



OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Affairs, Islands and Natural Environment Committee

Wednesday 11 January 2023

Session 6



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RURAL AFFAIRS, ISLANDS AND NATURAL ENVIRONMENT COMMITTEE
1st Meeting 2023, Session 6

CONVENER

*Finlay Carson (Galloway and West Dumfries) (Con)

DEPUTY CONVENER

*Beatrice Wishart (Shetland Islands) (LD)

COMMITTEE MEMBERS

*Karen Adam (Banffshire and Buchan Coast) (SNP)

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)

*Ariane Burgess (Highlands and Islands) (Green)

*Jim Fairlie (Perthshire South and Kinross-shire) (SNP)

*Rachael Hamilton (Etrick, Roxburgh and Berwickshire) (Con)

*Jenni Minto (Argyll and Bute) (SNP)

*Mercedes Villalba (North East Scotland) (Lab)

*attended

THE FOLLOWING ALSO PARTICIPATED:

George Burgess (Scottish Government)

Erica Clarkson (Scottish Government)

Mairi Gougeon (Cabinet Secretary for Rural Affairs and Islands)

Iain Wallace (Scottish Government)

CLERK TO THE COMMITTEE

Emma Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Affairs, Islands and Natural Environment Committee

Wednesday 11 January 2023

[The Convener opened the meeting at 09:04]

Budget 2023-24

The Convener (Finlay Carson): Good morning, and happy new year to everyone. Welcome to the first meeting in 2023 of the Rural Affairs, Islands and Natural Environment Committee. I remind members who are using electronic devices to switch them to silent mode, please. Mercedes Villalba will join us at approximately 10 am.

Our single item of business today is evidence on the 2023-24 Scottish Government budget. I welcome to the meeting Mairi Gougeon, the Cabinet Secretary for Rural Affairs and Islands, and her supporting officials: George Burgess, director of agriculture and rural economy; Erica Clarkson, joint head of division, rural and island futures; Sheetal Mehra, head of strategic engagement for budget and spending review; and Iain Wallace, head of strategy and change, Marine Scotland. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Rural Affairs and Islands (Mairi Gougeon): Thank you very much, convener. When I appeared before the committee in October, I set out the priorities for the rural affairs and islands portfolio, and I am pleased to come back today to set out how the 2023-24 Scottish budget, presented by the Deputy First Minister to Parliament in December, supports those priorities.

The budget takes place in the most turbulent economic and financial context that most people can remember. It therefore demands a response from Government that supports the most vulnerable and, ultimately, helps to build a sustainable economy. That is why we have chosen a progressive path for this budget, investing in our people, our economy and our public services. The resource and capital spending reviews set out, as best we could at the time, the spending priorities of the Government and the high-level financial parameters for portfolio envelopes. However, a lot has changed in the months since those reviews were published. We have had two fiscal events from the United Kingdom Government, which have both had a direct impact on Scotland and its economy. The autumn statement in November fell short of the interventions that Scotland needs to guide us

through this cost crisis. That means that we continue to feel the impacts of the most severe economic upheaval in our generation, and we will continue to do so for some time.

Despite that, our spending reviews, our programme for government, the emergency budget review and the 2023-24 budget all show that this Government is determined to act. We are focused on eradicating child poverty, creating sustainable public services and transforming our economy to net zero. We do not view those as three competing objectives; we view them as priorities that are linked. Although it is true that the Government has not been able to do everything that we would have wanted to do at the pace that we would have wanted, we have taken action to support those priorities.

In relation to the rural affairs and islands budget, the spend of the portfolio supports some of our most fragile communities, businesses and sectors at a time when they are feeling the effects of multiple shocks: Brexit, recovering from the pandemic and, of course, dealing with the significant challenges of the cost crisis.

As I did in 2022-23, I will prioritise the direct cash injection that my portfolio makes in rural and island areas and across the agriculture and marine sectors. Some £650 million will continue to be invested across those sectors, providing much-needed economic stability. Our commitment to supporting the ambitions for our islands has been strong, with £8.5 million allocated from the portfolio for the islands programme and the carbon neutral islands project.

We are living in a global climate and nature emergency, with climate change and a loss of biodiversity among the greatest threats faced by people and our planet, so we are dedicated to our critical work with the agriculture sector to co-develop and deliver on our vision for agriculture, which includes an investment of more than £44 million over 2023-24 to help Scotland become a global leader in sustainable and regenerative agriculture. We are also delivering a new round of agri-environment support, with more than £36 million of planned investment over the coming year.

The blue economy vision for Scotland sets out the long-term outcomes that we want to see for our marine environment, our people and our economy. That work, together with the £14 million increase in Marine Scotland's budget, is representative of this Government's commitment to net zero and to enhancing biodiversity through the expansion of offshore renewables, climate-related research and environmental protection.

We are, of course, living in extremely difficult times, and, as we look ahead, there are still many

challenges to overcome. That makes the budget and allocating funding between priorities extremely and increasingly difficult, but I am confident that the balance that the Government has achieved is the right one, and I will continue working across the Scottish Government and with our partners across Scotland to deliver for our rural, coastal and island communities.

I am happy to take any questions that the committee might have.

The Convener: Thank you very much, cabinet secretary. I will kick off.

We have fairly ambitious plans for agriculture and marine when it comes to climate change and biodiversity. We are also very aware of the pressures faced by island communities, with depopulation and so on. This is a very simple question that maybe does not have a simple answer. What are the practical implications of the current inflationary pressures on the rural affairs budget, and how will you deal with them?

Mairi Gougeon: It probably is not too much of a simple answer. All members of the committee will be aware of the impact—which we all see, across our constituencies—that the cost crisis is having on our communities, particularly the rural and island communities that members represent. The impact that that has had on our budget is huge. As I said in my opening statement, how we then allocate between our different priorities is an increasingly difficult challenge as our budgets become more stretched.

Let us look at the overall figures and some of what we are dealing with here. We had an increase in overall funding of £1.7 billion from the Barnett funding, but, when we look at what that means in real terms, we are actually seeing a reduction of 4.8 per cent since 2021. That means that there is huge pressure not just on my budget and what I am able to do across the rural and islands portfolio, but right across the Scottish Government.

Looking particularly at my portfolio and what that equates to, since we left the European Union, we have seen the EU replacement funding fall by 1.7 per cent over this past year since the start of 2022-23. However, that has decreased by 12.7 per cent since 2021, so obviously we do not have the spending power that we would previously have had. All of that has an impact.

As I said in my opening statement, those are the priorities that I set out to the committee in October and what we continue to provide in relation to that cash injection of £650 million, which impacts our agriculture and marine. Maintaining those payments is absolutely vital in trying to provide some of that stability too.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): Obviously, we are talking about a budget in the context of massive inflationary pressure, which applies to individual farmers just as it applies to the Government. How are you planning in the coming year to work within the constraints that that imposes on you, given what we have had? Without rehearsing history, we have had a parade of chancellors and unprecedented levels of inflation in recent years. How do you plan the budget for the coming year in those circumstances?

Mairi Gougeon: We have seen some of the issues that you have raised particularly in our agriculture sector, where energy, fuel and feed costs have absolutely spiralled. Against the backdrop of the turbulence that we have experienced, we have tried to provide stability. I talked about the direct cash injection of £650 million that we have been making in agriculture and marine. In the current financial year, as the committee will be aware, we made direct payments at the earliest ever stage. We commenced those payments in September. I think, from the latest figures that I have had, that we have paid more than £411 million to more than 17,000 businesses, so more than 98 per cent of businesses have received that vital cash injection.

What I have set out in the budget shows that we are trying to maintain that stability. We are giving farmers the message about what they will receive, being clear about those figures and trying to maintain them and keep them as consistent as possible. Hopefully, that will help to provide some of that certainty and stability.

Alasdair Allan: Finally, I know that everyone in all sectors—not just in your budget area—is looking to move towards longer-term budgeting and so on. Given the uncertainty that we have experienced from month to month at the UK end, and given the budget's dependence on what is happening there, I am trying to get an idea of the predicament that the Scottish Government is in, in terms of planning. How is any attempt to move to longer-term planning possible?

09:15

Mairi Gougeon: That is the thing. The situation is really difficult at the moment, and longer-term planning is not possible because we have annual budgets and allocations. That continues to be a particularly difficult issue, particularly for some of the schemes that we have run and funded.

The reason that we had the resource spending review and the capital spending review, even though they are not budgets in and of themselves, was to provide that overall envelope, although, of course, that can vary from year to year as we go

through the annual budget-setting process. Within my portfolio, with regards to the islands funding in particular—I know that longer-term planning has been an issue and that there have been calls for us to look into multiyear allocations—we are trying to see how we can improve processes and give people as much warning as we can. Of course, that will, unfortunately, always depend on what the allocation is from year to year, but we are working to try to improve processes and to give clarity, where it is possible to do so.

