OFFICIAL REPORT
AITHISG OIFIGEIL

Rural Affairs and Islands Committee

Wednesday 21 January 2026

Session 6

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RURAL AFFAIRS AND ISLANDS COMMITTEE
3rd Meeting 2026, Session 6

CONVENER

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

DEPUTY CONVENER

*Beatrice Wishart (Shetland Islands) (LD)

COMMITTEE MEMBERS

*Alasdair Allan (Na h-Eileanan an Iar) (SNP)
*Ariane Burgess (Highlands and Islands) (Green)
*Tim Eagle (Highlands and Islands) (Con)
*Rhoda Grant (Highlands and Islands) (Lab)
*Emma Harper (South Scotland) (SNP)
*Emma Roddick (Highlands and Islands) (SNP)
*Evelyn Tweed (Stirling) (SNP)

*attended

THE FOLLOWING ALSO PARTICIPATED:

George Burgess (Scottish Government)
Brendan Callaghan (Scottish Forestry)
Jim Fairlie (Minister for Agriculture and Connectivity)
Mairi Gougeon (Cabinet Secretary for Rural Affairs, Land Reform and Islands)
Eilidh Wallace (Scottish Government)
Iain Wallace (Scottish Government)

CLERK TO THE COMMITTEE

Emma Johnston

LOCATION

The Mary Fairfax Somerville Room (CR2)

Scottish Parliament

Rural Affairs and Islands Committee

Wednesday 21 January 2026

[The Convener opened the meeting at 09:02]

Decision on Taking Business in Private

The Convener (Finlay Carson): Good morning, and welcome to the third meeting in 2026 of the Rural Affairs and Islands Committee. Please ensure that all electronic devices are switched to silent mode.

The first item on the agenda is consideration of whether to take item 5 in private. Do we agree to do that?

Members *indicated agreement*.

Budget Scrutiny 2026-27

09:02

The Convener: Our next item is an evidence session on the Scottish budget for 2026-27. I welcome Mairi Gougeon, the Cabinet Secretary for Rural Affairs, Land Reform and Islands, and her supporting officials: George Burgess, director of agriculture and rural economy; Brendan Callaghan, interim chief executive, Scottish Forestry; Karen Morley, head of agriculture and rural economy finance; and Iain Wallace, interim director of marine. We have allocated around two hours for the session and, as always, have quite a few questions to get through, so I ask for succinct questions and answers. I invite the cabinet secretary to make an opening statement.

The Cabinet Secretary for Rural Affairs, Land Reform and Islands (Mairi Gougeon): I will certainly try my best on that front.

I thank the committee for inviting me to provide evidence on the 2026-27 budget and the allocations that have been made to my portfolio. Of course, the draft budget was published last Tuesday and is focused on a sustainable and impactful programme that will deliver for the people of Scotland.

The Scottish Government continues to face significant pressures, including a constrained funding settlement from the United Kingdom spending review, rising costs across public services and demographic trends that increase demand for health and social care. Following the UK autumn budget, resource funding is expected to grow by only an average of 1.1 per cent in real terms each year across the forecast period. For capital funding, the position is even more challenging. Scotland's capital block grant is due to reduce in real terms by 0.3 per cent in each year to 2029-30. Nevertheless, this budget and the Scottish spending review protect and build on the substantial investments that the Government has already delivered.

Rural affairs, land reform and islands remains a strategic priority for the Government, and the budget will invest more than £1.1 billion across the portfolio in 2026-27. We will continue to provide Scotland's farmers, crofters and land managers with the most generous package of direct support in the UK, investing more than £660 million in support for agriculture. We are continuing to invest in our livestock sector through the voluntary coupled support scheme and less favoured area support scheme. We continue to support crofting through £4.4 million for the crofting agricultural grant scheme and croft house grant scheme. We are investing £25 million in the agri-environment climate scheme to directly support action to reduce

emissions and enhance nature. We also have £26 million of capital funding that is going to support transformation and reform in Scotland's farming and food production industries.

Delivering on our climate commitments is, of course, a key priority in order to meet our legal obligations, as well as our moral obligations to future generations, and to support sustainable jobs and thriving communities across Scotland. In order to ensure that our land and forests will continue to help us to tackle climate change, protect nature and support green jobs, skills and businesses, we are investing £28 million to restore more than 10,000 hectares of peatland, and we are investing £37 million to create more than 12,000 hectares of woodland. Critically, those investments will allow us to meet our climate change plan targets.

Our island communities will benefit from a new national islands plan, with more than £7 million to support the islands programme and our carbon-neutral islands project, and £9.3 million will be invested in community-led local development.

We continue to target our marine budget towards blue economy outcomes and our responsibilities for the integrated management of Scotland's seas. Funding of £16.6 million for the marine fund Scotland will be available to support marine businesses and coastal communities to deliver innovation and sustainable development across Scotland. That increase in the fund includes the first year of the fishing and coastal growth funding, although the approach that the United Kingdom Government has taken constrains our investment, given that Scotland's allocation simply does not recognise the size and importance of the fishing sector in Scotland.

My priorities are clear, and I am committed to ensuring that my portfolio delivers a lasting impact for our rural, coastal and island communities and industries.

With that, I am happy to take questions from the committee.

The Convener: Thank you, cabinet secretary. As always, you put on a very positive slant, which you have been able to do throughout your time in your role. However, this budget does not build on previous support, because it is actually falling. You must be really disappointed, because this is the only portfolio across the whole Scottish Government budget that has, repeatedly, fallen year on year. We have seen a 7.8 per cent reduction in cash terms and a 9.3 per cent reduction in real terms in the 2024-25 budget, and this budget just repeats that cut.

For the flagship basic payment scheme, which the Government is very pleased to continue, we have seen a 23 per cent cut in real terms over five years—a cut of £64.5 million since 2021-22. This budget is not really building on support; it is making further cuts to a sector that is expected to do more over the coming years in the light of our climate and biodiversity crisis.

The budgets for the basic payment scheme, greening and the less favoured area support scheme have all remained constant—they have flatlined—which reflects a significant cut in real terms.

Given rising costs and the major transformation that agricultural businesses are expected to deliver, how can farmers and crofters do more with less?

Mairi Gougeon: First of all, I am proud of our commitment to maintain our direct support to farmers and crofters. I think that being able to provide that stability has been crucial, especially at a time when we have seen those payments essentially fall off a cliff elsewhere in the UK.

There have been calls from environmental non-governmental organisations and industry representatives for an increase to the budget, but we are in a situation in which we never saw the Brexit promises from the previous UK Government materialise regarding the funding that we should expect to receive. That UK Government funding has stayed flat. That situation has continued and has, in fact, worsened with the change in how funding is allocated from the UK Government to the Scottish Government.

Yes, we have maintained the budget at a similar level, but we are supplementing it with our own funding. It is important to recognise—

The Convener: Have you maintained it, though? You talked about maintaining the basic payments, but the funding has been cut by 23 per cent over the past five years.

Mairi Gougeon: Well, you can look at the overall ring-fencer baseline allocation, which is £620 million—

The Convener: Which has not changed in real terms.

Mairi Gougeon: Yes, the overall numbers have stayed the same. I appreciate exactly what you are saying about the inflationary impact of that and what it means in real terms. We have maintained the overall level, but it is hard to deliver more when we are not receiving any more from the UK as we would have done previously.

