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OFFICIAL REPORT AITHISG OIFIGEIL

Environment, Climate Change and Land Reform Committee

Tuesday 6 October 2020



The Scottish Parliament Pàrlamaid na h-Alba

Session 5

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Tuesday 6 October 2020

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ENVIRONMENT, CLIMATE CHANGE AND LAND REFORM COMMITTEE 26th Meeting 2020, Session 5

CONVENER

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DEPUTY CONVENER

Finlay Carson (Galloway and West Dumfries) (Con)

COMMITTEE MEMBERS

*Claudia Beamish (South Scotland) (Lab) *Angus MacDonald (Falkirk East) (SNP) *Mark Ruskell (Mid Scotland and Fife) (Green) *Liz Smith (Mid Scotland and Fife) (Con) *Stewart Stevenson (Banffshire and Buchan Coast) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

Roseanna Cunningham (Cabinet Secretary for Environment, Climate Change and Land Reform) Kate Forbes (Cabinet Secretary for Finance) John Scott (Ayr) (Con) (Committee Substitute)

CLERK TO THE COMMITTEE

Lynn Tullis

LOCATION Virtual Meeting

Scottish Parliament

Environment, Climate Change and Land Reform Committee

Tuesday 6 October 2020

[The Convener opened the meeting at 09:00]

Pre-budget Scrutiny 2021-22

The Convener (Gillian Martin): Welcome, everyone, to the Environment, Climate Change and Land Reform Committee's 26th meeting in 2020. We have apologies from Finlay Carson— John Scott is his substitute this morning.

Our first agenda item is an evidence session on the Scottish Government's budget for 2021-22 with Roseanna Cunningham, the Cabinet Secretary for Environment, Climate Change and Land Reform, and Kate Forbes, the Cabinet Secretary for Finance.

Roseanna Cunningham is joined by Government officials Kersti Berge, the director for energy and climate change; Simon Fuller, the deputy director of rural and environment science and analytical services; and Alastair Mitchell, the deputy director of aquaculture and recreational fisheries. Kate Forbes is joined by Government officials Dougie McLaren, the deputy director of public spending; and Rachel Gwyon, the deputy director of the infrastructure and investment division. Good morning to you all.

I will start off the questioning, and my first general guestion is for the Cabinet Secretary for Finance. As you set next year's budget, you have costly objectives: dealing with the Covid-related economic crisis; dealing with a health service that requires resources to take us through the pandemic; and, looming large in the background, dealing with the potentially larger crisis of climate change and the obligations in statute to reach net zero by 2045, and the probably more challenging target of the 75 per cent reduction by 2030. As we recover economically and try to save jobs and create new jobs, we must do so in line with the climate change emissions obligations across portfolios. What is your thinking in financing a green economic recovery coherently across Government portfolios, public agencies and local authorities?

The Cabinet Secretary for Finance (Kate Forbes): I thank the committee for its time this morning. You mentioned coherence, and I think that the only way that we will be able to do this is with coherence. As you can imagine, and as you outlined, the issues are hugely challenging. From

a budgetary perspective, over the past few weeks you will certainly have heard me talk consistently about the challenges to our budget and the increased uncertainty as a result of the United Kingdom Government scrapping its autumn budget. That is a concern because, without its budget, we do not have the precise figures that we need to set our budget.

We have growing and significant demands on the budget, whether those are, as you said, Covid related, Brexit related or related to the bigger challenge of ensuring that our budget supports our climate change ambitions. The targets are hugely ambitious—I think that every MSP and every person in the country needs to appreciate just how ambitious and challenging they are. There is no additional budget sitting alongside our core budget in order to deliver those ambitions; the only way in which to deliver the climate change ambitions in our budget is to ensure that, across Government, we are integrated and coherent in what we are trying to do.

On how we are doing that, as demonstrated in our previous budget, successive programmes for government and our infrastructure investment plan, we are still very much committed to tackling the twin threats of climate change and biodiversity loss. Our commitment to a just transition to net zero emissions was already clear in our previous budget, in which low-carbon infrastructure investments increased by more than £500 million to £1.8 billion. On this year's budget, there has been the recent commitment to the £2 billion capital investment over the next five years in transformative net zero projects.

The themes in the programme for government will inform our budget, and one of those themes was new, good, green jobs. That will form future budget decisions alongside our statutory obligations.

The capital spending review and the draft infrastructure investment plan, which are critical to delivering our climate change ambitions, have already been planned as a coherent and strategic framework, one of the three core aims of which is enabling the transition to net zero emissions and environmental sustainability.

That is a quick run through. Although we face several challenges, we have not lost sight of our climate change ambitions. The only way in which we can deliver those is by being integrated and coherent across Government. I hope that the committee will agree that the two documents that the committee has already seen, which will inform next year's budget—the capital spending review and the infrastructure investment plan—show a coherent approach. The Convener: Ms Forbes, you might have read the evidence that we have heard over the past few weeks on the green recovery. Time and again, people who have given evidence have had a top-line priority in respect of the green recovery: upscaling, retraining and the training of young people for low-carbon jobs, alongside the innovation that will provide those jobs. You mention Brexit. Traditionally, much of the funding for the training programmes and innovation that we have had in Scotland has come from the likes of horizon 2020 and other European funds. Obviously, that funding is coming to an end. Is that gap being filled, and if so, how?

Kate Forbes: I agree with the evidence on new green jobs. If we are going to be investing in transition funding and economic recovery, we must ensure that we do that in a sustainable way. In the programme for government, which will inform this year's budget, we announced the £100 million green industry and jobs fund, which is intended to support businesses that provide sustainable or low-carbon products and services to develop and grow, and ultimately to create jobs. I also draw the committee's attention to the £25 million transition training fund, which includes a focus on provision for green skills. I make the point about coherence and building it in because that is the only way I can see from a budgetary perspective that we will be able to make that possible.

We are still waiting for clarity on future arrangements for replacing European Union funding. We need a clear statement from the UK Government on the future of all aspects covered by EU funding, including horizon 2020. Our expectation is that there will be full replacement of EU funding from the end of December to ensure that there is no detriment to Scotland's public finances.