Rachael Hamilton (Etrick, Roxburgh and Berwickshire) (Con): Good morning, cabinet secretary. In your portfolio, we have seen a real-terms cut to a large number of the budget lines. We have had a record-breaking block grant. How do you make the case for Scotland's agricultural and farming sector and to whom do you make it? Which areas did you pitch, if you made that case?

Mairi Gougeon: You referred to the increase in funding that we have received from the UK Government, but, as I outlined in one of my previous responses, that equates to a 4.8 per cent cut since 2021. The inflationary pressures that we have seen—I think that inflation hit 11.1 per cent in October—mean that whatever increase we have had will always be worth less. When we look at the EU replacement funding—

Rachael Hamilton: In your role, you have discretion to apply for wider funding as part of the block grant. I realise that some funding is ring fenced, but that is for broad agricultural support, and you have discretion to make those choices. Given the record block grant, do you have the ability to make your case for Scotland's agricultural sector?

Mairi Gougeon: We will continue to do that, both within my portfolio and across Government. As you can imagine, however, given some of the inflationary pressures that I talked about, there is pressure not only on my portfolio, but right across Government. It is as I said in my opening statement: we cannot do everything that we want to do at the pace at which we want to do it, because of the pressures that we are up against.

I need to point out that, as part of that, we are not getting the full replacement EU funds that we were promised by the UK Government. What we are getting in replacement funds from the UK Government comes through as resource, rather than resource and capital, which is what we received when we were part of the EU. That adds more pressure to an already stretched capital budget, which, again, is why we have not been able to do everything that we want to do. We have seen that funding fall by 1.7 per cent for the current financial year—I talked about that in my opening remarks—but it has fallen by 12.7 per cent since 2021.

In the discussions with the UK Government after leaving the EU, we were meant to discuss how future allocations would work. However, despite continually raising that with the UK Government, those conversations have never taken place.

Rachael Hamilton: Convener, would it be okay if I asked the cabinet secretary to give detail about the £62 million to replace the funding from the European maritime and fisheries fund? Cabinet secretary, I presume that you are using the amount of money that you should have got from the EMF in your calculations. However, as we know, after we left the European Union, that funding increased, and it was the increased amount, rather than what we received before, that was used in the calculations. It would be really useful for the committee to receive the calculations that you used to come to that figure.

Mairi Gougeon: I would be happy to provide that to the committee.

Rachael Hamilton: Great.

Jim Fairlie (Perthshire South and Kinross-shire) (SNP): Good morning, team. In the emergency budget review from Mr Swinney, we heard that savings of more £60 million will be made from the RAINE budget, including £33 million from rural support. We all know the problems and we know that there is a cost of living crisis. To be fair, the Scottish Government has given early payment through the less favoured area support scheme to help the rural communities get funding into their system. Can you tell us what is happening with the £33 million ring-fenced funding and whether and when it will come back into the RAINE budget?

Mairi Gougeon: Yes. As I outlined to the committee when I appeared previously, over £60 million worth of savings from the portfolio had gone forward at that time. The biggest part of that was the convergence funding. I outlined that in the letter that I sent to the committee about the budget as well. The £33 million was funding that we received unexpectedly, so we had not budgeted for that. That is part of the ring-fenced funding that we receive, so it has to come back to the portfolio in future years. It has not been returned for the 2023-24 financial year, but I will be discussing further with the Deputy First Minister when that money will be returned to the portfolio. It will be returned not for the coming financial year but in future years.

The Convener: We will now move on to agriculture funding and reforms.

Jenni Minto (Argyll and Bute) (SNP): Thank you, cabinet secretary, for coming along today. As you pointed out in your opening statement, and as other colleagues have mentioned, the Scottish budget is under huge pressure because of Brexit,

the cost of living and increased inflation, and that is impacting on how you can support fragile communities. A lot of farmers in Argyll and Bute speak to me about how that is impacting on their businesses, whether that is through increases in fuel charges for transportation, fertiliser costs and feed costs or through increases in other operating costs. Will you expand on the response that you gave to my colleague Alasdair Allan about how the Scottish Government is working with farmers and crofters to support them in this situation? Perhaps you can give examples of how the rural affairs and islands budget is doing that as business costs increase.

Mairi Gougeon: Absolutely. As I have said, we are trying to provide as much clarity, certainty and stability as possible, recognising the turbulence and challenges that businesses are facing. We know that those pressures are acute in our agriculture sector, for all the reasons that we have talked about. We have brought forward payments—we have made them at their earliest-ever stage—to help with cash flow, which we know has been an issue. We will continue to provide that stability over the coming financial year.

I have talked about the funding that we have already paid out through the basic payment scheme for greening. More than £424 million has been allocated towards that. The £65.5 million that we are getting out the door in LFASS payments has also been mentioned.

Let us look at the coming financial year and the budgets that we have in place. You touched on crofting. It is really important to mention some of the schemes that we continue to fund and look at. Our cash injections will help those communities. We have the croft house grant scheme and the crofting agricultural grant scheme. We have also provided extra funding to the Crofting Commission to deal with some of the particular crofting issues that we are aware of.

That is how we intend to provide support, and as much stability and clarity as we can, at a really challenging time.

Jenni Minto: Thank you for that. Transformation is key. I have had a few conversations with the Nature Friendly Farming Network about what it is doing, which includes finding new ways of operating and providing support. There is an article in *The Guardian* today about woodland crofting and how people are looking at new ways of working.

I am interested in hearing how you are working with organisations such as the network and with, for example, Quality Meat Scotland on its monitor farm programme. One of those monitor farms is on Islay.

So, I am interested in your thoughts on how the Scottish Government, given the budget constraints, can look at transformation, with people changing the way in which they work, and how that might be spread across the country.

Mairi Gougeon: First of all, thank you for raising the monitor farm programme, which I neglected to mention in my response. I was really excited to announce that initiative. Funding of £1.4 million will be provided for the programme over the next few years. We know that the programme works in terms of engagement, and that it encourages the sharing of knowledge and expertise. Undertaking a second round of the programme is really important.

Of course, we have done that with agri-tourism as well. Again, it is really important to see that really exciting part of the sector continue to grow and develop.

We continue to invest through schemes. We are funding the monitor farm programme through the knowledge transfer and innovation fund. We are investing £36 million in the agri-environment climate scheme over the coming year. I have mentioned other schemes, too.

You mentioned the Nature Friendly Farming Network, with which I have had quite a lot of engagement. It is a fantastic network. I have regular engagement with our key stakeholders. We also have an agriculture, biodiversity and climate change network, which we are encouraging people to get involved with, to share the knowledge and expertise that we have.

In my opening statement, I said that one of the priorities is the transformation to net zero and becoming a net zero economy. We know that we have to fund that and that we need to help with that transition where we can. That is why we have provided funding across those various schemes—to continue with that work, to invest in it, to drive the change that we want to see and, ultimately, to deliver on our vision for agriculture, too.

The Convener: Jim Fairlie has a supplementary question.

Jim Fairlie: Will you give us a wee update on the crofting agricultural grant scheme and how that is helping?

Mairi Gougeon: Yes. I am sure that George Burgess can jump in to provide the overall figures for that scheme and for the croft house grant scheme.

That is vital funding. We want to see the continuing development of crofting and to do what we can in that area. We know that there are particular challenges with crofting in some of the more remote and rural parts of Scotland. That is why, through the various schemes that we have,

we are funding things that will increase energy efficiency for example, and it is why we are looking at home improvements. We are really trying to do what we can to help crofters through those schemes.

I do not know whether there is anything that you want to add to that, George.

George Burgess (Scottish Government): The cabinet secretary has pretty much covered it. In the past, we have covered the development of croft houses, but the new croft house grant scheme will have a specific element on energy efficiency, because many croft houses are not the most energy efficient. That will be a direct way of helping crofters to save money.

I go back to the earlier point about direct help for farmers. An important part of our programme is the provision of soil testing. That is an example of where we are helping farmers to understand the specific state and needs of their soils. That, in turn, can reduce the amount of inorganic fertiliser that they require to apply. The cheapest fertiliser is the fertiliser that you do not have to buy in the first place.

The Convener: Alasdair Allan would like to ask a supplementary question.

Alasdair Allan: On crofting, do you have to hand the figure of how many crofters have been assisted by the CAGS in the past year?

George Burgess: We have about 900 applications each year, which gives you a sense of the number.