The Convener: But this is about priorities and choice. Almost every other portfolio has seen an increase; your portfolio is the only one that has seen a decrease. It is not necessarily about the UK Government funding formula; it is about the block grant that you get and the Scottish Government's

priorities as to how the budget is allocated. We have, again, seen a year-on-year cut.

To say that you have maintained the basic payment scheme is not accurate; it has seen a huge 23 per cent cut in real terms over five years. Why is the rural sector, given what it is expected to deliver, seeing a cut in the face of other portfolios actually seeing a rise in their budgets? That has to do with priorities and the choices that your Government is making.

Mairi Gougeon:I disagree with some of your assertions in relation to that. When Scotland was a member of the European Union, the vast majority of the funding that would have flowed through to my portfolio, whether for agricultural payments or for our marine sector, stemmed from the EU. When we left the EU, the UK Government made a commitment that we would see that funding maintained—that it would continue to come through—and that we would get our fair share. That has never happened—the funding has never materialised.

I also do not think that it is fair to say that other portfolios have had increases. There have been decreases across other portfolios in Government. It is also important to remember that we cannot look at the overall spend on rural and island areas only through the prism of the rural affairs portfolio, because there is so much wider spend across Government that also contributes to the sustainability of rural communities. We have made a commitment to maintain direct payments in order to maintain that stability, and we remain committed to that.

The Convener: I am glad that you moved on to that. You are suggesting that parts of the rural economy get funding from elsewhere. While we are still to see exactly how agricultural support is going to be reformed in the future, is the Government planning to place more emphasis on funding farmers and crofters to deliver on the priorities that you have set out previously around climate change and biodiversity loss, to counteract the cost to the sector? As more agricultural policy change takes place, are we likely to see an increased budget in order to deliver those policy changes?

Mairi Gougeon: I think that we have already seen that in recent years, if I understand your question correctly—please let me know if I have misinterpreted it. We have provided funding to help prepare our farmers and crofters for some of the changes. For example, you can look at the funding that we provided to the national test programme in preparing for sustainable farming to meet the costs of soil analysis, carbon audits and animal health and welfare plans, which will ultimately help farmers and crofters to set their own baselines for their businesses. Ultimately, we hope that those measures will help with overall business resilience and efficiency.

There are also other schemes. For example, we can look at some of the conditions that we have added to the suckler beef support scheme, which will, it is hoped, help with business efficiency in that sector.

We have made no bones about it: when we have had these additional areas of funding or spend, we are looking to target them at climate and nature outcomes. Again, however, we need to look at what work we can do on climate and nature, because that helps with food production and overall business resilience.

The Convener: You said that there is additional funding for climate and biodiversity. It is not additional funding, though, because the agriculture pot has decreased significantly in real terms. All that you are doing is reallocating money within an ever-decreasing funding pot while expecting farmers to deliver more. The pot has got smaller, but farmers have to get involved in schemes on climate change, biodiversity or whatever, and they are expected to do more for less. Is that likely to continue when we see more agricultural reform, or will there be further funding to help to deliver those schemes?

09:15

Mairi Gougeon: We are helping farmers and crofters to deliver more. I have talked about the funding that was provided through the national test programme for the whole farm plan, but, outwith agriculture, we also have the changes that we have made to the forestry grant scheme to increase the rates and to encourage smaller-scale planting. For example, amazing work has been done through the integrating trees network to show the wider benefits that come from planting trees on farms, for the environment and animal health and welfare, as well as for the wider business.

We are always looking at the different schemes to see what we can do to encourage more of that, whether it is about tree planting or providing support for people to undertake some of the important baselining work.

Alasdair Allan (Na h-Eileanan an Iar) (SNP): We have rightly been concentrating on the inputs, or the funding in the budget. Will you say a bit more about the budget priorities in relation to the experience that you want farmers in Scotland to have? How might that experience diverge from that of farmers in England and Wales?

Mairi Gougeon: Ultimately, we want to provide stability for our farmers and crofters, so that they know what to expect. Through the budget that we

have provided this year, and with the line of sight that we have through the spending review, I hope that we are able to provide some clarity. Through some of the commitments that we have made to maintaining direct support, which we know is critical for farmers and crofters—whether that is LFASS or voluntary coupled support, not to mention the funding that we provide through our crofting schemes, which I touched on in my opening comments, through the crofting agricultural grant scheme and croft housing grants—we want to make sure that we have a thriving rural Scotland.

We know that we need to maintain and increase populations across rural and island areas in Scotland. The funding that we are providing through the schemes in my portfolio, as well as more broadly across Government, whether that is for transport or housing, all helps and adds to that.

Alasdair Allan: Does the picture continue to diverge from the experience of farmers in England and Wales?

Mairi Gougeon: As far as I am aware, it does. Ultimately, elsewhere in the UK, direct payments have fallen off a cliff. We have always felt that it is important to maintain direct support for farmers and crofters, because we recognise the value to food production in Scotland in continuing that, while helping to increase business resilience to tackle the climate and nature challenges that we face.

The Convener: I again want to pick you up on your assertion that you are maintaining the basic payment scheme. You are not. The basic payment scheme has been cut by £64.5 million in real terms, out of a pot of £282 million. That is a 23 per cent cut to the basic payment in five years, so it has not been maintained. There have been year-on-year cuts.

Mairi Gougeon: I can only reiterate what I said in previous responses. I appreciate the inflationary impact, but it comes back to the fact that we have not seen increases in allocations from the UK Government. We should compare that to the overall spend that the UK Government is now putting into the Department for Environment, Food and Rural Affairs, which I believe is heading on a downward trajectory. We have passed on the baseline allocation of funding that we get from the UK Government and have added our own funding on top of it, as well as having the other schemes to support our farmers and crofters.

Ariane Burgess (Highlands and Islands) (Green): I want to get a sense of how the Government will monitor or is monitoring whether the funding profile is affecting farm viability or the uptake of new schemes. How are you tracking the change in the budget?

Mairi Gougeon: Across the piece, we always look to monitor how schemes or programmes are working on the ground and in practice.

Are you asking about some of the newer schemes?

Ariane Burgess: Yes, but also about the change in the budget and the movement of money from one place to another. How are you tracking whether that has an impact on farm viability on the ground? Do you have a monitoring scheme that tracks your funding pots?

Mairi Gougeon: I ask George Burgess whether he has any further information on that.

George Burgess (Scottish Government): Obviously, we have information on the individual schemes—on what and whom they have funded. Another source that we have is the regular assessment of farm incomes. There are many factors in that, including market factors as well as Government support, but it will give us a picture of which sectors are doing better than others. Certainly, over the next couple of years, much of our focus will be on data, including the availability of data for the Government, and ensuring that the data that is already available can be given back to farmers in a way that allows them to use it to improve their businesses. MyHerdStats is a prime example of that.

Tim Eagle (Highlands and Islands) (Con): Good morning, cabinet secretary. I remind members of my entry in the register of members' interests. I claim single farm payment and I have previously been in the agri-environment climate scheme.

Let us go back to a question that the convener was asking a minute ago, about increases in funding from the UK Government, which I would like to clarify. My understanding is that the Scottish Government's block grant has increased considerably in cash terms and that the rural funding has been Barnettised, so it is now part of the overall block grant. Within that context, is it not difficult for you to make the argument that it is somehow all London's fault, given that it is within the Scottish Government's remit to give as much money as it wishes to the rural portfolio from the wider block grant, which has increased in cash terms?