As you can imagine, convener, that is one of the significant risks that I see on the horizon when it comes to setting our budget and ensuring that we can continue to invest in the areas that we believe are important. A lot of ink has been spilt on this and there has been a lot of debate, but that is why it was really disappointing to learn, with no prior notice, that the UK Government had written into the United Kingdom Internal Market Bill provisions on financial assistance that presume Whitehall control over the delivery of replacements for EU funding programmes in Scotland. Those are programmes that the Scottish ministers have delivered successfully for decades. With less control, it becomes more challenging to set a budget that continues to invest in the innovation that we believe is important, or in higher education and research and development.

I am afraid that I have no further, clear answer other than to say that this is an area that continues to pose a risk to our continued investment in those areas of importance.

The Convener: I will bring in the Cabinet Secretary for Environment, Climate Change and Land Reform. One of the issues relating to coherence in addressing the climate change crisis and the biodiversity crisis is that there must be coherence across not just Government portfolios, but public agencies and local authorities. How can we ensure that that coherence goes right down to the level of local authorities and public agencies?

The Cabinet Secretary for Environment, Climate Change and Land Reform (Roseanna Cunningham): I want to pick up on what Kate Forbes said about the replacement for the EU funds. As the committee knows, I attend regular interministerial meetings with my counterparts from the Department for Environment, Food and Rural Affairs and the other devolved Administrations. We have repeatedly asked questions about the so-named shared prosperity fund, but we still have no clarity on it, despite the fact that it was flagged up as an issue years ago. The fact that there is a high degree of anxiety about what will happen and what will be available has a roll-on impact on decision making about where and in what fashion we will be able to fund things, because we are not clear about how much money will be available. Although that has an impact on the whole of Government, it has a significant impact on individual portfolios such as mine.

That takes us on to the question of how we manage the whole process of ensuring that public agencies and local authorities are as well equipped as they can be to meet the challenges that we must all face. Public bodies are on the front line of our response as regards the climate emergency and biodiversity, and many of them are already going beyond their very strict statutory duties in an effort to ensure that we get our response absolutely right. It is extremely important to understand that public bodies are going above and beyond their strict statutory duties to do that work.

We are working closely with local authorities. I am as conscious as anybody of the fact that local authorities have a tremendous role to play in the process; indeed, the whole public sector does. We have been keen to ramp up the public sector bodies' duties to make sure that the whole public sector is on board in that respect.

There are new requirements on public bodies to contribute to the meeting of our national target. Our expectation is that public bodies will deliver zero carbon emissions and that they will tell us what their target date for that is, but it is extremely important that we have the ability to ensure that they are properly funded so that they can make the necessary decisions. They will have to align their spending plans and use of resources in the way that central Government is having to do. We are asking the whole of the public sector to think along the same lines that we are having to think along at the moment when it comes to how they manage things. In addition, we have put money in to help to decarbonise the public sector estate. That £95 million is committed for the 2020-21 budget.

There are other things that we can do, but there is no doubt that the financial challenge that we face as a Government is a financial challenge that the whole of the public sector, including public bodies and local government, will face. We can do as much as we can do to encourage the kind of alignment that we are talking about in the way in which the Scottish Government is working to ensure that public sector organisations are all thinking along the same lines.

The Convener: There is another layer underneath that, which consists of communities. Many of the witnesses who have appeared before us have talked about the loss of LEADER funding. Communities are delivering a lot, particularly on biodiversity. Did you hope that the shared prosperity fund would fill in that gap?

09:15

Roseanna Cunningham: The difficulty with the shared prosperity fund is that we never got much of a definition of what it was supposed to replace. We presumed that it would be a sort of catch-all replacement for the EU funding that was provided, but we have not had that detail, even though we have requested it. It is unfortunate that we are in that space.

LEADER is a significant source of funding at a granular level. At the moment, we still have no understanding of where the replacement funding will come from, which makes it very difficult for everybody to plan and to think about what is possible and what is not possible.

The Convener: We move on to questions from Mark Ruskell.

Mark Ruskell (Mid Scotland and Fife) (Green): I want to ask about the infrastructure investment plan, which Kate Forbes mentioned in her first answer to the convener. It seems to me that what is needed is a real step change in thinking, particularly given the Infrastructure Commission for Scotland's recommendations and the very challenging climate change targets that we have for 2030. Can you illustrate how a step change in thinking on infrastructure is taking place? Are there particular projects, such as road-building projects or others, that have been reprioritised or perhaps dropped in the draft IIP?

Kate Forbes: When it comes to the infrastructure investment plan, there has definitely been a step change. The plan is in consultation form at the moment—there is an open invitation for people to provide feedback on it.

The plan, which I mentioned in answer to the convener's first question, builds on the commission's advice, and it bakes that into our approach to infrastructure over the next five years. As well as helping us to deliver economic recovery, it shows how we have changed our approach to choosing the right investments. It introduces a new infrastructure investment hierarchy. It places a much greater emphasis on maintaining, enhancing and repurposing what we have, rather than creating new things. For example, the plan includes the aim to double spending on maintenance over the next five years. That might not be a glamorous headline, but I think that it demonstrates a significant step change in our approach of building new things rather than maintaining what we had.

The IIP also sets out the need to consider future climate change impacts when existing assets are adapted or new assets are planned. For example, there is new money for flood risk management and adapting to changes to our coast that are caused by climate change.

I would say that the draft plan represents a significant step change. It recognises the role that Scotland's natural environment needs to play in our infrastructure system, and I think that it shows, for the first time, a significant move away from building new things towards maintenance. We know that that creates jobs, as well as being far less carbon intensive.

Mark Ruskell: Have any infrastructure projects been reprioritised as a result of that thinking? I am thinking of road-building projects in particular.

Kate Forbes: When it comes to the infrastructure investment plan or any budget, we start in a position of knowing what our budgetary constraints are. We take an approach within that funding envelope. The very fact that we have chosen to invest in £2 billion of low-carbon projects will mean that there are many other forms of infrastructure investment that I am sure that Mark Ruskell's constituents write to him about and which my constituents write to me about that will not be able to proceed.

I will not make a list just now; instead, I will say that, in the plan, there is more than £8 billion for environmental sustainability, including £250 million to support 18,000 hectares of forestry and restoration of peatland, so that £250 million will not be spent elsewhere. I would certainly like to focus more on what we are doing than on what we are not doing.

Mark Ruskell: Does that mean that there are things in the IIP that will be deprioritised over time? Is there a hierarchy of low-carbon spending in the IIP? I am not quite clear on that. Is there a reserve list of projects, which will probably not get built?