Alasdair Allan: Thank you.

Rachael Hamilton: My first question, quite simply, is this: why has the agricultural transformation fund been reduced from £45 million to £5 million?

Mairi Gougeon: When you look at what we are doing in relation to agricultural transformation, you will see an increase in this year's budget in comparison to last year's. When you look at the overall climate change-related spend and what we are investing over this year, you will see that it is up £90 million on what we invested over the previous year. That covers the investment between our sustainable agricultural capital grant scheme and the agri-environment climate scheme.

Rachael Hamilton: Why is that not shown in the budget? Why continue with the agricultural transformation fund if you are rolling that into those other schemes? I do not understand your explanation. Are you saying that one has been replaced by another?

Mairi Gougeon: No. I would be happy to provide a further breakdown of those figures. I am not rolling one thing into another. We have the

sustainable agricultural grant scheme. The amount that we have put forward for that capital fund for the coming financial year is £5 million. The budget for the current financial year is £5 million as well. Over the past year, the focus of that fund has been spend on slurry spreading equipment and slurry store covers.

We have budgeted £5 million for the coming financial year, but we will, of course, provide more details when the fund and the scheme launches.

09:30

Rachael Hamilton: I know that NFU Scotland is really disappointed, particularly in relation to the use of the agri-environment climate scheme, because farmers are doing their best to comply with the slurry storage regulations and to meet the rules around that. However, do you not think that, unless the Scottish Government's budget reflects the requirements, farmers will not be able to keep pace with those requirements?

Mairi Gougeon: I absolutely agree. To be honest, if I could put a lot more into that capital scheme, I would. However, I have outlined in my previous responses the challenges with regard to our capital budget. We have not seen the replacement funding come through, which has made things particularly challenging.

The first round of the sustainable agricultural capital grant scheme was very popular. However, as we received reduced capital allocations, we had to target that scheme where we thought that we would have the most effect, which is why we focused it on those elements, in particular, and why we are looking to fund those pieces of equipment that we know will have the biggest impact.

Of course, I would always welcome more funding and a bigger capital allocation, because we would then be able to do more. As it stands, with the budget that I have, and in relation to capital, we have to use and target that in the best way that we can.

Rachael Hamilton: I appreciate the difficulties that the Government might have in targeting support, but what assessment has been made of the need for specific support to those who are finding it difficult to access funds? How will the Government achieve what it wants to achieve if it cannot give targeted support to the very different types of farmers across Scotland? How will your goals be achieved if you do not allocate money to them?

Mairi Gougeon: Our focus is on the capital grant scheme, but, as you mentioned, not all businesses are the same, which is why our other funds are really important. Businesses vary across

Scotland, so the support that we offer needs to be flexible in response to that.

That particular fund had to be targeted for the reasons that I have outlined. The other schemes that we have are really important in enabling transformation and allowing people to take part in that, as you have outlined.

AECS is an example of that. As I mentioned, we have £36 million for that for the coming financial year. Through those funds and through our work on the national test programme, we are encouraging people to take part in soil testing, as George Burgess outlined, and to undertake carbon audits. We are looking to incentivise people to undertake those practices as much as we possibly can and to fund that where we can. However, AECS is one scheme that we have to target where we think that it will have the biggest effect.

Rachael Hamilton: Okay. I am not really satisfied with that answer, because the Government should look at doing things differently in a way that is flexible. You are using all the right words, and I think that you understand the problems, cabinet secretary, but my assessment is that it would be better to look at a new way of achieving the Government's goals, particularly on carbon audits.

I am sure that other members of the committee will be asking questions around that, because of the low uptake. We want farmers to have a system that is easy to access and that allows them to support our ambitions to meet net zero and environmental targets. I do not think that we are there right now.

Mairi Gougeon: I absolutely agree with you. We want to make it as easy as possible for people to take part and to be part of that transformation.

You touched on—other members might want to come in on this—carbon audits and the low uptake. We are really disappointed by the low uptake of the scheme so far, but that is why the work that we have been undertaking with the agriculture reform implementation oversight board—ARIOB—has been important in helping us to design schemes that are easy to access and offer the right incentives. I believe that we have provided that through the scheme, even though the uptake through it has not been what we would want to see.

This is the first year of the scheme's operation. The committee might have suggestions as to how we can better communicate things. We have done our best to work with the various organisations and stakeholders to get the message out as far as possible to explain what help and support is available. I am happy to take any suggestions on how that could be improved.

Ultimately, the co-development and co-design process that we are working through for future policy is to help us get over some of the hurdles. We do not want to put up barriers and we do not want to make the transformation and some of the changes that we need to see difficult for our farmers and crofters. We want to make it as easy as possible, and that is what we are trying to do through the schemes.

The Convener: I will bring in Ariane Burgess to carry on that theme, unless Jenni Minto's supplementary question is to do with testing. Is it, Jenni?

Jenni Minto: Not specifically. I can supplement Ariane's question. Thank you.

Ariane Burgess (Highlands and Islands) (Green): I want to pick up on the national test programme. We are interested in hearing what the funding for that will buy in 2023-24 but also what you anticipate will be spent in 2022-23.

You mentioned soil testing and carbon audits, and you have spoken to my colleague Rachael Hamilton about the low uptake. That is a concern, and it would be interesting to understand what the barriers are. It sounds to me as if part of it is just about getting the word out to farmers and working through ARIOB. However, will the funding in the national test programme cover just soil testing and carbon audits, or is anything else being rolled out?

Mairi Gougeon: The ultimate ambition is to expand the programme. The carbon audits and soil testing were the first part of the programme. We have been looking at animal health and welfare measures that could be added to the programme, and, in coming years, we will be looking to include biodiversity audits. We have received strong feedback from ARIOB about introducing biodiversity audits, but they are not yet ready to be rolled out on a national scale. When we are ready to do so, we will look to include them as part of the programme.

As I said, the uptake has been disappointing, but it is the first year of the programme. When we were budgeting for the scheme, because it is demand led, we did not know how big the uptake would be. Obviously, we want to be better prepared. It is better for us to be in that situation rather than to be in the opposite situation, in which we overspend a fund and are then not able to fund all the claims that we receive as part of that.

All that said, I provided some of the figures in the letter to the committee. The forecast for the first part is £2 million; we expect a lot of claims to come through at the tail end. George Burgess might want to expand on some of the discussions that we have had about the feedback that we are hearing from agents.

The overall picture on carbon audits is that the uptake this year has been really positive. We also fund carbon audits through the Farm Advisory Service. Its budget for that was exhausted last summer because there had been such a high uptake. The fact that we have seen that increase in demand has been really positive, and I think that we will see more follow.

I will hand over to George, who will be able to provide some more information.

George Burgess: I would not want the committee to think that the low uptake is in any way down to the complexity of the scheme. I do not think that anyone could design a simpler scheme. We do not require prior approval. Farmers can get the work done and then claim it retrospectively. It is about as simple as you could make it.

For the first year, farmers had until the end of December to do the work. They then got until the end of February to put in their claim to us. That makes it difficult for us, because we do not know exactly how many tests have been done—we will not know that until the end of the claim period at the end of February. However, we know from our interaction with agricultural advisers, the colleges and others that there was quite a lot of activity at the tail end of last year. In addition, some farmers who might have chosen not to do it in the first year are interested in getting involved this year.

Ariane Burgess: Will you give us a sense of the up-front costs and the effort involved in doing the work? Does soil testing cost a small amount of money?

George Burgess: It is a small amount of money.

Yes, the system that we have means that you do the work, pay for it and claim the money back, but there is no delay in claiming it back. As soon as the claims come in, they will be processed and paid. There has certainly been no suggestion from farmers to us that the problem is about complexity or the fact that they might be out a couple of hundred pounds for a few weeks for the work. I do not think that there is a cost barrier to the work.

Ariane Burgess: Thanks for that clarification.

Cabinet secretary, there is a commitment in the Bute house agreement to at least double our organic land. Where does that fit in? Soil testing and understanding what is in the soil is obviously part of moving towards organics. Where do the funding and support lie for that? Is it a natural fit in the national test programme? Is there scope for participation payments for people to start transitioning to organic production? Does that sit in the national test programme or in another funding pool?

Mairi Gougeon: As I said in my response to Rachael Hamilton, I am happy to write to the committee with more information on each scheme if you would find that helpful.

Ariane Burgess: That would be very helpful.

Mairi Gougeon: I will write to outline where the different supports lie and what each fund does.

That support falls not within the national test programme but within the agri-environment climate scheme that we support. We have £36 million for that in the budget for the coming financial year.

