to look at ways of generating income from their services is that it will simply become a cost-shifting exercise.

Therefore, they will save or raise money, but the future budget will be cut and there will not be any reward for bringing in extra funds.

There may well be areas in which SEPA could charge extra or where it could monetise aspects of its work, but SNH provides a different service, so its situation is very different. In addition, that approach would potentially create a lot of bureaucracy. All sorts of bureaucratic systems would have to be set up in order to make modest gains, so I would be slightly nervous about SNH moving to a model in which it charged for services.

That is all I have to say; I will stop there.

The Deputy Convener: Mr Gulland, do you want to say anything about fees and charging, or, indeed, any other matter? This is the opportunity for you to make closing remarks.

Iain Gulland: I have been reflecting on the possibility of charging for some of the things that we do. That would be difficult. The reason why we support businesses on resource efficiency is because there is a barrier to that. We are doing work on the circular economy. Because that area is at such an early stage of development, it was identified that people were not willing to do the work or to pay for it by going to private or other consultants. As long as that evidence base is there, we will continue to do the work. If that shifts, we would expect other people to fill the market, rather than to be a direct substitution.

We take annual evidence on whether we are still needed in this space, what the impact of our work is and whether we could charge for it. At this early stage, it is seen as a barrier to charge people for the work that they are involved in, but that could change over time.

The answer is more about how we shape the system and the policy space around it. As I have mentioned, we are already seeing that with producer responsibility, where it is not so much about our charging people, but there is a charge on the production and the management of materials through the supply chain—it becomes the producers' responsibility. That is where we will start to see the impact of preventative spend or spend in this space. We should all think about that, not only in Scotland but across the world.

The obvious thing that we are working on at the moment is the deposit return system for Scotland. Once that system is established, it will be self-financing to all intents and purposes. On the back of that, there will be economic, environmental and social opportunities that we can all take. The real shift that we need to make concerns how we change not so much the mechanics of the system but how we fund it, rather than thinking that it is just a case of somebody paying directly for what they already get.

11:45

To go back to a point about procurement that was raised at the beginning, if we changed the procurement system, it would create a market for many of the businesses that are interested in coming into the space. They do not see the market opening up yet so, if we could shape public procurement for some of the service opportunities that exist for leasing and lending, that would change the way that the money flows in the system and, to an extent, decrease the dependence on subsidy.

There are huge opportunities. It is interesting that, when I come to the committee with my environmental colleagues, the language that we use is similar. We talk about natural assets and about resources in our economy as huge assets for Scotland. Unfortunately, we are good at collecting those assets, bundling them up into containers and shipping them out of our country instead of realising the economic potential. We are diverting waste from landfill but, although there is a huge environmental benefit to be had from that, we are missing the obvious economic opportunities.

That takes us back to Alex Rowley's question about collection. For every job in the collection of materials and recycling, there are eight further jobs in the reprocessing, remanufacturing, repurposing and resupply of the materials back into the economy. We need to start thinking seriously about that. If we invest in the right collection infrastructure and the way that we manage those materials in our economy—the way that we manage our assets, just as Jonny Hughes said about managing our natural assets—we will reap huge economic and social benefit for Scotland.

We are seen as a leader in the world because of our policy, our ambition and the way that we are focusing our efforts, particularly on funding. We need to realise that the money that we put in at the start of the process for collection at the local authority and business level, as well as the money that we put into initiatives such as the deposit system to change the way that people recycle their cans and bottles in future, provides a huge economic opportunity for us. It is very much about preventative spend or spending money for future investment to benefit the economy.

The Deputy Convener: So our oh-so-polluted beaches that are covered in plastic are actually a resource. You are saying that they are an opportunity waiting to be harvested and turned into a new business and that people should be encouraged to do that.

Iain Gulland: Absolutely—if we shift the price point.

This is not a point to labour too much but, last week, when the initiative to fly over all the coastline and take pictures of all the plastics—I cannot remember its name but it was a fantastic initiative—was on the BBC news, I was down south with a company in which we are investing to produce a plant. People will know it: the project beacon plant in Perthshire, which will have the facility to turn plastic that lies on the beaches into economic benefit through jobs and high-value product that can be used in the Scottish economy. That is a fact, so there is a resource lying on our beaches, although it is a shock to the system at the moment.

We can change the system. We need to clean up the beaches, which will provide an outcome, but we also need to stop the pollution in the first place, and there will be a valid plant in Perthshire that will be able to tackle that plastic.

The Deputy Convener: I imagine that VisitScotland would be happy with such an effort as well. That seems an appropriate moment to bring in Riddell Graham.

Riddell Graham: We have been actively considering alternative sources of revenue for the organisation and to support our activity. Our partners in the Scottish Tourism Alliance, which represents the industry, tell us clearly that tourism businesses are struggling because of increased costs, so that is not a major source. We need to be a wee bit more creative in looking at potential sources of income, such as corporate social responsibility budgets for organisations that are not necessarily directly involved in the environment or tourism, and some of the big players that can see a commercial benefit from working with the environment or tourism.

I can give a good example. We are just about to kick off a fairly major study on data and how it can help us to make decisions. We are looking at what people are saying on social media about the current visitor experience in Scotland, and working with the big social media companies that see a benefit in getting a result at the end of the day. We are talking to the likes of Mastercard, IBM, Amadeus and Expedia, which are big companies in their own right and which have a lot of data. Mining that data to get to the information that we need sometimes means that, although they are not going to spend money, we can tap into their huge resources.

It is about being more creative rather than just thinking about charging people or going to the same revenue sources all the time. We charge for our quality assurance scheme, but only to cover the cost. European state-aid regulations mean that we cannot do very much more than that, and that has forced us to be a wee bit more creative.

The answer to your question is that we have to look beyond the usual suspects and be more creative, because there is money there.

The Deputy Convener: Excellent. Has everyone had their say?

Francesca Osowska: I have one final point. Today's session has been about preventative spend. I hope that SNH—and I think that the SWT will echo this—has been able to demonstrate that investment in nature is a great investment in terms of preventative spend, and I would be more than delighted to follow up on any of the points that have been made today to help with the evidence.

The Deputy Convener: That is appreciated. I thank you all for your contributions. We are grateful to you for taking the time to come and inform the committee of your thoughts on the budget process. As you can tell, we are particularly interested in preventative spend and the health benefits, so your information is much appreciated and valuable to us. Thank you for coming.

At the committee's next meeting, on 11 September, we will hear from stakeholders and the Cabinet Secretary for Finance, Economy and Fair Work on the Scottish Government's draft budget for 2019-20.

As agreed earlier, the committee will now move into private session.

11:53

Meeting continued in private until 12:26.

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