Kate Forbes: The IIP is based on the best available evidence that we have right now, and we do not include projects in the IIP that we cannot fund. We start with the capital spending review, which gives us our envelope of what funding we might have available for the next five years. This year, the challenge is that we are doing so on the best available evidence, because we are going ahead of the UK Government publishing—we hope—its spending review in autumn, although that is up in the air.

In the IIP, we include projects that we know we will be able to fund, and we do not include those that we know we cannot fund. We know that we can fund everything that is included in the IIP at the moment. We have taken on board the Infrastructure Commission for Scotland's findings and built a package that is based on them, including the transition to net zero. That has directly informed our decision to include £500 million over the next five years for active travel; £1.6 billion over the next five years to decarbonise heat; £75 million to improve local authority recycling; and funding to increase forest cover, which I have just mentioned. Those projects are all contained in the IIP, because we know that we can fund them.

Mark Ruskell: Earlier, the direction of travel was mentioned. Last year, the percentage of lowcarbon spend was relatively high compared with that of previous years. Last week, Kersti Berge told us that about 36 per cent of the infrastructure spend is on low-carbon measures; therefore, the rest will be spent on medium or high-carbon measures. Do you consider that there is a need to increase that percentage significantly over time? committee has previously The heard recommendations that it should be up to 70 per cent, or maybe even higher, to get us on the right trajectory, so that we are not locking in emissions for the generations to come. What is your thinking on setting and pinning down a target for lowcarbon infrastructure? That does not seem clear in the IIP. I do not know whether Roseanna Cunningham or Kate Forbes would like to answer.

Roseanna Cunningham: I do not mind saying something. First, I highlight that we are talking across Government, not just within particular

parameters. With regard to what Kate Forbes said about the issue, it must be remembered that lots of what the Government can potentially do will be the absolute expectation of communities. There are probably things in the IIP that we have been hoping to be able to do for some time, and those things may be medium to high carbon. I do not believe that it would be possible to get to 100 per cent low carbon early. We need to focus on where we are, because we will not be able to do that straight away. We are trying to get as much as possible into the low-carbon sector as soon as possible, and work on some of the rest. That is where our medium-term target of 2030, as well as the 2045 target, is really important.

We are trying to corral as much as possible into the low-carbon category, and work as hard as we can in the other areas to ensure that more and more is low carbon as we go into the medium and longer term. It really is not a question of the position right now, but about how we get there.

We have not discussed the issue of potential targets. Scotland has more targets than virtually any other country in the world, and I am not entirely sure that yet another one would necessarily help in the circumstances. However, we can certainly have a discussion about low-carbon investments. It would not be a particularly easy one to have because, as Mark Ruskell knows, the targets will be more easily achieved in some sectors than in others. That is just the reality in which we live.

We cannot sufficiently see into the future to know the areas in which the newer technologies will, or will not, make a big difference. Some sectors will experience significant shifts that will allow a much greater emphasis on low carbon than others. It is a slightly complicated area, which is probably worth having a conversation about. However, at this point, I am not entirely certain whether parading another set of targets is necessarily the best way to go about it.

Kate Forbes: Another point is that targets do not help with some of the challenges around taxonomy. The figure in the initial assessment of the IIP project, which Mark Ruskell has mentioned, is quite crude for a number of reasons. It is a partial estimate of the savings and does not quantify the overall change in emissions or capture all emission-saving measures, particularly those in the neutral category. For example, would you categorize digitalisation or digital connectivity as low carbon, or not? On the one hand, digitalisation will deliver some emissions savings if people are working from home; on the other hand, that is not currently classified as low carbon.

The committee will know that the independent research that ClimateXChange facilitated—I think that the committee got a copy of it—was published

alongside the draft IIP. ClimateXChange recognises that that area of policy and methodological development is relatively new. It has identified four different assessments that would be relevant to infrastructure investment decisions. The IIP consultation invites views on the approach that we could take on the classification of emissions. Before we get into the world of targets, we need to know what we are measuring and know that the taxonomy works.

Mark Ruskell: Can I ask a final question, convener?

The Convener: Can you make it a short question, because Claudia Beamish wants to come in?

Mark Ruskell: Yes; sure. The Infrastructure Commission for Scotland is quite clear that the IIP really needs to nail this. Whether it be through targets or through an assessment, are you absolutely clear that the proposed IIP will deliver the 2030 carbon target? Is there clarity as to what the projects that are in it will deliver and whether they will lock in emissions? The bottom line is: will we actually get there?

Kate Forbes: From a budgetary perspective, no single area of Government can deliver those saving targets in isolation—that must cut across Government. The infrastructure investment plan, including the significant £2 billion that has been set aside, will make progress and a significant contribution towards our targets. However, it will not do that on its own, and we need to consider how to embed those targets across Government and across our spend.

The £1.6 billion over the next five years to decarbonise heat in buildings will make a significant impact; the investment that we propose to spend on forestry and peatlands will also make an impact. Will those investments meet the targets on their own? No. That is why all those investments must be seen as planks in our policy and in our approach to achieving our very ambitious targets.

09:30

Claudia Beamish (South Scotland) (Lab): I ask that Roseanna Cunningham shares her thoughts on green infrastructure, such as the development of the national ecological network, and on blue infrastructure, such as Scottish Canals, which is in need of support, like so much else.

Roseanna Cunningham: I know that Claudia Beamish has a long-standing interest in blue infrastructure. All of that is important. Sometimes, we get caught up in definitions of what is and is not infrastructure, or on what can and cannot be included in capital spend, as opposed to resource, and all the rest of it. There are some real technical issues in that regard. However, I hope that Claudia Beamish noticed that we have made a commitment, in the programme for government, to the idea of pocket forests. I am not sure whether she would think of that idea as related to infrastructure, but it would involve creating biodiversity pockets in lots of areas where that otherwise might not happen. The pocket forests will, I hope, be part of the joining-up approach, which I know is very important. They are not something for right now-we are thinking of them in terms of what we can deliver for emissions and biodiversity, rather than in the terms that Claudia Beamish is asking about.

Green and blue infrastructure is built into so much of what we do. After all, the Government commitment has gone on for a long time. The Central Scotland Green Network, which is a huge ecological network, remains, I think, the largest in the whole of Europe. However, there are huge financial issues around some aspects of the matter. Claudia Beamish mentioned Scottish Canals—the responsibility for that sits in the transport portfolio—which is an area that most people becoming aware of; it also ties in with the Central Scotland Green Network. However, there are big issues around the earlier conversation we had about financing.