That is not the only work that we are doing on organics. We have funded a post in Scotland Food & Drink to look at organics, and I have been engaging with stakeholders to look at an action plan on organics, because we need to do more work in that space.

The support that is available at the moment is through the agri-environment climate scheme.

Ariane Burgess: George, you mentioned that we test the soil to understand what is in it. One concern for me is about nitrogen, run-off and pollution. Nitrates are a greenhouse gas. In the process of soil testing, are you considering that, talking to farmers and helping them to understand how they can help to limit that contribution to our greenhouse gas emissions?

George Burgess: Absolutely. The testing is just the first stage of the process in order to understand the state of the soil. That will tell you whether you need to add more nitrogen through inorganic fertiliser or other means. The more nitrogen you can keep on the farm, supporting growth, the better, rather than losing it through run-off or to the atmosphere. It is a classic win-win situation—it is better for the farmer, through reduced costs and greater productivity, and it is better for the environment. The understanding that is gained through soil testing is the start and is key to that further work and conversation.

Ariane Burgess: To clarify, after the soil testing, do you follow that up with other work such as planting plants that fix nitrogen in the soil rather than adding nitrogen through chemicals?

George Burgess: That will depend on the individual circumstances of the farm but, yes, absolutely. It is not a case of doing the tests and just sticking the results on the shelf. The same applies to the carbon audit. It is not just done and that is it; the important part is the work that it leads to. We have maintained the support for farm advisory services, which will be able to work with farmers to use the outcome of that testing in the development of their farm business plans.

Mairi Gougeon: Those issues have been really important parts of the discussions. Somebody could tick a box to say that they have done that test but, as George said, what they do with the information that they have is really important. That is where those services will be vital.

Ariane Burgess: Along with seeing the list of all the funds that you have, it would be interesting to know what the next steps are in general—obviously, they are not the same for every farm, because farmers run their businesses differently—on which farmers get feedback once they have had a test or carbon audit.

09:45

The Convener: This discussion is bizarre. George, you talk the talk, and it all sounds very good—you do the soil test and the work after it, and you will save money. That is all good, and it improves biodiversity and helps to tackle climate change. Cabinet secretary, you said that it is not about just ticking a box, but the sad fact is that, up to 12 December, only 12 people had ticked the box. We do not even know whether those 12 people went on to do the wonderful and right things that George Burgess talked about. Given that funding is available for something that is the key to future profitability, future low-impact farming and so on, it seems bizarre that we have had such a massively slow uptake.

You suggested in a letter on the pre-budget scrutiny that the national test programme has been “slow” with a

“mixture of feedback from the sector”.

What is the feedback from the sector? Why is the programme not working? If it is a simple process that results in far better farming, profitability-wise, for the farmer and for climate change and biodiversity, why do we have such a shockingly low uptake? It cannot be about just the lull between people doing the test and claiming, because farmers are not renowned for doing something and not claiming the money back. Where has it all gone wrong?

Mairi Gougeon: I would not say that it has all gone wrong. As I said, we are still waiting for the final figures for that. Of course, I will be happy to keep the committee updated on those. We are keen to get that feedback, too. We have the funding there, and we want as high an uptake as possible and for people to be engaged. We have worked extensively on communications, contacting farmers directly to let them know about—

The Convener: You must have an idea. You said that you had a mixture of feedback from the sector. Where is the sector saying that this has gone wrong? You admit that uptake is way lower

than expected, so what does the feedback tell you is the reason? If it is not about difficulty in accessing the scheme or claiming, or about farmers not recognising the benefits of doing it, where is the problem that you are hearing about from the stakeholders?

Mairi Gougeon: That is what I was coming to. We are getting a variety of feedback, based on some of what George Burgess touched on in his previous response. From what we hear, people are planning to undertake the work but have not done it yet and may do it in the coming year. It is to do with capacity as well—for some, carrying out that work has been an issue.

George, do you want to come in on the feedback that we are receiving?

George Burgess: Certainly. The cabinet secretary is right: the feedback that we have had is that the agents—the businesses that carry out the soil testing and carbon audits—are busy. I do not think that we have had any feedback from the sector that says that the scheme is not working.

Mairi Gougeon: Of course, any of that feedback is important. As I said, this is the first year of the scheme, so there could be lessons that we can learn. I do not think that the problem is the accessibility of the scheme or the ability to claim. It is about trying to identify where the issues are so that, I hope, we can improve for the future years of the programme. Again, we want as many people as possible to be involved and to get on board. It is in our best interests to do that, so we want to work to make that happen.

Jenni Minto: I will briefly touch on what Rachael Hamilton and Ariane Burgess talked about. I appreciate that this does not necessarily fall into your portfolio, cabinet secretary, but, in Kintyre, work is on-going on a pilot that looks at slurry spreading, capacity, growth and the impact of run-off. That is an example of where farmers want to find solutions. As George Burgess said, the cheapest fertiliser is what you do not have to pay for. Farmers want to understand the best use of what they create through their livestock. I just wanted to add that in so that you were across it.

Mairi Gougeon: Thanks very much for highlighting that example. I am happy to take a closer look at that, if you want to contact me about it. That is a shining example, which is really important. I touched on some of the networks that we have. There is so much good work happening across Scotland—I see it all the time when I am visiting farm businesses. We talked about the monitor farms and how important that work is. There are many different networks and examples out there that people can engage with, and I absolutely encourage them to do that. As I said, we are more than happy to learn the lessons from

this year of the programme. Sharing that learning and expertise is vital.

Alasdair Allan: There is £5 million allocated to the agricultural transformation fund. Can you say a bit about what you seek to transform? How do you intend to spend that budget?

Mairi Gougeon: The £5 million budget that has been allocated for that is for the sustainable agriculture capital grant scheme. In the current financial year, we have had £5 million available for that, and it has funded slurry store covers as well as slurry spreading equipment. On the utilisation of that fund, we made over 570 offers of grant and pretty much exhausted the fund, so there has been really strong uptake of that funding. Providing that the budget is agreed, of course, we will look to launch another scheme. We will announce the details of that in due course. Of course, we will be happy to keep the committee updated.

Alasdair Allan: It is helpful to have examples from last year and this year, but can you say a bit more about the fund? The word “transformation” suggests that there is something dramatic that you are looking to change about the way that agriculture is done. Can you say a bit more about the reasoning behind that budget?

Mairi Gougeon: As I said in response to Rachael Hamilton’s questions, we know that there is strong demand, in particular, for capital items, which can make an impact. On what we want to transform, as we have outlined in our vision for agriculture, we want Scotland to be that global leader when it comes to sustainable and regenerative farming. We know that we need to do what we can to lower emissions and enhance biodiversity so, through that fund and through some of the other schemes that we have, including the agri-environment climate scheme, which I talked about, and various other funds, we are looking to encourage the uptake of various practices and to help fund the pieces of equipment that we know can have a big impact on emissions.

Alasdair Allan: My final question is on purchasing equipment. Obviously, the inflationary pressures that we talked about are a disincentive for all farmers to invest. Will the fund adapt this year to cope with that reality? Is it seeking to help farmers in that situation?

Mairi Gougeon: We will, of course, take all those factors into consideration as we develop the scheme and before we launch it. As I said, we will be happy to keep the committee updated with further information on that. That will be a big issue going forward. It would be great to have a bigger capital budget to allow us to invest more in that but, unfortunately, we are in the position that we are in with the capital allocations that we have

received. In the current financial year, we have really tried to target funding where we think it would have the biggest impact on emissions reductions, and we will of course consider those factors as we develop the scheme.

The Convener: Apologies for harking back to the carbon audits and soil testing, but I think that we all agree on how key that is to agriculture moving forward. Given that we are still experiencing a very low uptake, can you come back to us and let us know what your revised expectations are of uptake of soil testing and carbon audits? Given your engagement with industry, can you give us a better idea of where you feel improvements could be made to increase the uptake?

Mairi Gougeon: I am happy to do that. As I said, our forecast spend on that is £2 million, so we expect that uptake to increase. I am happy to come back to the committee with further information.

The Convener: Thank you. I appreciate that.

Ariane Burgess: There is the national test programme, which does carbon audits, but the farm advisory service was doing that as well, and you mentioned that that fund is exhausted. Are you going to continue with the farm advisory service funding of carbon audits, or will you switch to make it all streamlined into the national test programme?

Mairi Gougeon: One good thing about having the national test programme is that, when the funding for that part of the farm advisory service was exhausted, people were directed to the national test programme as a means of having that funding. The farm advisory service contracts for that were due to be up in April of this year, and we have extended those.