Mairi Gougeon: I disagree with that. I am sure that my officials will correct me if I am wrong, but the overall funding that has come through in the spending review is about £820 million or £840 million over the course of the period covered by the review, which reflects about a 1.1 per cent increase in resource terms. Capital funding is also falling. In a moment, I will hand over to George Burgess, who can talk more about the impact of

the funding settlement coming through the Barnett formula, as opposed to the way in which it worked before.

It is a bit unfair to lay the blame at the Scottish Government's door when we have provided funding that is over and above the baseline allocation. Previously, we received funding from the EU, and we were told by the UK Government that it would replace that funding in full, but none of those promises ever materialised. We rely on the funding for the payments that we are able to provide to our farmers and crofters.

George Burgess: The UK Government published its spending review at the back end of last year. It is at a very high level, but, in that review, the line for the Department for Environment, Food and Rural Affairs funding reduces from £5 billion in the current financial year to £4.9 billion and, eventually, down to £4.7 billion over the period of the spending review. That is the total funding for DEFRA, rather than specific amounts for agriculture, fisheries or other DEFRA services, and it is the figure that will be used in the Barnett formula calculation. As a result, next year, the Barnett formula consequentials that will come to the Scottish Government from the DEFRA portfolio will be negative. Money will come out of the Scottish block as a result of the UK Government's budget changes. To pick up on the convener's earlier point, there is baselining in cash terms: the £620 million is not being uprated by inflation each year. The baseline is flat in cash terms—it is a real-terms reduction.

Tim Eagle: For my interest and for clarity, are you saying that, when the UK Government's budget is published, the starting point for Scottish budget negotiations is to look at the budget line for the equivalent department in England and use that figure as the baseline for what the Scottish Government will ultimately provide in Scotland? You are looking at the line for DEFRA, not at the overall context of the budget having risen in cash terms. The entire block grant that comes to Scotland has risen, and Scotland has full devolved capacity to do what it likes with the overall package. However, you are not looking at that; you are looking purely at the line for DEFRA. Effectively, you are copying what is going on down south.

George Burgess: No. What is happening in the DEFRA line is certainly part of the overall consideration, but the Scottish Government has made a commitment that the consequentials will be passed on in full in health and social care, to maintain the same sort of percentage increase, which requires extra funding to be put in from the block grant. We are not just looking at the DEFRA line and copying it, but it is certainly part of the consideration. As I say, the consequentials that we are getting from the DEFRA line are negative. Even to get to flat cash, which we have done, effectively requires money to be coming into the portfolio from elsewhere.

Tim Eagle: I guess that we just have a difference of opinion on that. I would have thought that, if your priority was to spend on the rural portfolio, you would make that happen.

Would we understand the budget more if we had had the rural support plan that was promised in December?

Mairi Gougeon: I do not believe that that would be the case, because the budget is the budget. Obviously, there were a number of legal commitments relating to the overall support that we needed to publish in the rural support plan, but I do not think that it would have provided any more clarity, detail or information than members see in what we have published in the budget.

Tim Eagle: You must have in your head the changes that are coming up. I do not, because I have not seen the rural support plan, but you must have considered what changes are going to come up in the next couple of years and, on that basis, have determined what money you will need in the rural portfolio.

Mairi Gougeon: Part of the reason for the delay in the rural support plan, which the Minister for Agriculture and Connectivity wrote to the committee about, is that the budget process was delayed. We want to be able to provide as much clarity in the document as possible and to provide a line of sight about what funding is coming. However, when we published the draft rural support plan, it was largely based on what we had already published in the route map, through which we provided information about when we expected any big changes to schemes—well, not big changes, because we are engaging with the industry on all of that and trying to provide a line of sight. It was important that we received the information from the budget and spending review, so that we were able to populate the plan with that further line of sight. That will be helpful for the document.

Tim Eagle: I look forward to seeing what the big changes are, cabinet secretary. Will you give us a new date for when we will see the rural support plan?

Mairi Gougeon: It is important that we work through the budget process first, but I expect the plan to come in short order after that.

I mentioned big changes, but all the information that we have about when we expect schemes to change is already published in the route map. We have made the promise about there being no cliff edges, and we absolutely stick to that. We

published as much information as possible to provide a line of sight and comfort about what potential new schemes could look like. There are no big surprises.

Tim Eagle: The Scottish Government has put a lot of stock in the ability of agriculture—in fact, the entire rural sector—to mitigate some of the effects of climate change, but the budget for AECS, which has been in place in Scotland for many years in different guises, is just over a third of what it was in 2017-18. Why is that the case?

Mairi Gougeon: There are a few important things to bear in mind when you look at the AECS line. What we have allocated in the budget for 2026-27 covers the previous year's contracts, which run on a five-year basis. We not only have the funding to provide for those contracts but have enough to allow all the approved projects from the most recent round of AECS in 2025 to be funded, too.

AECS is a demand-led scheme, so you are not necessarily comparing like with like. We are able to fund all the previous contracts as well as any new ones that are entered into following the success of the 2025 round. By its nature, the line will fluctuate from year to year, depending on the demand.

In previous years, we have had to restrict the items that are available in some rounds of AECS funding because of the capital that was available at the time. From what I remember, in 2025, we expanded that slightly and we are looking to see what improvements or further expansions we could make for 2026, so you could expect that line to change in future years. However, it is important to remember that it is a demand-led scheme, which is why we see those fluctuations.

Tim Eagle: If you have time, I want to get into a little bit more detail on that, because it will be good to understand it. The top-line question is whether you still believe in AECS. Do you still see the scheme as being value for money and something that we should encourage farmers to join?

Mairi Gougeon: Absolutely, yes.

Tim Eagle: You say that it is demand led. The budget for it has gone down. At its height, what percentage of farmers in Scotland would have been involved in the scheme, and will you give us a picture of where we are now on that?

Mairi Gougeon: I do not have that information to hand, and I do not know whether George Burgess has it. However, I would be happy to follow up with that information on scheme claimants. In previous years, when we have had to pause a scheme or reduce the options, we would expect to see fewer claimants. It is because of the importance that we place on AECS that we are looking for improvements for 2026—to see what else we can do and what other options we can consider. It is obviously a scheme that we want people to apply to. I would be happy to follow up with the committee on that specific information.

09:30

Tim Eagle: If you could, that would be really valuable. At the scheme's height, 75 per cent of Scottish farmers and crofters were included in it, but we now find that it is just 25 per cent. I am not in it any more. I found it too cumbersome, and it no longer seemed worth my while doing it—albeit that I do it for nothing now, as I carry on with the same measures; I just do not get paid for it.

It would be interesting for the committee to know what the impact on the ground has been of that reduction in the scheme. It might be demand led—I accept that point—but the question is, if the demand is not there to sustain the budget, what is going on?

Mairi Gougeon: May I come in on the point that you have made about the scheme being cumbersome?

Tim Eagle: Absolutely.

Mairi Gougeon: That is where we have been engaging with stakeholders over the past year—we have been considering how we make improvements and how we make the process less cumbersome for people. Those are the kind of things that we are looking at, because the scheme can deliver so much. It has been one of the key climate delivery mechanisms—whether for tackling emissions or for nature restoration. We want to make those improvements where possible while trying to address some of the challenges that you have identified.

Tim Eagle: Looking towards the future, tier 3 is going to be the new equivalent scheme, whatever the funding may look like. Are you expecting the same sort of demand-led activity? Do you expect the budget to ebb and flow, in terms of the overall funding, as the new scheme comes into effect, whatever tier 3 looks like?