Some good things are happening in green and blue infrastructure, and I point to the pocket forest idea as one of those good things. I would like to be able to do a lot more, but it comes back to two things: having the money to do it, and having the ability to measure the outcomes from it.

On the infrastructure investment plan, we have been talking a bit about the ability to measure outcomes, which can be slightly problematic with some of the proposals. At the moment, officials are working hard to determine whether we can begin to quantify better the biodiversity benefit of peatland restoration, because it is not as easy to quantify that as it is to quantify the emissions reduction side of things.

From our perspective, there are issues around making sure that the money that is spent delivers what we want it to deliver. That ties in with the conversation that we have just had on broader infrastructure, and with some of the issues that come up in the areas that Claudia Beamish is asking about.

Claudia Beamish: I am sure that you would agree that, on all the issues that you have highlighted, which are important to the committee, the assessment of their value will concern the high-skilled jobs that are created, often in challenged communities, as well as the wellbeing aspects. **Roseanna Cunningham:** I do not disagree. Some of the nature-based stuff that we are doing will obviously deliver jobs—not massive amounts of jobs, but significant numbers—in areas that do not otherwise have that capacity. That is absolutely the case.

If we are doing the scoring that we were talking about earlier, we must accept that there are some elements to which it is difficult to assign clear scoring. That brings in questions of judgment on where you decide to put your money. That is just a reality for all of us, in the current circumstances.

Stewart Stevenson (Banffshire and Buchan Coast) (SNP): I have a simple question for the finance secretary. The word "innovation" has come up a number of times today. Does the cabinet secretary recognise that innovation involves greater risk than routine investments? Is she prepared to tolerate a degree of failure when it comes to innovation? I put that question as someone who has a background of having spent 30 years professionally in innovation, with 5 to 10 per cent of my annual expenditure, which was tens of millions of pounds, going to projects that would ultimately not deliver on their objectives but might deliver in terms of increasing our understanding of what not to do in future. Is the cabinet secretary prepared to contemplate the fact that innovation brings with it some failure, and that we must manage that failure appropriately?

Kate Forbes: Obviously, I have a duty and responsibility to ensure that every penny that we invest is well spent. However, I think that Stewart Stevenson makes an important point, which is that, at this time of huge change and uncertainty, we need innovation and we need people to be pioneering new solutions to help us solve some of the difficult problems that we face.

Alongside finance, I have responsibility for digital policy, which includes developing a new artificial intelligence strategy. One of the first things that we did in that regard was set up the AI for good fund to invite bids for funding for innovative solutions that may or may not work out. We wanted to support the private sector in developing those solutions. That is where the Scottish National Investment Bank, which will be formally established later this year, can really come into its own. It will have a core mission on the transition to net zero, and it will have to invest organisations, enterprises, research and in development and ideas that will help us with that transition. We do not have all the ready-made solutions at this point, and that investment will, I hope, drive the innovation that you mention. However, I fully understand that not all innovation, by its very nature, will be a rip-roaring success.

Roseanna Cunningham: I will add a slightly more general point. The sustainable renewal

advisory group is beginning to talk about a learning-by-doing approach to some of this. Obviously, innovation is not only about technological innovation; it is also about innovation in methodology and so on. I do not want us to get too tied up with the idea that it is just about technological innovation.

The broader idea that we have to accept a learning-by-doing approach carries with it the implicit understanding that there are times when the learning will be that something does not work. We cannot then run around with our hair on fire behaving as if that is an absolute disaster, because the point about learning is that we will be learning better ways of doing things and, in some cases, that will almost of necessity involve parking ideas because the doing part showed us that it simply will not work.

My first point is that learning by doing implies that there will be some things that do not work. Secondly, let us not get so hung up on technological innovation that we talk only about that. Innovation can be much wider than that; it can be about how we do things as opposed to which bits of kit we do them with.

The Convener: We will dig into innovation and the financing of it later on in the session. I will now hand over to John Scott, who will ask about nature-based solutions to our recovery.

John Scott (Ayr) (Con): Given that I am going to talk about nature-based solutions to recovery, particularly with regard to agriculture, I declare an interest as a farmer and refer members to my entry in the register of members' interests in that respect.

I want to ask about the sustainable agriculture capital grant scheme. I am not sure whether this question is for Kate Forbes or Roseanna Cunningham but, of the £40 million that has been announced for that scheme, £20 million has not been allocated and, thus far, only £10 million has been allocated to farmers. Furthermore, I think that the scheme closes to bids this weekend, which is a short application window.

Will one of the cabinet secretaries give a bit more information on when the remainder of the money will be allocated? I am keen to know that, because the scheme will allow farmers to get on with playing their part in helping to reduce emissions and move us all towards net zero, which they very much want to do. My question is perhaps for Roseanna Cunningham, but I do not know.

Roseanna Cunningham: I am not familiar with the detail of the grant scheme that John Scott asks about. Obviously, it lies in Fergus Ewing's portfolio. Rather than try to construct an answer that might be unintentionally misleading, I will simply relay that to the Cabinet Secretary for Rural Economy and Tourism for a more specific and detailed response early doors. That is a better way of doing it, rather than me trying to pretend that I know more about the issue than I actually do. It is a specific sum of money and scheme, so Fergus Ewing is probably in a better position to give the detail that John Scott is looking for.

The Convener: John, do you have questions on the more general nature-based solutions that might be dealt with in the budget?

John Scott: Yes. Having got that specific issue off my chest, I would like to ask about the naturebased carbon-reduction schemes that you have in mind and how those will be developed. How will the schemes advance natural capital? I am particularly interested in peatland restoration and forestry. How will you strike a balance across all the land use issues? Is there any sign of a third land use strategy being developed?

For my part, I want to see working landscapes with people in them. That has always been my ambition, and I believe that the Cabinet Secretary for Environment, Climate Change and Land Reform shares it. How do you see the process developing and rolling out?

09:45

Roseanna Cunningham: I welcome John Scott back to the committee. However, I note that his absence from it suggests that he is not aware of the shudder of apprehension that is currently going through his colleagues at his invitation to me to start talking about peatland restoration, which is an issue that I have been hugely enthusiastic about. I will try to moderate my contribution on that.