We obviously want to work on uptake and ensure that we are not working across each other. Going to the farm advisory service is one route, but we want people to take part in the national test programme. That is what I mean about the number of carbon audits that we have seen. It is positive that the fund has been exhausted, because almost as many audits were done within those few months as were undertaken in the whole of the previous year. That shows that we are heading in a positive direction.

Ariane Burgess: So, you are creating different doors, in a way, for people to go through to get their carbon audit.

Mairi Gougeon: Yes.

Rachael Hamilton: I would like to ask the cabinet secretary and her officials to come back on the issue of slurry storage, because, as we know, the AECS funding that you talked about has

also been cut. Only 2 per cent of that is allocated to slurry storage. We know that farmers have to meet the water regulations and have only four years to transition. In one of those years, you could not make an application for slurry storage. Can the committee have figures for the criteria for future AECS funding? Will it be realistic for farmers, from Orkney to the Borders, to be able to apply for that funding? Will that funding for slurry storage be a higher percentage of the AECS funding?

Mairi Gougeon: Yes, I would be happy to come back to the committee and outline that information.

Rachael Hamilton: Thank you.

Karen Adam (Banffshire and Buchan Coast) (SNP): Good morning, and happy new year to the cabinet secretary and her team. I would like to ask about the food processing, marketing and co-operation grant scheme, which is to be suspended for 2023-24 but will come back in a new form. Can you tell us a bit about that?

Mairi Gougeon: Suspending that fund for the coming year will obviously be disappointing, because it is a well-utilised fund that we run. I know of and have visited a number of businesses that have received funding from the scheme in the past. It provides the vital capital injection that many businesses need to improve their facilities.

We also know that the scheme has not been without its criticisms. One of the key criticisms that I have received about the food processing, marketing and co-operation grant scheme—we touched on this previously—is about the windows for spending the funding. In the current financial year, I announced the outcome of the round in November, and there is then a short window in which the money needs to be spent. Successful applicants have only a very short window in which to spend the funding that they have been awarded. Assessment for the scheme is also quite a long process.

We want to use the coming period to reflect on where improvements can be made to the scheme. I fully intend and hope to bring that scheme back in future years. However, we really want to use this period to reflect on it and see whether there is a way in which we can lengthen the application window to provide more time for the whole process to be run through, to consider questions about whether it is accessible enough for small businesses and to look at the criteria that we use for that fund.

George Burgess: Although there might not be any new allocation in 2023-24, our hope is that we might actually run an application round in 2023-24 for money that would then be available in 2024-25, so that we give applicants more time to prepare high-quality applications, we have more time to

work on those and assess them, and successful applicants then have the full year to make use of the grant, rather than chasing our tail, as we have ended up doing in the past couple of years.

Karen Adam: That is really helpful. Thank you.

Jim Fairlie: I have a quick supplementary question. Have you engaged with people who have used the grant before and got feedback from them on where the shortfalls are? It is a brilliant scheme and needs to be utilised fully, but I have had lots of engagement from people who say that it is too restrictive, there is not enough money in the fund, and they cannot use it. Have you had any engagement with stakeholders who are actually using, or have used, the scheme on how to make it better?

Mairi Gougeon: I certainly hear some of that from businesses that I have engaged with that have been awarded funding. Of the criticisms of the scheme that I have talked about, I know that the period of time involved is a particular issue. George Burgess is probably closer to some of the detail on that, but the coming period is important, because it gives us the chance to reflect on the feedback and look at what changes, if any, need to be made to the scheme to ensure that it is fit for purpose and does what we want it to do.

10:00

George Burgess: In my previous role in food and drink, I chaired the assessment panel that decided on the grants, so I have had quite a bit of involvement in the scheme. One of the challenges is that it was a one-size-fits-all scheme. Essentially, the process and the requirements were the same for applications of all sizes, no matter whether the applicant was looking for £20,000 or £4 million. It was not always the case that the larger applications were the better applications. There were some very high-quality applications from small businesses, so it was not simply a case of having to get an adviser to assist and make sure that you got a good application in.

All of that is the sort of thing that we can look at in the course of the coming year. Do we create a separate channel for the smaller businesses to come forward? Do we create some sort of two-stage process, as some of the other award schemes have whereby people get an in-principle approval before they get their quote? There are a couple of areas such as that that we can look at to make it a better experience, but the feedback that I have had from visiting many of the projects is that the schemes have made a real difference to businesses and to the communities and the supply chains that they are involved in.

The Convener: Has any assessment been made of the impact on some of the businesses

that are trying to trade out of difficult situations such as Covid? We are looking at businesses developing, and it will be over two years before funding is available for the type of business development that we have seen through the scheme before. How many businesses might be adversely impacted by a lack of funding in the next two years and more?

Mairi Gougeon: It might not be as long a period as that. As George Burgess touched on in his response, we could be looking to open an application round so that the funding could be spent at an earlier stage.

The Convener: Is that not in 2025?

Mairi Gougeon: It is in 2024.

The Convener: So, funding will be available in a year's time—or will it be just the application process? When will there actually be money on the table? Will it be in 2024-25 or in 2025-26?

Mairi Gougeon: It will be from April 2024.

The Convener: Okay.

Mairi Gougeon: People will, of course, be disappointed if they are not able to apply to the scheme this year, but I am not able to quantify that, because I do not know how many people were successful in relation to the applications that we saw this year.

George Burgess might have the overall figures for the applications that we received for the fund, if those would be helpful.

The Convener: Yes, they would be.

George Burgess: This is not a precise figure, but the number of successful applications this year was somewhere between 20 and 30—of varying scales—out of around 50 to 60 applications. That will give a sense of the number of businesses involved. If you look at the list of businesses that received funding this year and in previous years, which is published on the Scottish Government website, you will see that a number of businesses have been repeat recipients from the scheme over that time. The number of individual businesses that have benefited is probably slightly smaller than the overall number of applications.

The Convener: Okay. Thank you.

Ariane Burgess: Cabinet secretary, I will continue on the theme of business development and funding for that. You mentioned that the Farm Advisory Service knowledge transfer and innovation fund will continue. We know that because you talked about the monitor farms. I am interested in hearing what else would be supported by that fund.

Mairi Gougeon: Do you mean the knowledge transfer and innovation fund and the types of projects that that has been supporting?

Ariane Burgess: Yes.

Mairi Gougeon: I talked about the monitor farms being one of the key projects. With £1.4 million over the next few years, that is one of the most significant projects that we will fund. I would be happy to come back to the committee with more information on the allocations that we have made in the current financial year and who has been awarded funding. Of course, the Soil Association was awarded funding through that scheme previously. I have visited dairy farms in the south of Scotland where that funding has been utilised as well.

The title of the fund is “knowledge innovation”, and we are at a time when we want to see that come forward. The fund has helped some exciting projects in the past, and the monitor farms are obviously a key part of that. I look forward to seeing what other applications come forward. Again, I am happy to write to the committee with more details of some of the successful projects that have been awarded funding through the scheme so far.

Ariane Burgess: That would be interesting to hear. Also, we would be interested to know whether the small farms grant scheme is going to be continued.

Mairi Gougeon: Yes. We are undertaking a pilot on that scheme at the moment, because it is the only scheme that we have had that is means tested. Some of the feedback that I have had on the fund suggests that it has been challenging for people to apply, and we want to make sure that there is support for small farmers. We are working with the Scottish Agricultural Organisation Society—SAOS—to provide better support for small farms going forward and to utilise the funding in a way that works for them. Again, I am happy to come back to the committee with more information.

Ariane Burgess: When we talk about small farms, what is the smallest amount of land that a farmer can have while still being able to apply for the fund?

Mairi Gougeon: The fund is under development, and we are working on what improvements can be made to it. I cannot remember the exact scheme specifications off the top of my head. George Burgess might have that information to hand. Again, I am happy to provide that information after the meeting. I know that, because of the means testing element and who could apply, it was quite difficult for people to access the fund. Obviously, we want to improve that where we can.

Ariane Burgess: That would be welcome. I have spoken to young farmers, who tend to be on smaller pieces of land, and they have a lot of passion and ideas for innovation but do not have the capacity. They are trying to do the work on the land, but they are finding the application process onerous and feel that they need a degree in grant writing in order to access the funding. It is good to hear that you are assessing that.

Mairi Gougeon: Especially for those small businesses, the scheme that we have open has some of the strictest criteria that exist for such a scheme, which is not fair. Again, that is why we are undertaking work to see what improvements we can make.

Ariane Burgess: It would be welcome to hear how that goes. Thank you.