Mairi Gougeon: We have made a commitment about the overall split of what funding should look like. There will be a 70:30 split, so that about 70 per cent of that funding is in tiers 1 and 2 and 30 per cent is in tiers 3 and 4. By its nature, tier 3 is envisaged as an elective scheme that people may apply to get into for landscape-scale restoration.

There are some other projects that we are considering and piloting, and NatureScot has been doing some work for us on the wider landscape-scale piece. There could well be other schemes that it may be possible to consider in the future. It

is not necessarily a case of saying that the budget is going to remain static, because it could well change over time, including as we consider some of the other new schemes that could come into play.

Tim Eagle: I guess that I am trying to make the point that, given the climate change plan and the biodiversity targets in the Natural Environment (Scotland) Bill, which might get passed next week, you presumably think that the committee expects that budget line to go up, because the demands on farmers are getting greater and you are looking for farmers and crofters to do more. That is not what we are actually seeing, however. We are seeing the demand and the overall agri-environment budget dropping, whereas I would have been expecting it to increase. Does that make sense?

Mairi Gougeon: If you consider that in terms of AECS, as you were pointing out—although I cannot remember which figures you were basing your point on—that looks like a fault. It is hard to say, as the process is demand led, which I hope that I have been able to explain. However, that could well change over time.

I am sorry: I have perhaps not been able to explain that fully, but we are not necessarily comparing like with like, as I have explained, given how AECS operates. That will be the key mechanism through which we would look to deliver tier 3, until we get the future framework fully operational.

The Convener: Tim Eagle has touched on the rural support plan. You rightly referred to the minister's letter saying that the rural support plan will be published as soon as possible, and that it will take the budget process into consideration. At the moment, the budget is more or less business as usual—nothing has really changed, and we are working with the same amount of money. There is an expectation, however, that the rural support plan will deliver some new policy frameworks and, potentially, some new schemes. Are you expecting those new schemes, payments or whatever to come out of the budget that is in front of us, or are you expecting there to be additional funding to deliver some of the new policies and schemes in the rural support plan when it is published?

Mairi Gougeon: It is not possible for me to speak in any detail about the new schemes. I come back to some of the points that I have made about the draft of the rural support plan that we will publish. It will be the first iteration of a plan. I can imagine, given the period of transition that we are in, that there could well be updates to the plan once we have more clarity and once some more work has been done.

We have already published a lot of the information in the agricultural reform route map, which sets out the overall direction for when we could expect schemes to change or transition.

Of course, the information in the rural support plan would build on that, and I hope that, with what is in the budget that we have published and the line of sight through the spending review, we have been able to provide a bit more information on that.

Ariane Burgess: Cabinet secretary, you said that AECS is demand led and that you are improving access to it. Is there a cap on that demand in the budget? Let us say that lots of people suddenly realise that climate change is really with us, having seen the flooding and so on, and they want to access the scheme. Is there a cap on the amount of money in that budget?

Mairi Gougeon: That would be a consideration for next year's budget, because we have not opened the 2026 round.

Ariane Burgess: So, you see what people apply for, then you put money in the budget, and then they get it the following year.

Mairi Gougeon: Yes. As I said, what we have in the budget for 2026-27 covers the previous year's contracts, and it means that we will be able to award all the successful applications from the 2025 round.

Ariane Burgess: Could you conceive of there ever being a need to put a cap on it if there was a high level of demand?

Mairi Gougeon: We have had to look at that closely in previous years. We have ended up restricting rounds or the support that is available purely because we are trying to focus that support on the measures that we believe will do the most for climate and nature. The scheme was quite expansive and it funded quite a lot of different areas. I know that some people would like to see that approach return. However, as we have had less capital available, we have had to target it as best we could.

It is not possible for me to predict what will happen next year. When we open the round, we could well see more applications, because we are trying to make improvements to the scheme. However, as I said, we certainly have enough this financial year to cover the most recent round of applications.

Evelyn Tweed (Stirling) (SNP): Good morning. I want to dig into a couple of the budget headings. Will you highlight for the committee what the agricultural modernisation fund will fund? What will it actually do?

Mairi Gougeon: We have set aside £26 million of capital funding for that. Similar funding of £20 million was introduced last year. Some of that was used for the future farming investment scheme,

and all the funding for that was fully utilised. We have not set out how we are going to utilise all of the £26 million yet, but we have made broad commitments in relation to it. As I mentioned previously, and as we said last year, through the capital grant scheme, we are equipping farmers and crofters to tackle climate and nature challenges, but we are also supporting our food production and food processing sector. That is the outline of what we are intending to use that funding for.

One recently launched element of that funding, which I announced at the agritourism conference in November last year, is the £1 million that is being used for the agritourism investment scheme. That scheme opened this week.

Evelyn Tweed: Can you also tell us more about the agricultural reform programme? I believe that it has a budget of £7 million.

Mairi Gougeon: Yes, that is right. The agricultural reform programme has been allocated £7 million this year. I think that £5 million of that is resource and £2 million is capital. Ultimately, that is to help us deliver the new capabilities that we need for the agricultural reform programme. It will help us to deliver the future operating model that we need for the new agricultural support framework. That work will happen in phases, and each phase will have its own business case attached to it. The first phase of that work, which the capital is being allocated to this year, is to invest in our data capability system. That will help us to look at what data we are gathering and how we can best monitor the outcomes.

Does George Burgess want to add anything, or have I broadly covered the future operating model?

George Burgess: You have largely covered it, cabinet secretary. One of the areas that we are looking at is earth observations. A number of other countries have moved to increasing their use of satellite data.

We have already had a small pilot on that and we are looking to expand it. It could reduce the Government's operating costs of doing that work and look at packaging data and information and providing it to farmers to better support them.

Ariane Burgess: I want to go back to the modernisation fund. You explained that the money goes towards food processing, cabinet secretary, and that there is a £1 million fund for agritourism. However, I would like to understand better what we are modernising. What is the modernisation fund for?

Mairi Gougeon: We have not announced the details of the scheme, so it is not possible for me to say definitively what it is for, other than to talk about the broad outlines that we have set out about how we intend to utilise the fund. We will be looking for similar outcomes to those of the future farming investment scheme that we set up last year.

There have also been calls to invest in businesses in the food processing sector. I know that the food processing, marketing and co-operation grant scheme that we used to have was valued by industry, but we have not been able to run that for the past few years because of the lack of capital. Those are the kinds of areas that we will be looking at for investment.

Ariane Burgess: You said that you have not announced the fund, but what is the timeline for that announcement and what are the delivery mechanisms going to be?

Mairi Gougeon: I will make the committee aware as soon as we have established a firm position on what schemes will look like. At the moment, we are focused on the budget process and ensuring that we have the money, but I am sure that we will set out quite soon and in more detail what any potential schemes will look like. I will write to the committee with that information.

The Convener: I appreciate that. Given that the budgets go up and down from one year to the next, it is important for us to understand how much budget there is overall. I am not expecting you to do it now, but if you could perhaps write to us with what the cumulative spend on agricultural transformation and the agricultural reform programme has been since 2021, when those were announced, that would give us an idea of what the budget has been. That is not particularly clear in the budget papers that we have.

Mairi Gougeon: I appreciate what you say about the figures and I am happy to let the committee have that information.

The Convener: Thanks. I appreciate that.

Emma Harper (South Scotland) (SNP): Cabinet secretary, £1.3 million is being invested in skills for regenerative and sustainable farming and food production. Can you tell us what that funding will deliver in practice?