At the moment, peatland restoration and treeplanting are the two biggest and most significant of our nature-based recovery programmes. They have the capacity to deliver enormously on emissions reductions, as well as on biodiversity and local jobs.

Peatland restoration, in particular, opens up significant possibilities, and we will have to look carefully around the whole of Scotland for opportunities. There is a tendency for people to think that tree planting and peatland are about the Highlands and areas that are far away, but Scottish Natural Heritage—NatureScot—has a map of Scotland that shows just how widespread peat is, and there are many farmers who have corners or areas of their farms that could be used for tree planting or peatland restoration.

John Scott previously had a particular concern about whether we have the financial tools to allow farmers to link that all up, which will be an important part of the work. There will be some easy wins with forestry and peatland restoration, and some of the larger landscape area estates, no matter their ownership, might give us some of those quick and easy wins. However, we need to do it all, and that will include discussions with farmers such as John Scott about how to manage the delivery of gains, even in areas that are not on the big Highland estates, which is what most people think of when they think about peatland.

As I said, I know that John Scott is particularly interested in the financial tools that might or might not be available to allow the work to happen. I hope that the huge commitment that we made with multiyear funding reassures him that we are looking at how it can best be delivered, which will include direct conversations with landowners large and small, including farmers, about what might be deliverable.

This goes into the much wider area of land use in general, and a lot of work is being done on that by the Scottish Land Commission, which is in the lead for developing proposals. I hope that it will imminently publish its next set of proposals.

The third land use strategy will be consulted on in accordance with the legislative requirements. It will focus on the challenges that we will face in the next five to 10 years and the role that land use and land use change can play. I hope that we can talk about regional land use partnerships in the context of that strategy.

The Convener: John, do you have anything further?

John Scott: I have one more question. There seems to be a shortfall in the allocation of that £20 million. Do you see that going into the land use partnerships and the land use strategy? Is that what the budget allocation is for, or is that also a question for Fergus Ewing?

Roseanna Cunningham: I am sorry, but are we back to that particular grant fund?

John Scott: Yes—you took me back there by talking about the financial tools and the need to support farmers in making changes in the corners of their farms as well as on larger pieces of land on their estates. Where do you see that money being spent?

Roseanna Cunningham: It is not coming from within my portfolio, and it is not a fund over which I have control. We will add that to the questions for Fergus Ewing. I am not certain that that particular fund is directed towards what you asked about, but we need to get certainty from Fergus Ewing about that.

Liz Smith (Mid Scotland and Fife) (Con): I will direct my first question to Kate Forbes. In your introductory remarks, you spoke about coherence. That is important, and the regional land use partnerships are part of it. Given the questions that we have had from stakeholders, how will those partnerships be funded? Which part of the budget is that money coming from?

Kate Forbes: I presume that you are talking about next year's budget.

Liz Smith: Yes.

Kate Forbes: We have just started next year's budget process, and it will be discussed during the next few weeks and months as per the normal budget process. We discuss what our overall spending envelope is within each portfolio, and that is how we make decisions about where funding comes from.

Liz Smith: You talked about coherence being vital across all budget areas. Obviously, there are strong competing interests across the environment and rural affairs briefs. As I understand it, the partnerships are extremely important to central Government policy and they are generally popular with stakeholders, but they want to know where the money will come from to fund them. Where do you think that envelope of money might be?

Kate Forbes: At this precise moment, I cannot give you an answer, largely because there is still a budget process to go through, and it is particularly uncertain this year. However, I understand the concerns and the fact that communities are keen to know where the funding might come from.

Liz Smith: Could you just reassure us that the partnerships are central to Scottish Government policy and helping to manage the land effectively as well as breeding the co-operation and coherence that we have looking for? Could I have that assurance on the record?

Kate Forbes: We are committed to the establishment of regional land use partnerships and as a first step, as you will know, we have asked the Scottish Land Commission to take the lead in developing proposals and making recommendations to the Scottish ministers. I hope that that is clear.

Liz Smith: Scotland is rich in natural assets, whether it be tourism, aquaculture, fishing, forestry, farming—you name it. Your colleague Roseanna Cunningham indicated earlier that there is a significant number of green jobs to come in those areas. Does the Scottish Government have any projections of the increase in the number of green jobs in that natural asset area?

Roseanna Cunningham: I am not sure who you wanted to answer that question, but it sounds like one for me. There will be specific projections in some areas, but not in all.

Natural assets is a wide category. We are working to quantify the kinds of figures that might be deliverable from the forestry commitment and the peatland restoration commitment, for example. It is difficult to do because, until this point, we did not have the multiyear commitment.

By making a multiyear commitment, we are delivering the potential for capacity growth, and we cannot envisage with certainty what jobs will actually be delivered. Peatland restoration is really just beginning—this is the time of year when it starts, and this is the first year when contractors know that they can plan for a longer period. We are looking closely at how that will play out in terms of jobs growth.

It is difficult to give specific numbers in some areas; in others, there might well be more defined figures. We should remember that when we talk about nature recovery we are talking about a significant period—more than 10 years. We expect job growth to increase year on year over that period—and in areas where there are not many good jobs at the moment, which is important.

For obvious reasons, tourism faces significant challenges. Although we could argue that it is an economic sector that is very much derived from Scotland's natural assets, it is facing very serious challenges because of the pandemic. I would not want to hazard a guess as to the current situation and what the projections are on jobs.

Work is being done, for example by NatureScot, to quantify nature-based job growth and where it will come from, in so far as it is possible to do that. Money will be spent in the area, because it is incredibly important. For example, I hope that the commitment to peatland restoration over 10 years will make contractors feel confident enough to take on modern apprentices and trainees, knowing that jobs will be in existence for a considerable time. At the moment, people are only just beginning to ramp up activity, and it is very early days for them.

Liz Smith: That is helpful, cabinet secretary. You flagged up that it is a difficult calculation, in some cases, not least because of the length of time that it can take before we get to the most beneficial outcomes. Kate Forbes, how do you plan future budgets in relation to such development and growth? Do you have a way of ensuring that the budget planning for green jobs which everyone identifies as being important—is carefully done, by laying out projected beneficial outcomes for the employment market?

Kate Forbes: That is a great question. When we plan ahead for any budget, we use the medium-term financial strategy. We committed to publishing that strategy, which is a five-year outlook for budget planning, alongside this year's budget; that is where some of these longer-term decisions are taken.