Alasdair Allan: You might have touched on some of this already, cabinet secretary. Last year, we sought to unpick what “financial transactions” meant in the budget. This year, we might seek to unpick “business development” a bit further. It will be interesting to know whether that budget will cover the Farm Advisory Service, the knowledge transfer and innovation fund and the small farms grant scheme, and whether the support for those areas will be continued to the same level under that heading.

Mairi Gougeon: Yes. The support for those schemes is being maintained. For example, there is £2 million for the knowledge transfer and innovation fund, and the Farm Advisory Service is being funded with £5 million. George Burgess has the budget line where that falls. I am happy to come back with more information on the budget lines for the various funds, as I understand from looking at the table, and given some of the funds that we have discussed today, just how confusing it can be. Some funds translate to a different title in the budget headings as well, which will not be helpful for the committee.

Alasdair Allan: Thank you, cabinet secretary. I did warn that the matter might have been touched on already.

Mairi Gougeon: Yes. No problem.

Jenni Minto: I am not terribly sure that I need to ask my question, given the response that the cabinet secretary has just given to Alasdair Allan. I was specifically going to ask what the financial transactions have been spent on this year and why they have been removed next year.

Mairi Gougeon: I am happy to elaborate on that as well.

The £50 million of financial transactions has been removed this year because that was the loan scheme that we operated. The committee will be aware that we moved to a system of advance

payments for farmers this year, instead of operating a loan scheme, which is far more efficient than what we operated previously. We have also brought forward the payments in that scheme through the Scottish statutory instrument that was introduced in September. We do not have the financial transactions there because we do not need to utilise them.

Rachael Hamilton: Convener, may I ask a question about the food processing, marketing and co-operation grant scheme?

The Convener: Yes, absolutely.

Rachael Hamilton: Cabinet secretary, is the Scottish Government concerned that there will be a lack of investment in the industry because of that scheme's withdrawal? Have you made an assessment of the impact that that will have on the farming, food processing and supply chain sectors? Everybody wants to talk about that, because we want to improve supply chains rather than withdraw investment from them. What is your assessment?

Mairi Gougeon: Obviously, it is disappointing for a lot of people that there will no longer be that fund. It is another area that can be improved and in which the process can be made better for people. The work that we do on that over the coming few months and financial year will be important as we seek to make improvements, building on the feedback that we have received and the various criticisms that were made of that fund.

However, in saying that, I know that the scheme's withdrawal will impact a lot of businesses because that is investment that they may not be able to undertake otherwise. For example, I recently visited the Scottish Shellfish Marketing Group, in Bellshill, which was awarded funding through that scheme to upgrade its freezing facilities. The group is a co-operative for mussel and oyster farmers across Scotland, and such facilities are a huge investment for them, so it is important that they get that funding.

For other businesses, the issue has been energy efficiency. This year, more than any other, given the increased costs that people face, any investment that can be made in energy efficiency will be welcomed, and we want to help with that as much as possible. If businesses are not able to undertake that work, the result will be increased costs, especially given the way in which energy costs are heading. We want to offer support with that, but we need to make sure that we are doing it in the right way and in a way that works for businesses that apply to the scheme. It is important that we take the time to get it right.

Rachael Hamilton: Okay.

Karen Adam: Cabinet secretary, in your opening statement, you touched on the £14 million increase for Marine Scotland. Can you give us more detail on that?

Mairi Gougeon: You are right in saying that there has been a £14 million increase in the budget for Marine Scotland. The committee is, no doubt, aware of the statement that was made yesterday by the Cabinet Secretary for Net Zero, Energy and Transport about the energy strategy in Scotland and our ambitions for offshore renewables. The extra funding will increase the capacity to deal with that through planning and consenting. We also have strong environmental ambitions in relation to the highly protected marine area network that we want to roll out. That will enable us to better deal with the offshore renewable element of that work as well as the environmental considerations.

Karen Adam: It is quite exciting to see how we are progressing this and to have it moving forward. Have there been any challenges along the way in planning for and organising it?

Mairi Gougeon: No doubt, there are many challenges in finding the resource that we need to deal with that, which is why the uplift in funding will be critical. It is a really exciting time, but it is a really challenging time as well—there is no getting around that.

There is the expansion in offshore renewables—I am looking at Rachael Hamilton, because we attended an event with the Scottish Fishermen's Federation, and we have talked about the spatial squeeze. We want to roll out the HPMA network as well. We might think that we have a huge marine resource and asset, but, when all those considerations are factored in, it becomes quite a cluttered landscape. We are trying to manage it as best we can through the work that we are doing on the blue economy vision and the focus that we have put on the outcomes there, as well as in the work that will be taken forward through the national marine plan. That is where the extra resource will be important in helping us to deal with all those issues.

The Convener: Any increase in the budget for subjects that our portfolio covers is to be welcomed, but it looks as though the £14 million is all to create more spatial pressure by putting more into the sea or by restricting fishing. We have heard at previous meetings the concerns about spatial pressure. What hope can you give the fishing industry that its interests will be looked after when offshore renewables, HPMA's and increased aquaculture seem to be the headlines when it comes to the £14 million budget? What is there in it for the fishing industry?

10:15

Mairi Gougeon: As the fisheries minister, I am acutely aware of the issues that the industry faces and I have touched on them in my previous responses. I will continue to highlight the support that we have available, which will continue. The marine fund Scotland is an example of that support. I also touched on the work that we are taking forward on the blue economy and the outcomes that we will see from that. The food that our fishers provide is vital, and we want to continue to make the most of it.

It is also important to remind the committee of the economic link that has been introduced, because we want to see the value from what is caught in Scotland being landed into Scotland. We touched on offshore renewables and the HPMA network, but I would not want the committee to take from that that fisheries are not equally important in the discussions. They are, and it is my role to ensure that they remain as such.

Beatrice Wishart (Shetland Islands) (LD): Convener, you have probably asked some of the questions that I was going to ask.

The cabinet secretary will be aware that I have already raised concerns about the resourcing of Marine Scotland and its ability to cope with its increasing responsibilities. What assessment has Marine Scotland made of its operational capability to ensure compliance with the anticipated expansion of marine environment protection?

The cabinet secretary will also be aware of the fishing community's concerns that Marine Scotland enforcement targets the UK fishing fleet over other vessels in Scottish waters. How much of the £14 million budget is to be spent on enforcement in Scottish waters?

Mairi Gougeon: I will ask Iain Wallace to come in with more information on that. I know that Marine Scotland is working on its delivery plan for the coming year at the moment, so I will be able to provide more information after the meeting.

The enforcement capability that you are talking about is vital. The committee will, no doubt, be aware of the vessels and enforcement capabilities that we have. We have two aeroplanes, three marine protection vessels and two science vessels. In the current financial year, we have invested in two rigid inflatable boats, which cost in the region of £250,000. We are continuing to invest in that capability.

Even if we were to increase that resource, however, there is no way in which we could patrol or police the marine environment along the whole coastline of Scotland, because of its sheer scale. I provided the committee with information previously on how we undertake enforcement. We use a risk-

based system that is based on the intelligence that we receive, and that dictates how we task those vessels and where they go.

I hope that that provides a bit more information. I think that we have also moved to a system of proactively publishing the information on what we are doing on compliance, vessel boardings and things like that.

I will hand over to Iain, who might be able to provide some more information.

Iain Wallace (Scottish Government): As the cabinet secretary said, we are on track to meet our statutory obligations for this year's marine operations. She has provided some detail to the committee on that. We are conscious of the ongoing changes, with HPMAs and marine protected areas coming in, and that is why we look to review things continually. At the moment, we are in the process of reviewing our operations across what will be that changed environment. As the cabinet secretary said, we are already taking steps, through the purchase of the two new RIBs, to bolster our inshore capability and to prepare for the new fisheries management measures and the HPMAs.

Beatrice Wishart: Staying with enforcement, how much of the £14 million budget will you be able to use to target issues such as marine litter?

Iain Wallace: We are in the process of finalising our annual delivery plan. We can follow up with you on the detail of the exact spend.

Beatrice Wishart: Thank you.

Ariane Burgess: I am heartened to hear about the two RIBs to bolster inshore protection.

I have read in detail about the data and intelligence that are used, but I would be interested in understanding more fully what you mean by a "risk-based system" or approach. Obviously, it is based on intelligence, but one concern that I hear from stakeholders and coastal communities is that, if an MPA is encroached on, the damage is done.

You talked about the blue economy. We have a greater understanding that blue carbon is part of protecting our blue economy, but it seems to me that, at the moment, we do not have that. You said that we could not patrol all of our coastal waters all of the time, but I have a concern that encroachment can happen and that damage can be done very quickly, and the speed with which Marine Scotland's enforcement and protection vessels arrive means that they are too late to stop something happening. What is your thinking in relation to the long term, especially when we are talking about highly protected marine areas, which invite a change of behaviour and a change of understanding?