Mairi Gougeon: We recognise the importance of investing in the skills of our farmers and crofters. We have a number of different funds for that and that money will complement those schemes.

We do not have an established scheme right now, but we want to make sure that we work with stakeholders and others on delivering a scheme that works for farmers. The project was a particular request from the Greens, and I know that Ariane Burgess, in particular, has done a lot of work on it—we have had previous discussions about these

schemes. As I say, that money is complementary to the funding that we are investing in skills for farming and food production, so we will need to engage with stakeholders and make sure that we deliver a scheme that works for farmers and crofters.

Emma Harper: There are other funding streams out there. On Friday, I visited the dairy nexus at the Barony campus at Parkgate, which has received £8 million—£4 million from the UK Government and £4 million from the Scottish Government. I heard about lots of innovation that is happening, and lots of skills, as part of Digital Dairy Chain. That is funding that is being put into innovation.

The Farm Advisory Service is another route for giving farmers support and advice. Will you talk a bit about other funding streams and opportunities that are out there?

Mairi Gougeon: I would be happy to, because they are not always apparent. Some of the budget lines can be unhelpful in their descriptions and they do not necessarily outline all the details of the schemes that run under them.

One of the key lines in the budget that delivers on the skills aspects that you are talking about is the business development line, which has had an increase on the previous year. Through that line, we provide funding for the Farm Advisory Service, new entrants and the next generation, and the pre-apprenticeship programme. Some of the funding that is earmarked for new entrants and the next generation has been used for practical training funds, which have been well utilised and broadly welcomed by the sector.

09:45

I should also mention the monitor farm network and the knowledge transfer and innovation fund, which have been critical for peer-to-peer learning. We know that those are important, as that came out strongly in the evidence that we heard during the passage of the Agriculture and Rural Communities (Scotland) Act 2024.

That is the business development line, but there are other lines across the budget where there is funding for skills, although it might not be so apparent. There is the funding of £600,000 that we provide to Lantra, which does incredible work. It led the work that we did on the land-based learning review, and we are still committed to implementing the recommendations that came out of that. We have funding for Women in Agriculture, some of which has been used for a practical training fund for women and girls.

More broadly, funding is available through the food and drink budget. This is more about education, but we provide funding through those lines for the likes of the Royal Highland Educational Trust, the food for life scheme and other areas involving food education and skills, such as the food for thought education fund.

It is quite hard, because it seems like the funding is a bit all over the place when you consider the budget lines. However, I hope that that is helpful in outlining some of the schemes that are available and that we are delivering.

Emma Harper: You mentioned Women in Agriculture. I think that Digital Dairy Chain is funding Women in Dairy. Has money come from the Scottish Government to support the Women in Dairy network?

Mairi Gougeon: I would have to look at that. I do not know, off the top of my head, whether that has come from our budget. George, do you have that information?

George Burgess: I am not sure.

Mairi Gougeon: Again, we can follow that up. I will be happy to confirm that.

The Convener: Ariane Burgess is next.

Ariane Burgess: My question has been covered, convener.

The Convener: Okay. Alasdair Allan is next.

Alasdair Allan: As you are aware, cabinet secretary, the budget includes a 16.1 per cent increase for the Crofting Commission. Is that intended to be spent on things related to the Crofting and Scottish Land Court Bill or to implement the commission's existing powers and get through a backlog of work?

Mairi Gougeon: The commission has been doing really good work to reduce the backlog. The overall uplift in funding for the commission is broadly to cover a couple of areas. One key area is the one that you have mentioned, which is ensuring that the commission can fully deliver the measures proposed in the Crofting and Scottish Land Court Bill. We also have funding available to replace the crofter information system, to ensure that the Crofting Commission has a modern and flexible system that can adapt to emerging needs.

I hope that that is helpful in highlighting how some of that funding is intended to be utilised.

Alasdair Allan: As you are aware, a constant theme has been the appetite for regulation in the crofting community, particularly in dealing with enforcing the duties that crofters have, not least to work their land, and allowing new entrants in as a result of that. Is it your hope that the welcome and significant increase for the Crofting Commission will result in more enforcement?

Mairi Gougeon: Absolutely. As I touched on in my initial response, the commission has made really good strides in improving its regulatory performance. I believe that it has already been directing resource specifically to enforcement, but I hope that, with the new funding that has been allocated, it will be fully resourced to deliver on the provisions in the bill, as well as continuing to improve its performance and ensure that it undertakes enforcement.

Rhoda Grant (Highlands and Islands) (Lab): The croft house grant scheme is being cut by £2.1 million, and it looks as though the money that is coming out of the budget is to do with repayment of loans. Is that because no loans are being repaid, so the figure has fallen, or is that money going elsewhere? There is quite a big cut in that budget.

Mairi Gougeon: I will hand over to officials, who will be able to give a bit more information about the loan element of that. You are right—it looks like a significant cut to the croft house grant scheme, but that is a demand-led scheme, and what we have outlined in the budget is what we expect will be needed in order to meet the demand over the coming year. The scheme is open throughout the year, and the budget reflects the level of applications that we have been receiving.

I highlight the fact that, in the past few years, we have made some really positive changes to the croft house grant scheme. We were looking to increase uptake of the scheme, so we increased the grant rates that were available from 40 per cent to 60 per cent. We also added to the provisions that could be funded, so we looked at funding energy efficiency as well as grants for housing. We have tried to look at what we can do to make the scheme work a bit better. Again, however, what we have in the budget is what is expected to meet the level of demand that currently exists for the scheme.

I will hand over to George Burgess, who may have more information on the loan element.

George Burgess: You are correct, Ms Grant—there is a repayment-of-loan element, but that is £0.2 million, so it is relatively small. The main change, as the cabinet secretary said, is a lower capital allocation, but that is based on meeting the demand that we have seen in recent years. We have not had to turn away any good application for the scheme, and we want that to continue.

It is quite a difficult area for which to budget, because, once the grant is allocated, the crofters have an extended period—it is not limited to one year—so we have to do some complicated calculations to try to ensure that we have the right money in the right year to meet the costs of the scheme.

There may be wider questions—despite the point that the cabinet secretary made about increasing the amount that is available and the flexibility—as to whether there are still reasons why crofters do not want to come forward and apply for the scheme. We are all aware of the increase in construction costs in the economy more generally. We probably need to look at that, because we know that improvements are needed to the croft house stock around the country; the scheme is a good mechanism to help crofters to achieve those improvements, and I think that we would all like there to be greater uptake of it.

Were there to be greater uptake, we would do all that we could to look at budgets in-year and to make sure that we could meet the commitments that we have already made.

Rhoda Grant: I would welcome a review of the scheme, because people are coming to me and saying that they do not qualify for it. It is really restrictive, and we should also take into account issues around people's salaries in the crofting communities. They might have several different jobs. A bank would not consider lending to them, but, because their income reaches a certain level, they do not get the grant.

The scheme really needs to be looked at, given that we have a housing crisis in the crofting counties. It offers a way of changing the situation, and it is disappointing to hear that you estimate that demand for the scheme is falling further when we know that the demand is increasing.

Mairi Gougeon: I agree in many ways with what you have said, and if you have any particular ideas or want to have a follow-up discussion in relation to that, I or the Minister for Agriculture and Connectivity, Jim Fairlie, would be happy to engage on that.