On Roseanna Cunningham's point, I am very aware of the announcements that there have been on jobs spend, particularly in the past few months, such as the £100 million that Fiona Hyslop announced. There are phases in that regard.

On the numbers, when it comes to nature-based jobs, one of the first things that we can do is use our public bodies. For example, Scottish Forestry and Forestry and Land Scotland have apprentices, so we think about whether we can expand their apprenticeship pools; the same goes for NatureScot.

Those jobs will not come to an end at the end of this year's budget—I am very conscious that, when we make budget commitments in a financial year, people are not just going to disappear when the end of the financial year comes. We need to plan ahead. Therefore, in next year's budget we will build on the commitments that we made this year, with a focus on jobs, to give public bodies a sense of security about their ability to provide jobs and make job offers.

Liz Smith: Thank you.

The Convener: Claudia Beamish wants to ask about the financing of innovation.

10:00

Claudia Beamish: As the convener said, I would like to explore the financing of innovation, which will be fundamental as we go forward. For the public record, I want to highlight that, as both cabinet secretaries will be aware, the responses to the committee's green recovery inquiry identified many shortcomings—which were often fundamental—in the ability of current economic and financial models to provide the means of achieving a green social and fair economic recovery from Covid-19 and generating a shift to a wellbeing economy.

Therefore, I am interested to explore with both cabinet secretaries the issue of funding for research, which is obviously fundamental, not only with regard to technology, as has already been highlighted, but in showing the directions in which it is appropriate to go. I respect the fact that the Scottish National Investment Bank is independent from Government, but do you think that it will be possible to bring in private investment for innovation as well? If so, should there be conditionality on that and on other Government research and innovation schemes?

Kate Forbes: I will kick off on the issues of financing and the Scottish National Investment Bank. The short answer is yes. The bank will launch with £220 million of fresh seed funding,

which is part of the long-term £2 billion capitalisation pledge. As part of its efforts to make investments, the bank will use that as leverage for private funding as well. Obviously, there are several caveats to that, but as the committee will know, we have been consulting on missions for the bank. We have already committed that the bank's primary mission will be to support a just transition to net zero carbon. In the consultation, for illustrative purposes, we set out some of the areas that the bank may invest in, including lowemission transport, power generation and commercial energy efficiency.

However, as Claudia Beamish said, once it is established, the bank will be operationally independent when it makes investment decisions. It will be for the bank to determine how it will invest to meet those missions, and then a report will be made to ministers, as you know. When it comes to the form of funding and the ability to leverage in private funding, the bank will develop its own investment strategy in response to the missions that we have been very clear about, and there will be the reporting mechanism.

That sets out the financing approach, but different forms of investment will require different forms of funding. For some of those, it will be far more appropriate for the bank to use the public funding that is available. There will be others where the bank might be able to work collaboratively with the private sector.

Claudia Beamish: Given the importance of research and innovation across all sectors for the green recovery, can Kate Forbes shed light on whether, within the budget process, there is a process whereby all the cabinet secretaries can discuss that? For example, in considering the research that is needed on the marine environment, aquaculture and the effects on wild salmon, or on the circular economy and the design that is needed for remanufacturing, is there a way in which we can be reassured that research is a high priority in the budget process?

Kate Forbes: I will answer that in two parts. First, I can say that research very much features in the budget process, but it might sit in different portfolios. Therefore, it is a question of trying to deliver our ambitions across Government when it comes to achieving net zero carbon. There will be investment in research in the rural economy, in education and in Roseanna Cunningham's portfolio. That will all be designed to consider how we can become more innovative and use our assets more sustainably.

We work closely with—[*Inaudible*.]—and use our assets more sustainably. We work closely with academic institutions to—[*Inaudible*.]—research and development capability, and with the Energy Technology Partnership, which is an alliance of world-class academic institutions in Scotland that encourages the collaboration that is needed between academia and industry to deliver research and development that assists with the transition of our energy systems in particular. Our support for that organisation includes funding for the knowledge exchange network, which is a programme that helps Scottish universities to ensure that their research makes an impact by using business development managers who specialise in different areas of low-carbon energy to create partnerships between universities and industry. That is an example of our funding helping the relationship between industry and academia in order to drive change.

Such collaboration and partnership working will make a difference. If we do our work in partnership with academia alone, without bringing in industry, it will not be as successful as it is when we work in that triangle. We provide funding for the ETP's energy industry doctorate programme, which supports PhD projects that address the decarbonisation challenges of industrial partners.

I have been very narrow in my answer, but I have given a tangible example of where we are providing funding that drives change.

Claudia Beamish: That is helpful.

Roseanna Cunningham: I will be a bit more specific. We invest about £48 million a year in our strategic research programme, which provides important research for my portfolio and Fergus Ewing's portfolio. We are in the process of developing the next research programme, which will take us up to 2027. Clearly, the global climate and nature crises will be a key driver of decisions on the research programme, so there will be a corresponding focus on those crises as well as on support for work on biodiversity. That is a more specific part of the broader issue that Kate Forbes talked about. We are about to begin consultation on the next research programme, which will take us up to 2027.

Claudia Beamish: That is very helpful. I am sure that the committee will be interested in feeding into the consultation in whatever way is appropriate.

How can the national performance framework be used or developed to track the green recovery? There are already indicators that relate to a range of interests. I ask Roseanna Cunningham to comment first, and then Kate Forbes might want to comment more broadly in relation to how the national performance framework fits in with the budget.

Roseanna Cunningham: The NPF provides a clear long-term purpose for Government beyond narrow economic success, and it acknowledges that this is not just about Government; it is about

the whole of society and all sectors—the public, the private and the third sector. The current indicators will provide high-level insight into the progress that is made towards a green recovery, but we all accept that we have to do a lot more to join up outcomes and spend. Work is on-going to increase the alignment of major policies and processes in the NPF, including the PFG, budgets and reviews of spending. We have to be careful to get that right. Obviously, better linking of money to outcomes is one part of that, and we are looking very carefully at that.

There is a duty to consult. I think that there is a five-yearly review process for national outcomes for Scotland. The next review has to be initiated before June 2023, and planning is already in place to begin that work immediately after the elections next year. A five-yearly review is built into the process. We are looking at the alignment, but we are also conscious that we have to start the review process, which will begin soon after the elections.

Kate Forbes: I will make two brief points. First, the national performance framework is the foundation stone for our budget. In setting the budget, the national performance framework is the starting point for informing it. We should analyse the impact of our budgets in light of whether they have delivered against the national performance framework.