These conversations are all about the long-term protection of the fisheries that you support in your role as fisheries minister. We are trying to protect inshore waters so that we have fisheries for the future. Enforcement seems to play a really important role in that, and I do not think that we have the capacity to do that properly yet, so I would like to understand more about the risk-based system.

Mairi Gougeon: Absolutely. One of the key elements that will make a difference and will really help us relates to the roll-out of remote electronic monitoring. The committee will, no doubt, be aware of our consultation on that. We are still going through the responses, and we will publish the outcome of that consultation and our response to it in due course. We talked about the roll-out of remote electronic monitoring and the roll-out of the vessel monitoring system, which we want to see across all vessels by the end of this parliamentary term. I will keep the committee updated on that as we publish that information. That extra intelligence is critical.

I do not know whether Iain Wallace wants to touch a bit more on the risk-based system. We can receive thousands of reports in a year about particular areas. From my experience of some of the cases that I am contacted about, people might see a vessel in an MPA, but that does not always indicate that illegal activity is taking place—it depends on the protections that are in place in that MPA. Sometimes, we receive reports, but what is happening on the ground can be different. Of course, there are occasions when that is most definitely not the case. I imagine that, if particular areas are at risk, that is where the marine protection vessels will be tasked with patrolling. We also have aerial surveillance, which helps with some of that.

I do not know whether Iain Wallace wants to go into any further detail or to expand on that.

Iain Wallace: We continue to look to improve the risk-based system. We made improvements to our reporting mechanisms this year so that we can get better information from the public. That enables us to target our operational capability. As the cabinet secretary mentioned, the aerial assets play a key role, particularly in relation to MPAs, because the vessels that we can deploy are restricted in how quickly they can get to a certain area, so the aerial assets enable us to gather evidence.

There will be other technologies as we move forward, and I mentioned that we are reviewing our future operational model, because it needs to continue to evolve. REM will play a big part in that as we move forward, and we can, I hope, start to utilise other technologies in relation to the HPMAs

and MPAs. As I said, it is a process of continually building and improving our operational capability.

We have challenges. The area that we need to cover is vast, so getting our response times quicker is key. If we have good intelligence, it leads us to areas of high risk and enables us to be in those areas and on patrol. We mentioned that there are two new RIBs, and a big feature of them is the capability and speed with which they can move inshore, which we did not have previously.

Ariane Burgess: Will those RIBs be based in particular ports?

Iain Wallace: No. In the past year, we have deployed them to areas of risk, so they have been on the east coast and on the west coast. We have the flexibility to move them, depending on the risk. That is key to our operational capability: we need to be flexible and agile so that we can react to things quickly.

Ariane Burgess: You mentioned other technologies. You talked about the roll-out of REM, but is there any other technology that you could use in the light of the introduction of HPAs and MPAs?

Iain Wallace: At this stage, we are exploring what others are doing in the marine environment in order to see what is possible and what we could use. I am happy to provide more information on that once we have concluded that work.

Ariane Burgess: Thank you.

Karen Adam: How much of your data collection and evidence-based intelligence feeds into the operations? For example, the cabinet secretary said that people might be in those areas and that that data might be collected and reported as a breach, but that might not necessarily be the case.

Iain Wallace: As the cabinet secretary mentioned, we receive about 2,500 intelligence reports a year. A lot of those do not come from the public; they come from our officers and what we spot from our vessels and our coastal offices. Our intelligence team analyses the reports weekly, so it will rank and prioritise based on the strength of the information that we have. One report would not necessarily mean that that would be a high priority in our tasking. However, we review our tasking weekly and redeploy on the basis of that. It is constantly reviewed and updated. It is about the triangulation of the different information that comes in and the strength of that information and evidence. I am happy to provide more detail on some of the information that we get, in order to give you a sense of it.

Karen Adam: It is quite interesting to make a link between the data that is collected and the budget setting. It is all intertwined.

Iain Wallace: Yes.

Beatrice Wishart: How can the marine fund Scotland be used to help businesses to adapt to increasing costs? Can you give any examples?

Mairi Gougeon: Absolutely. I am happy to give some examples of that. I touched on one of the businesses that I visited in relation to some of the improvements that it has been making in its processing capabilities. The fund is being used for a wide variety of things. Some projects that have been taken forward have involved innovation and specific developments in aquaculture. The business that I visited in relation to the scheme was working on increasing its freezing capacity at the facility. I know that, after applying for funding, some fish processing businesses have been awarded funding for pieces of filleting equipment to make their businesses more efficient. Businesses have also applied for and been awarded funding for energy efficiency measures, which will have a huge impact, particularly in this climate.

Beatrice Wishart: Thank you.

Jenni Minto: I want to expand on Beatrice Wishart's question. Prior to the Christmas recess, in the debate in the chamber on fishing, I mentioned that the Clyde Fishermen's Trust has prepared a vision for the Clyde fishery, which includes a number of proposals, some of which relate to harbour infrastructure, modernising vessels to make them more carbon efficient and more localised fish processing. I would like to hear your thoughts on that. Do you have any specific examples, further to the ones that you have given Ms Wishart?

Mairi Gougeon: Again, I would be happy to come back to the committee and provide the list of projects and successful applicants to the fund this year, if that would be helpful. Some changes were made to the marine fund Scotland. It is the second year in which we have run it, and it is always interesting to get feedback. If you hear anything in relation to further adaptations that we need to make to the scheme, I am more than happy to consider that feedback. We obviously want to make sure that the scheme aligns with our blue economy vision and our ambitions in that regard. We funded 60 projects this year with a budget of £14.5 million, and that levered in about an extra £39 million as a result. That is a huge amount.

In December, I met the Clyde Fishermen's Trust to discuss the vision document that you talked about. I am looking at that at the moment, and I want to go through it in more detail. I am keen to work with the trust.

I am happy to come back and provide the specifics on what has been funded through the scheme so far. I am also happy to take any

suggestions as to how the scheme can be improved for future years.

Jenni Minto: Thank you.

The Convener: Before we move on to the final theme, I have a question. The budget cut of more than £60 million that was announced in the autumn included a cut of £2.2 million to Marine Scotland through savings from enhanced recruitment controls and forecast changes in research programmes. Can you tell us what that means in practice on the ground?

10:30

Mairi Gougeon: I am happy to come back to you with more detail on that. There are other figures in that table. The figure of £33 million relates to the convergence, and a figure of about £30 million relates to Marine Scotland and the agriculture and rural economy directorate. There was a mixture of recruitment control across the portfolio.

I do not know whether Iain Wallace can provide more information on the figure for Marine Scotland.

Iain Wallace: I am happy to follow up and provide more detail on that, but I do not have anything to hand.

The Convener: I am talking specifically about the cut of £2.2 million to Marine Scotland for recruitment and research programmes. It would be good to find out what that means in practice.

Cabinet secretary, we realise that we are at our time limit, but, with your agreement, we will move to our final theme.

Mairi Gougeon: Yes.

The Convener: We will now look at supporting islands.

Alasdair Allan: Will you say something about how the budget deals with some of the big questions that island communities are facing? We have often talked about the need for employment opportunities in the islands. Clearly, that need is still there but, in a way, the biggest issue that the islands are currently facing is the labour shortage, which connects to other areas of policy such as housing. What does the budget do to try to address those problems?

Mairi Gougeon: I make the point at the outset that, as you say, the spend cuts across other portfolio areas. The islands spend in my portfolio is not exclusive; it is not all the islands funding that exists. There is spend in other portfolios as well.

I appeared before the committee just before the summer last year to give evidence on the national islands plan, which sets out our strategic

objectives, and we are taking forward work against each of them. You mentioned the particular challenge of employment. With Highlands and Islands Enterprise and Skills Development Scotland, we have provided £250,000 of funding for a project that is looking at employment and retention on islands. We have also funded a post at the University of the Highlands and Islands to look at how it can strengthen its connections with key island partners.

There is that specific funding but, again, I am more than happy to come back to the committee with further information, particularly looking across portfolios to some of the other spend.

Alasdair Allan: Thank you. You mentioned that your portfolio does not contain everything that is happening in Government support for the islands, and you have alluded to trying to work across traditional barriers or silos in Government. I think that everyone acknowledges that plenty of money is going in, but there is a need to ensure that we overcome what has perhaps happened at a local level in the past, with houses being built in an area where a school has just been closed, or houses not being built in an area where a school is in danger of closing. We have had all those interconnected problems.