As I said, we tried to make improvements to the scheme previously, recognising—as George Burgess outlined—some of the increasing costs. You are absolutely right: for what is, in the grand scheme of things, a small budget, the scheme has a big impact. As you rightly outlined, it is important for retaining populations in rural and island areas in Scotland, so we want to ensure that it is fully utilised.

If you have any particular asks or if you think that there are areas that we need to consider, I would be happy to discuss those matters with you and with any other members who are interested, and to undertake wider engagement with stakeholders to see what further improvements can be made.

The Convener: I have a quick question. Is the £26 million of capital funding for the agricultural modernisation fund the final instalment of the money that was taken from the agriculture budget

during the emergency budget process a few years ago?

Mairi Gougeon: Yes.

The Convener: Does the total budget line reflect that additional money? Is that an additional £26 million that was put back in or is the budget just being kept the same? It is difficult to work out whether the money is really being returned.

Mairi Gougeon: Yes, it is additional, because these are new schemes.

The Convener: Okay. Thank you.

My final question on the agricultural side of things is about the criticism that the budget has drawn from major stakeholders. NFU Scotland has warned that the budget

"essentially flatlines vital … support payments"

and that it will result in a real-terms decline. It criticised the lack of multiyear funding and said that the budget consigns the industry

"to an annual battle for future support."

Scottish Land & Estates said that businesses have been left with "little confidence", while the Countryside Alliance said that it was disappointed that funding had been cut

"When every aspect of farming and land management costs more year on year".

That does not sound positive.

In the light of the budget, do you have a positive message for farmers and land managers to show that the Government cares about rural Scotland?

Mairi Gougeon: I completely understand the frustrations that have been expressed by some stakeholders. Like many other people, I wish that we were not in the position that we are with the budget. I wish that the multiyear funding that we used to have when the UK was a member of the EU was still available. That would make it easier for the Government and our stakeholders—farmers and crofters—to plan for the future. Unfortunately, we have been caught in a cycle of annual budgets. Although we have had the spending review, that is not a multi-annual budget; it is just a potential line of sight to the future. We have always said that we would want to provide a multi-annual budget if we were in a position to commit to that.

I reiterate the commitments that we have already made to the sector on maintaining direct support. It is not in anybody's best interest for there to be cliff edges in the support payments that can be expected, nor for there to be cliff edges in any scheme changes. We are committed to working with the industry on agricultural reform as we move forward. I hope that the additional investments that we are making—we touched on the £26 million that is being invested through the agricultural modernisation fund—show our continued commitment to the sector.

The Convener: We will not argue about the £26 million, which is not really additional funding, because it is money that was previously taken out of the budget. Instead, we will move on to questions about the forestry budget.

Tim Eagle: Will you explain the large reduction in Forestry and Land Scotland's capital budget?

Mairi Gougeon: The funding and income that Forestry and Land Scotland receives from the Government is one element of the organisation's overall income. The cut has largely been to the capital funding that is available for Forestry and Land Scotland, which it would normally use for land acquisition and tree planting.

However, given that we are constrained in capital terms, we are trying to think about how we can best utilise the capital. We have allocated more funding through the forestry grant scheme, because most of the value that we can deliver for the money that is spent in relation to the hectares of trees that are planted comes from the forestry grant scheme as opposed to Forestry and Land Scotland, because it is more expensive to plant trees on the public estate.

Tim Eagle: Has the money been transferred from Forestry and Land Scotland to Scottish Forestry?

Mairi Gougeon: It is not necessarily the case that the money has been taken from Forestry and Land Scotland and given to Scottish Forestry. In looking at the overall capital budget, we have decided to prioritise putting our capital into the forestry grant scheme. There is also the funding that we have put in the budget for peatland, which will constrain the number of trees that Forestry and Land Scotland can plant on its own estate because of the lack of capital funding. Again, it is more expensive for Forestry and Land Scotland to deliver such woodland creation than it is to deliver it through the forestry grant scheme.

Tim Eagle: Is the raw money the same or less than what it was? It seems to be down by about £5 million or so from last year.

Mairi Gougeon: Yes, there has been a capital cut to Forestry and Land Scotland, because we are prioritising where the capital is delivered. That is why the forestry grant scheme has been a priority. We are able to deliver more through that scheme, whereas it costs Forestry and Land Scotland more to plant trees on its own land.

Tim Eagle: But planting trees is still a big priority for the Government, is it not?

Mairi Gougeon: Yes, it is. The additional funding that we have put in through the forestry grant scheme this year will help to deliver the planting targets for the coming year, which are set out in the climate change plan.

10:00

Tim Eagle: So, you are satisfied that the amount of capital in that budget will enable the obligations under the climate change plan to be met, once it goes through.

Mairi Gougeon: Yes.

Tim Eagle: If I remember rightly, last year, you were bitterly disappointed by the significant cut in funding for forestry, which undermined the sector and caused quite a bit of concern. By my calculations—actually, by the calculations that we have been given—the budget is still something like £18.5 million less than it was in 2023-24, so the overall budget is still significantly down on what you predicted a few years ago.

Mairi Gougeon: The cut that took place in, I think, 2024-25 was significant. We had invested more in woodland creation over the previous year. However, we also recognise that it will take a bit of time to ramp up to the rate of planting that we hope to see and that we have set out in the climate change plan. The budget that we have allocated to woodland creation in this year's budget will help us to reach the targets that are set out in that plan.

Tim Eagle: You say "ramp up". My understanding is that the industry was already ramped up and ready to go and then that massive collapse happened in 2024-25. We recently met a business in my neck of the woods that has just gone out of business in part because of that change in budget. Are you confident that the industry is ramping up again? The underlying budget has had a significant impact on tree planting in Scotland, has it not?

Mairi Gougeon: There is no getting away from that. I have been pretty open and up front with the committee in previous years about the impact of that cut. There is no getting around it. You heard clearly from the industry about the impact that that had on confidence in planting levels, which is why we have been keen to continue to invest and to show the trajectory for that.

In this year's budget, we have an increase on last year to help us to get back to some of the planting rates that we saw. At the highest level, about 15,000 hectares were planted. We have a target of about 10,000 hectares this year, and we want to get to 12,000 hectares next year with the funding that we have available. Ultimately, that is what will help us to get there.

I do not know whether Brendan Callaghan wants to add anything on that or whether I have broadly covered it.

Brendan Callaghan (Scottish Forestry): You have covered it.

The Convener: I call Emma Harper.

Emma Harper: My question was covered, convener.

The Convener: Okay.

Confor has repeatedly said that the Government needs to reverse the significant reductions in previous budgets. It suggested that about £70 million is needed in 2026-27, which would have to rise to closer to £100 million by the end of the next parliamentary session. The current level of funding pays for the planting of only about 10,000 hectares, which is 2,000 hectares short of the target that needs to be met if we are to achieve our climate and nature objectives.

Why has the Government not listened to the forestry sector? Given the climate change plan, which is supposed to enable Scotland to achieve its climate and planting targets, why are we not seeing an increase in forestry funding to repair the damage that has been done to confidence and to give the industry confidence that it has a long-term future?

Mairi Gougeon: You have raised a few points. Brendan Callaghan will undoubtedly correct me if I am wrong in any of my assessment of the situation.

There is no point in us putting a massive lump sum in the budget if we do not believe that it can be spent. The allocation that is in the budget for woodland creation for the coming year will, ultimately, help us to achieve our targets. Yes, we could have put more capital in there, but a bigger capital budget does not necessarily translate to everything being delivered in that year because, recognising the cut that took place, it will take time for things to develop and ramp back up to where they were. That is part of the process. We have the investment to deliver the hectares and the targets that we have set out in the climate change plan.