Secondly, there are a number of indicators, and I am sure that none of us would disagree with any of them. The three that were brought to the fore in this year's programme for government are the three that will most heavily influence the budget: new, good and green jobs; dealing with inequality and supporting our communities; and the health crisis.

Angus MacDonald (Falkirk East) (SNP): I want to go back to the issue of research programmes, which has been well covered. In recent years—especially last year—there has been particular concern about long-term funding and funding certainty for research organisations such as the James Hutton Institute. I probably already know the answer to this question, but is there any way in which those organisations can get greater funding certainty for the future?

Kate Forbes: I will answer that from a budget perspective. That concern is replicated in quite a number of different areas of Government. I am not going to liken these two areas; I am simply going to make a point about budget processes. Local authorities need to be able to plan several years in advance, as do a host of organisations, such as public bodies and other organisations that rely on Government funding.

We very much hoped to be in a position to do a spending review, which is required in order to

provide long-term assurance on budgets, but that is reliant on the UK Government doing a spending review. To be fair to the UK Government, it has confirmed that it will do a comprehensive spending review this autumn, but I am highly sceptical that that will happen in light of the fact that it does not think that it can provide certainty even with a oneyear budget, never mind a long-term outlook. The bottom line for us is that we try very hard to provide long-term certainty where we can, but we cannot do that unless there is long-term certainty for our own budget, because of the level of volatility in that budget.

Roseanna Cunningham might want to come in on specific research programmes. However, on the wider budget scenario, we cannot provide multiyear spending confirmation without multiyear spending confirmation for us. The UK Government recognises the issue, which is why it has taken steps to have a comprehensive spending review this autumn. However, I am highly sceptical that that will be delivered.

10:15

Roseanna Cunningham: With regard to the specific issue that Angus MacDonald raises, every one of the six research institutes in Scotland punches well above its weight in its ability to deliver extremely good work. For a number of them, we come back to the issue of what will happen when and if EU funding disappears. Quite a lot of what those institutes did drew down significant sums of money to enable them to do research.

There is a more systemic problem, too. Most research projects do not get done by bodies working on their own; they link up with other bodies elsewhere. Projects often span across boundaries. I know that a number of the research institutes are already running into difficulties projects with which they are involved are dropping out of contention, and other partners are not keen on the inclusion of a UK research arm, because of the uncertainty around Brexit. There are some extremely tricky issues.

In addition, the research institutes are all constituted differently. Some have to meet specific challenges, while others are not in the same position. They do not all work in the same way, so there is no one-size-fits-all solution to the problem, and we have to work individually with some of the bodies. I had hoped that we would be able to work co-operatively on some of those issues through the Scottish Environment, Food and Agriculture Research Institutes, whereby everyone would sit round the table and share understanding and information. I hope that that can still happen.

So that people can understand, I point out that the research institutes range from the Royal Botanic Garden to the likes of the James Hutton Institute. Given that we are talking about a set of bodies that differ widely, it is difficult to make a simple response that will apply to each and every one of them. However, they are all in the slightly difficult scenario of being accustomed to being part of research projects that span a number of different international bodies, individuals and so on. That is where some of the issues arise, and those will not really be resolved until we understand what will happen post-Brexit.

John Scott: I welcome the cabinet secretary's commitment to look sympathetically towards those research institutes, because much of the work that they do is about the future and therefore preventative spend, which is my particular interest.

I note that the themes that we have been given for questions suggest collaborative work to reduce tax, and it occurs to me that tax collaboration between Governments could create a fiscal structure to encourage preventative spend. I am sure that someone has already thought of that idea, but it is worth developing that theme—we could get to net zero quicker if it were incentivised in that way.

How is collaboration across portfolios and public bodies working? I understand that four pilots are now up and running. Perhaps Roseanna Cunningham would like to talk about how those are working across portfolios and NatureScot's green health partnerships.

Roseanna Cunningham: A lot of work is being done in this area. Obviously, the committee has discussed preventative spending in previous years, but I remind everybody of the generality that preventative spend has to come from somewhere and that, although everybody agrees that it is a good thing, the agreement generally breaks down at the point where we try to transfer money into that spend from somewhere else. That is just the reality of where we are.

There has been a lot of to and fro with the committee about preventative spend, so there is a lot that can be said. However, I will go to the specific issue raised by John Scott regarding the four pilot green health partnerships, which have been established in Dundee, Highland, Lanarkshire and North Ayrshire.

The pilots are trying to demonstrate how crosssectoral co-ordination can mainstream approaches to increasing physical activity and improving mental health through engagement with the natural environment. We have seen over the past six months how much more to the fore that has become in general understanding and conversation. Prior to that, it would not generally have been a topic of widespread popular discussion, but it has become so.

The Lanarkshire pilot was the first to be set up and has now been in operation for two years. It shows how much has been achieved to integrate green health with health and social care. The year 2 report, published in March this year, concluded that "substantial progress" had been made towards achievement of the outcomes that were set out in the evaluation framework at the start:

"The term 'Green Health' is becoming more recognised and valued, and awareness of the range of activities across Lanarkshire has risen considerably."

We therefore regard the most long-standing pilot as a success.

Edinburgh Napier University has been commissioned to undertake research into those pilot partnerships, and that work is available on the NatureScot website, so people can look at it if they wish. The work concluded that

"Promoting the use of the natural environment is a good strategic fit with ... public health priorities"

and that it provides a powerful voice.

The year that we are still going through probably brings home much more forcefully to people how incredibly important the natural environment can be. It is probably not an overstatement to say that, during the hard lockdown, the ability to get out and connect with nature saved a lot of people. A lively conversation has developed about the difference between people who were able to easily access nature and those for whom it was more difficult.

There is still a lot of work to do, but we are undertaking evaluation and research as we go along to make sure that the pilot work is delivering what we thought that it would deliver. The outcomes so far show that it does. Obviously, that work is focused on health, but there are other aspects of preventative spend that we have talked about previously in this committee. I go back to what I said earlier, which is that everybody broadly agrees with and signs up to preventative spend until we get to the point at which we begin to move budget lines around, which is when a rather more stressful conversation begins about how that is to be managed.

John Scott: Speaking of preventative spend, I have a suggestion that might not necessarily make that conversation any easier.