What can be done in Government, not just nationally but locally, to overcome those silos and ensure that people work together more closely in order to get past such problems, which affect the supply of labour?

Mairi Gougeon: I will bring in Erica Clarkson, who may wish to provide more detail, but the islands team and its work have been pivotal in efforts to overcome the problem of silo operations and ensure that we have coherent, joined-up thinking across Government. An example is that we are developing a remote and rural and islands housing action plan, and I know that islands officials have been engaged with housing teams. We want to make sure that we are working with communities so that we do not experience the type of problems that you mention. Erica Clarkson can expand on that.

Erica Clarkson (Scottish Government): We collaborate closely with our local authority partners through forums such as the islands strategic group. We also have a senior officers group that consists of Scottish Government officials in the islands team and our colleagues in local authorities. Through that group, we are able to inform agendas for the islands strategic group that are based on local priorities. That is a great way of ensuring good collaboration.

We also have a national islands plan delivery group that has a wide membership of organisations that have an interest in delivery of

the national islands plan. We work across Scottish Government teams to try to break down the silos that Dr Allan described around particular areas such as depopulation. We are supporting the development of the rural and islands housing action plan, and my team is leading on the rural and islands part of the depopulation action plan. Lots of collaboration is going on across the Scottish Government and our local authority areas.

In the islands team, we each have responsibility for an individual local authority area. For example, we have somebody who looks after Orkney and somebody who looks after Shetland. That allows us to form really deep relationships with those local authority areas, which helps to inform our work.

The Convener: This might be a little off script but, on the subject of rural and island housing, we have a mandate from the Government to ensure that all buildings are energy efficient by 2025. About 170,000 homes in Scotland are off the gas grid, of which probably 40,000 are not suitable for the installation of air-source pumps and things. That might lead to a situation where people in islands in particular face bills of about £30,000 to install heat pumps or whatever.

Have you done any work to look at the impact on rural housing, and specifically island housing, given the three-year target to have houses at the highest efficiency levels? Have you made any bids for further funding to your portfolio to address that?

Mairi Gougeon: If there was to be further funding for the energy efficiency of homes, it would probably not fall to my portfolio. However, I am happy to follow that up with my Government colleagues and ask them to write to you with further information.

We are looking at the strategic objectives in the islands plan and ensuring that the annual reports that we produce contain actions against each of them. We need to ensure that we are dealing with the issues that are of the greatest importance to our island communities and tackling the problems that they face. Looking at some of these issues will, no doubt, form part of that.

Jenni Minto: I am interested in hearing a bit more about how the budget helps island communities and residents with the increasing cost of living. I note that you announced a £1.4 million budget for that. Will you give some examples of where that money is being spent and how you expect it to be spent?

Mairi Gougeon: I am happy to do that. The cost crisis is affecting everybody across Scotland, but it is particularly acute for people who live on our islands. That was brought into sharp focus by the

figures that some of the local authorities have produced. Beatrice Wishart will know this better than me and will correct me if I am wrong, but I think that the work that was done in Shetland showed that people would need to earn about £104,000 a year to not be in fuel poverty. That is shocking.

We knew that we had to do something over and above to address the particular issues that our island communities face, which is why we introduced the islands emergency fund. We have provided £1.4 million through that. It is being distributed on a 100 per cent population basis, as determined by the Convention of Scottish Local Authorities. We wanted to make sure that the fund could be accessed as easily as possible, so we tried to minimise the criteria that need to be met when people apply for it. We want to make sure that it gets to where it needs to go and that it gets out the door as quickly as possible. Working with local authorities has been a key part of that.

An example is that, in the Shetland islands, that funding is being used to provide breakfasts to 14,000 children and young people. The plan is to run that until March. Again, I am happy to come back to the committee with more information on how the funding is being used by other local authorities if you would find that helpful.

Jenni Minto: That would be helpful, cabinet secretary. Thank you. The fact that local authorities have been given the easiest mechanism to get the funding out shows that there has been learning from the Covid pandemic.

I am interested to know how you are using North Ayrshire's local islands plan, which has been given some support and has, I believe, been successful. I think that it is a 10-year plan. How is that approach being rolled out or proposed to other councils—for example, Argyll and Bute Council and Highland Council—that cover a mixture of the mainland and islands?

Mairi Gougeon: The feedback that we have had from that has been really positive. We obviously want to take any learning from that example and share it as best we can. Officials are looking at that work and at how we can share good practice with other authorities that, as you say, cover a mixture of the mainland and islands—Argyll and Bute Council and Highland Council, in particular. We are actively looking at that.

Jenni Minto: That is great. Referring back to the convener's question, can you give us an update on carbon-neutral islands?

Mairi Gougeon: Yes. I will update Parliament and provide more information on that next week. However, we have £3 million allocated for that in the budget this year. The work has been progressing well. There are initial steps that we

have to get in place. First, we will look at carbon audits, and we want the climate action plans to be produced on the back of that.

It is central to all the work on carbon-neutral islands that this is not something that we are foisting on communities. We very much want it to be community based, so we are working with communities on each of the six islands. I will be happy to provide more information on that when I update Parliament next week.

Beatrice Wishart: Before I ask my question, I make the point that, without good connectivity, transport and digital links, our islands will not thrive. That is my slight rant over.

Cabinet secretary, can you explain why the Scottish Government has decided to reduce the capital element of the islands programme budget in real terms, given the impact of inflation on island capital projects? That is funding for which island local authorities will bid in the next round of the islands programme.

Mairi Gougeon: First, I absolutely appreciate and understand what you say about connectivity and so on. The spend across other portfolios on things such as transport and housing is vital to that. We need to make sure that we are tackling those issues, and the national islands plan really brings all of that together to see how we can tackle them as a whole. There is no easy solution to any of this, so we have to work across the piece on it.

Your main question was about—

Beatrice Wishart: It was about the islands programme.

Mairi Gougeon: Yes—the islands programme, in particular, and the capital allocation. As I have said to the committee previously and throughout the session today, the capital budget is extremely constrained. As I said in response to Dr Allan's question, the allocation for the islands programme is not the only capital funding that will go to our islands this year. We have the islands growth deal as well. The heads of terms for that were signed towards the start of 2021, and it will see £50 million from the Scottish Government and £50 million from the UK Government go towards capital funding for our islands. It is important to bear in mind that that will come forward over the next few years.

Given the restrictions that I face in the capital budget, it is really a question of trying to utilise that as best we can. What we have tried to do—and what we are trying to do for the coming year—is to make improvements to that programme, particularly based on the feedback and the evidence that the committee has heard. I outlined some of the changes that have been made in the letter that I sent to the committee.

Ariane Burgess: Cabinet secretary, you spoke at the beginning about the fact that you will be working on multiyear funding allocations for the islands programme. We are interested in hearing a bit about how you will go about that. In a previous session on islands during our pre-budget scrutiny, there was concern that communities and organisations had applied for the funding but missed out. I would love to hear a bit more about how you are ensuring that there will be that multiyear funding.

10:45

Mairi Gougeon: Absolutely. I suppose that you are asking how we can develop a project pipeline. I know how challenging it has been, particularly given the feedback that the committee received in previous evidence sessions.

Ultimately, we will not be able to run a multi-annual fund, because we only get the annual allocations. What we are working to do, as I have said in relation to some other schemes, is to provide certainty and as much clarity as we can about what is coming. Some of the improvements that we have planned for the islands programme should help with that. We are actively looking to see how we can do that over the coming years.

We are engaging in that work with the Scottish Futures Trust. I think that the committee received a lot of positive feedback about that engagement, given the SFT's expertise. We are working with councils where projects have not been successful previously. That on-going work and development will be key going forward. Ultimately, as I said, it will be an annual allocation, but we want to try to provide as much certainty as we can.

Ariane Burgess: In what way do you go about providing that certainty?

Mairi Gougeon: I say again that it is really difficult. The budget is an annual process, so we do not have that certainty until the budget is passed and we receive the annual allocation. What we have seen through the resource spending review and the capital spending review is the overall funding envelopes that we might hope to receive over the period, which give an indication as to what allocations we might look to have.

We have been through a couple of iterations of the islands programme. I hope that, with the changes that we are proposing for this year, we will get the balance right in how the scheme runs and we will see that continue, which will help to resolve some of the issues.

The Convener: That concludes our list of questions. Cabinet secretary, you have committed to come back to us on quite a number of areas.

Some more detail would be welcome, including a timescale for the £61 million to potentially come back into the portfolio. I believe that a conveners debate on the budget is scheduled for 26 January. A response to the committee before then would be most helpful to inform our contribution to that debate.

I thank you and your officials for your contributions.

Meeting closed at 10:47.

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