I hope that that is a helpful explanation. I do not know whether Brendan Callaghan wants to supplement that.

Brendan Callaghan: The only other thing to say is that we do not know which figures Confor used. It has obviously seen the climate change plan, so it knows that the target for next year is 12,000 hectares, but we do not know what its assumptions were on grant rates and costs.

Our figure actually covers a mix of projects. Some projects are quite expensive—for example,

smaller schemes on crofts are very expensive because of the fencing costs and the extra challenges in establishing trees; there is a small number of those projects in the mix. We have farmer schemes, which are somewhere in the middle, and larger-scale schemes that are a little bit cheaper per hectare because of fencing.

However, we are increasingly blending in—we have been pushed on this by the committee in the past—the schemes that are delivered through natural regeneration. We are delivering those by paying for deer management in advance, getting the deer numbers down on estates where they are moving in that direction. When the natural regeneration comes, it is much cheaper, both for the landowner and for the Scottish Government. As those schemes blend in, we are able to maintain, and maybe even reduce, the average cost of woodland creation through the grant.

I think that Confor might have included estimates that are based on a more conventional mix of grant rates, without assuming the natural regeneration element, which is bringing the costs down for us a bit.

The Convener: That takes us nicely on to the next question, which comes from Ariane Burgess.

Ariane Burgess: Brendan Callaghan mentioned deer management, and that will be the focus of my question.

Cabinet secretary, in the light of the Natural Environment (Scotland) Bill and the expectations around effective deer management, are you satisfied that Forestry and Land Scotland's funding is sufficient to enable it to manage deer effectively on the national forestry estate?

Mairi Gougeon: I have certainly heard from FLS that it is not expecting any additional budget pressure from the measures that are in the bill. I believe that it is quite confident on that.

Ariane Burgess: To follow on from that, line 177 in the level 4 budget workbook for the rural portfolio, for "Natural Resources", shows a very steep reduction—it looks like a cut of close to 75 per cent—in the capital allocation in comparison with last year. The explanation in the column headed "Explanation of significant changes from previous year" says:

> "It has not been possible to allocate capital funding from the Rural Affairs, Land Reform and Islands portfolio in 2026-27. The previously funded Atlantic rainforest restoration will now be in-scope of the Nature Restoration Fund, funded through"

the climate action and energy portfolio.

In speaking to stakeholders, I found that they were puzzled to learn that the fund even existed. I am concerned that there was a fund that could have been allocated while stakeholders were doing crucial work such as deer management and rhododendron bashing—I cannot think of a better term than that; perhaps eradication—and the work was getting done, but the fund has now been changed and cut. Applying to a nature restoration fund is a whole different thing; it does not really fit the needs of those projects. Apparently, there are currently 11 projects in the rainforest space that could really do with the kind of funding that seems to have been disappeared.

Mairi Gougeon: There are a few points to make in relation to that. As you will have read in the documents, there has been a reduction in the capital budget—again, that is because we are under pressure in relation to capital, so we are trying to allocate that as best we can.

There had been funding within that for the previous year, and potentially for two years, but we did not know whether that funding would be recurring. That had always been made clear from the start. However, the funding that we had allocated for the rainforest restoration—I absolutely appreciate how important that work is—was largely for Forestry and Land Scotland.

A variety of different pieces of work are done by various stakeholders in relation to protecting the Atlantic rainforest. We have other schemes that are available. Through the forestry grant scheme, for example, there is funding available, but that would be for private landowners to access in relation to rainforest restoration. We have the nature restoration fund from the climate action and energy portfolio, which has been funding that more through the third sector organisations, but the funding that we had specifically in the rural portfolio had been for Forestry and Land Scotland to maintain the rainforest work on its own estate.

I recognise that that work has been really important—as you have outlined, it has been for deer control and rhododendron control. We want to ensure that the good work that has been done so far is not undone, and we are currently looking at what other options may exist and how we can best utilise budgets to make sure that we are maintaining some of the progress that we have made in relation to that.

Ariane Burgess: Okay—it is good to get clarity that that funding was for the FLS forestry estate. I back up your point about what happens if we have been doing that work and then it becomes harder to keep doing it. I am aware that we have been at this for years, and we have stopped and started.

There is perhaps a new realisation that we have a rainforest that is going to help us to meet some of our climate targets. In the past, we were looking simply at rhododendron eradication or bringing deer numbers down. We now understand the

context in which we are working, and the aim is to defragment those precious parts of rainforests. I wonder, therefore, whether we need to be looking at that budget. You say that you are trying to find the money from somewhere else to keep that work going on, and that you recognise that it is important. Do you feel confident that you can find that money?

Mairi Gougeon: I am not at a stage today to be able to outline that or give a firm commitment, but I emphasise again that we recognise how important that work is. I engage regularly with Confor and the Woodland Trust, and one of their key asks in the budget process was for a recognition of how important our rainforests are.

A key point for me is that I want to ensure that we do not lose any of the progress that we have made. I am keen to see whether we can find any way through that will at least help us to progress that work. I am happy to follow up with any solutions if we find them, but I just wanted to let you know that it is not as though the budget has been cut and that work has fallen off the radar; we are trying to see what we can do within the allocations.

Ariane Burgess: Thank you.

The Convener: It is clear that the Forestry and Land Scotland budget has had a cut of 87.6 per cent, which is around £11 million. You have explained that some of that budget will go to Scottish Forestry, but, as we have heard, that is only £5.6 million.

This is my concern. What assessment has been made regarding the impact of the significant cut in the Forestry and Land Scotland budget on rural tourism assets? I am thinking of things like the 7stanes and the dark sky park in my constituency, and the wider network for biking and public access. Over the past few years, there has been—or there appears to have been—a dramatic decline in focus on those assets. Mountain bike networks have remained closed after storms, and there has been very little activity in relation to the dark sky park.

Can you give an assurance that you have taken into consideration and assessed the impact on the national forest as an asset for tourism and public access?

Mairi Gougeon: First, it is important to remember that this is not the sole funding that is available to Forestry and Land Scotland. We provide an element of that funding, but FLS also has income from timber, renewables and other areas.

There has been a significant cut in the portfolio's capital allocation to FLS, but—as I outlined in some of my earlier responses; I hope that I was clear—that relates directly to its ability to acquire land and plant trees on the public estate. I am not saying that Forestry and Land Scotland is by any means clear of challenges, because we are looking broadly across the public sector at how we can deliver more efficiently and look to save on costs as much as possible. However, that ability is the key area that is impacted by the cut to the capital allocation, which is the most significant element.

The Convener: But was any assessment done of the impact on tourism assets or on public access to the national forest?

Mairi Gougeon: We engage with the public agencies and with Forestry and Land Scotland when we are having budget discussions, and I am not aware—and I have not been made aware—that there would be an impact on those wider services. The only impact would be on their ability to acquire land and plant trees.

Brendan Callaghan: I can add a bit of detail here. As the cabinet secretary said, the majority of the net operating costs for Forestry and Land Scotland are actually covered by its trading; timber income and renewables are the main income sources, but there is also some recreation and estate income. Last year, that was £150 million, to put that in the context of the capital.

The resource contribution that the Scottish Government makes to Forestry and Land Scotland broadly equates to the net operating costs for recreation and for conservation and heritage. If you were to look at its accounts, you would see that it raises some income in those areas from recreation, car parking, events and the like. However, the net operating cost is broadly about £15 million, so it costs FLS about £15 million more to run its tourism, recreation, ancient monuments and attractions of that nature, and that is what the Scottish Government's contribution is pitched at.