It is rare that I find myself in agreement with you, but I agree with you utterly about matters of health and wellbeing and preventative spend. In my case, I have found green spaces to be hugely important to wellbeing. Could that be recognised more in the environment budget? I feel quite protective about that budget, in the same way as you do. For example, could you ask Jeane Freeman to give up some of her budget to you, given the good deeds that you do for her budget through the wellbeing that your budget provides? Even with the Covid budgets that come from the UK Government, it might be less contentious if some of them were allocated to your budget or at least shared with your budget rather than going elsewhere. Discuss.

Roseanna Cunningham: That is challenging in the current circumstances, for obvious reasons. We are still very much struggling to manage the situation. I will undertake to ensure that Jeane Freeman is aware that there would be wider support for that approach. I would never want to miss an opportunity to increase my budget in any way, as Kate Forbes can undoubtedly confirm. However, as John Scott knows, there are a great many challenges. Even a relatively small budget such as mine has many more calls on it than it can actually deliver.

That is a bigger conversation and it is challenging, although we have had the conversation and we will continue to have it. I reassure John Scott that the issue has not been forgotten.

The Convener: I bring in Mark Ruskell, who has questions on preventative spend.

Mark Ruskell: My questions are about preventative spending more generally. One way in which to bake in a preventative spending approach across the budget process would be to ensure that financial budgets have to take into account environmental principles such as the precautionary principle, so that we do not create problems that we then have to spend money to try to solve further down the line. Has the Government considered that? Clearly, the UK Withdrawal from the European Union (Continuity) (Scotland) Bill gives us an opportunity to do that.

Kate Forbes: That is a fair question. If your concern is about preventative spend in the sense of not increasing the cost of things further down the line, that is definitely a principle that needs to be applied across the board, including to environmental elements. The issue certainly is considered. For example, with infrastructure spend, we consider what the environmental impact might be and what the additional mitigation costs and spend will ultimately be in the long term. That is factored in with any analysis of spend. However, I will take the point away and give thought to whether the preventative spend approach needs to be baked in a little more strongly.

Roseanna Cunningham set out the bottom line on preventative spend. In last year's budget, as part of my commitment to increase the focus on preventative spend, all portfolios were required to link their spend to outcomes and the national performance framework to demonstrate that the spend would actually deliver. I cannot overemphasise how challenging next year's budget will be. I am sure that every finance secretary since 1999 has said that, but next year's budget must surely be the most challenging one to set thus far, because of the demands and the lack of clarity. In that context, for the budget and public finances to be sustainable, we need to ensure that we get preventative spend right.

I appeal to Parliament to scrutinise the budget in that way, too. As Roseanna Cunningham said, the difficulty with every budget that is published is that the instant focus is on budget lines that have been cut or reduced. It is not possible to proceed with preventative spending as a principle without having the ability to move budget around. Ultimately, a particular budget will be displayed as being aligned with one portfolio, but that does not mean that it will not deliver results, outcomes or benefits in another portfolio.

If we are to take preventative spending seriously, we need to be a bit more mature not only in the way in which we set our budget and display such spending in the budget document, but in the way in which the budget is scrutinised.

The Convener: Are you happy with that, Mark?

Mark Ruskell: Yes.

The Convener: Before we bring the session to an end, I want to check whether Stewart Stevenson has any additional questions on innovation. He has indicated that he is happy with the response that he got. That is fine.

As we have covered all the areas of questioning, I thank both cabinet secretaries and their officials for their time.

European Union (Withdrawal) Act 2018

Air Quality (Amendment) (Northern Ireland) (EU Exit) Regulations 2020

10:31

The Convener: Agenda item 2 is consideration of a notification from the Scottish Government in relation to consent to a UK statutory instrument.

Members will recall that there is an agreed protocol between the Scottish Government and the Parliament in relation to instruments that are made by the UK Government under powers in the European Union (Withdrawal) Act 2018 and which relate to proposals that are within the legislative competence of the Scottish Parliament. The Scottish Government and the Parliament have agreed on an approach to UK-wide statutory instruments to avoid duplication of effort, for example, or where only technical or minor amendments are required.

Do members have any comments in relation to the instrument?

As no member has indicated that they have any comments, are members content that we write to the Scottish Government to confirm that the committee is content for consent to be given to the UK statutory instrument that is referred to in the notification?

I see that everyone is nodding, so we will write to the Scottish Government to that effect.

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Subordinate Legislation

Climate Change (Duties of Public Bodies: Reporting Requirements) (Scotland) Amendment Order 2020 (SSI 2020/281)

10:32

The Convener: Agenda item 3 is consideration of a Scottish statutory instrument that is subject to the negative procedure. I believe that several members have comments to make.

Mark Ruskell: I am content with the instrument, which is obviously extremely important, but I have a query that I think it might be appropriate for the committee to write to the Government about.

My query relates to the proposed responsibilities of the environmental standards Scotland body that is to be set up under the UK Withdrawal from the European Union (Continuity) (Scotland) Bill, which we are considering at the moment. I want to understand how the public sector reporting duty will apply to the new body. I understand that ESS will not have a direct responsibility in relation to climate change targets and that that responsibility is more for our committee. However, ESS will have a role in relation to adaptation, which the reporting duty will also apply to.

There seems to be a bit of confusion about the governance of public sector body reporting in relation to climate change and, in particular, about what role ESS will have—if any—in such reporting and making sure that we all tackle the climate emergency.

Claudia Beamish: It would be helpful if we could also seek clarification—if the committee agrees to do so—on an issue that is highlighted in our paper on the instrument. It states that a short-life collaborative working group was convened by the Scottish Government to carry out a review of the reporting duties, and that that review found that

"The 'procurement' sections currently provide little meaningful data and do not effectively monitor how procurement policies are contributing to emissions reduction".

Given what an important issue that is in the public sector, it would be helpful if we could seek clarification of how the reporting requirements have been developed in that respect and what the expectations are with regard to the instrument.

The Convener: I am getting the message that, on the whole, we are content with the instrument, but we have a couple of queries that we would like to write to the Government about. If members are content, we will cover the issues that Mark Ruskell and Claudia Beamish raised in a letter to the Scottish Government.

At our next meeting, which will be held on 27 October, we will consider draft reports on the Scottish Government's budget for 2021-22 and the committee's green recovery inquiry.

That concludes the public part of our meeting.

10:35

Meeting continued in private until 11:31.

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