Things such as deer management, the building of roads, felling and the employment of staff are covered by the trading effort of the estate. As the cabinet secretary said, FLS is focused on optimising that and reducing costs efficiently. That does not mean that it does not face challenges in that regard, but it takes on those challenges. In good years, FLS can bank money and carry over surpluses to cover what happens if timber prices go down or there is not the demand. It has just had a good year, particularly because of energy prices, but it also optimised on timber harvesting last year.

The Convener: Okay. Thank you.

I am minded to have a 10-minute break between the sessions on the two different portfolios, so I suspend the meeting for 10 minutes.

10:15

Meeting suspended.

10:28

On resuming—

The Convener: Welcome back. We will continue our budget scrutiny and consider the budget for the marine directorate. Once again, for the third consecutive year, there will be a real-terms decrease in its funding. The budget commits to replacing two marine protection and research vessels, along with continuing programmes of fisheries modernisation. How can that be achieved with the budget reduction?

Mairi Gougeon: First of all, £150 million has been identified and will be invested over the next four years to deliver the new vessels, one of which is a new marine protection vessel while the other is a science vessel. It is important to note that this will be funded through the capital allocation rather than through the marine directorate's operations budget.

I would add that there has been a resource increase of £0.8 million on last year's autumn budget revision position. There has been a slight reduction in the capital that has been made available to the portfolio, but we expect to deliver everything that we have set out within the overall capital and resource allocations. It is also important to remember the various pieces of work and efficiencies that have been undertaken and that are on-going within the marine directorate. I reiterate that funding has been identified and will be invested, over the next four years, towards the replacement marine vessels.

10:30

The Convener: So, that funding does not appear in your portfolio; it appears somewhere else in the Scottish Government's budget.

Mairi Gougeon: It is not included in the allocations for this financial year; it is identified in the spending review.

Tim Eagle: Cabinet secretary, let me take you back to a letter that you probably will not remember, which you sent to us in December 2024, on the back of the committee's scrutiny of the marine budget. One of the biggest issues I hear about when I speak to fishermen in the north of Scotland—I have written to you about this before—is the contradiction between the positions of the Government and the fishermen with regard to what is being caught at sea. The Government says that enforcement and monitoring are going well in that regard, whereas fishermen tell me that that is absolutely not the case. They say that it is chaos out there, that ships are being landed—particularly those going directly to the EU—but that we do not know what is on board them. In that letter, you said that the budget would help to develop

"a land-based inspection and analysis system which focuses on vessels that fish our seas but do not land into a Scottish port."

Do you have any update on how the budget this year will be used to continue the development of the system, or whether that has already been completed?

Mairi Gougeon: I will have to check. Iain Wallace might have some information on that. If not, I am more than happy to follow up on that specific query, because I do not have that information or that letter in my hand. I am sorry about that.

Iain Wallace (Scottish Government): I am happy to come in on the point about non-UK and UK vessels. Every year, we look at our operating model and the intelligence that we have gathered from the previous years. For the past year, we have data from more than 80,000 voyages, which feeds into the data set that we use to inform our operational activity. In that time, one in six UK vessels was boarded at sea and one in three non-UK vessels was boarded. On non-UK vessels—this speaks to your point about data sharing—we have been working hard with coastal states in relation to those vessels that do not land in the UK, as we need to get more data and information on them. We already have an agreement in place with Norway, which has increased the level of assurance or the amount of actions that we can take. I hope that we will shortly have an agreement with the EU, too. We continue to work hard in that space to make sure that we are taking the right actions at the right times.

Tim Eagle: Is that what you mean by the phrase

"land-based inspection and analysis system"?

It is a kind of multilateral—

Iain Wallace: Yes. Our operating model cuts across what we do at sea and what we do from a data perspective. Last year, on land, we carried out 1,920 inspections at markets, covering 70 per cent of the sea fish that was coming through auction. It is always about finding the right balance across those different areas and targeting our efforts effectively.

Tim Eagle: Okay. Thank you very much.

Rhoda Grant: Cabinet secretary, you will be aware that the committee visited the Aberdeen laboratories. It was pretty shocking, to be honest, given the state of repair and the number of buildings that were not in use. The lecture theatre was full of freezers and fridges storing various things. It was a pretty awful place to work in, and it was very difficult to see how the scientists there

could work effectively. What stage are we at with the redevelopment of the marine labs? Is there money in the budget for that? What will happen? Things cannot go on as they are.

Mairi Gougeon: I agree, and I remember that we discussed that in previous committee sessions. I have visited the Aberdeen site and have seen it for myself, so I completely understand the concerns that have been raised about it.

Since 2020, around £10 million has been invested in the site, and around £1.2 million has been identified for work to take place during this year and next year. A project board is looking at what needs to be done in the short and medium terms and at what the longer-term aspirations are for the site. I think that the board is working up a strategic outline for that work.

Again, I note that you will not see an allocation for that within the marine directorate budget, because the site is part of the Scottish Government estate, so it would fall to our estates directorate to fund it. That is largely where the funding for the work has come from.

Iain Wallace can explain a bit more about the work that is taking place there.

Iain Wallace: I am happy to give the committee an update on progress. Since the committee was in Aberdeen, our first priority was to do site condition surveys, so that we could get a sense of what needed to be done and any other actions that were required. In the current financial year, as the cabinet secretary mentioned, there will be a £1.26 million spend, and we have already identified £900,000 for next year. That will cover a mix of different things. There are upgrades to essential equipment—in the past year, we have upgraded our sonar tank room. There is maintenance work on the stairwells and work to address the general condition of the building, which you mentioned. We have done some work to maintain the buildings and make the facility a better work environment and space.

The biggest piece of work that is under way involves the lecture theatre—which you mentioned—which is building A in the complex. That work, which will also restore the laboratory facilities that were underneath the lecture theatre, is about to commence and will finish within the next year.

Over the longer term, we still have some lab space at the University of Aberdeen that we want to bring back on site. We are looking at options for that and are starting to finalise them. We expect to do that by the middle of this year. We are also trying to source space for our net riggers—again, we are finalising options there.

As the cabinet secretary said, with regard to the wider future of the Aberdeen estate, we have done scoping work on the strategic outline case to look at the campus in its entirety and set out a business case for that.

Rhoda Grant: It feels to me that you are throwing good money after bad. When we visited the site, I felt that it needed to be rebuilt rather than patched up here and there, which might not work. There are different buildings in different places that are in different states of repair. Whereabouts in the budget should we be looking to find the funding for that? I am conscious that there is an election coming up, and we probably need to put something in our legacy report at the end of the session, so that the new committee can look at the issue. If we are going to have world-class science, we cannot have that taking place in a shed, which is basically what we have just now.

Mairi Gougeon: Some of the longer-term work will look further at that. It is not just a case of patch, fix and move; it is about how we deliver an estate that is fit to deliver what we need and that is fit for the future and is sustainable in the longer term.

I will have to ask Iain Wallace what exact budget line that falls under, or I could potentially follow that up with the committee. I do not know whether that specific work is identified at that level in the budget—again, simply because that falls to another area—but I can follow up with the committee on that. I do not know whether Iain Wallace has that information today.

Iain Wallace: No, but I am happy to follow up on that. We are doing that work with estates directorate colleagues, so that is where we would look with regard to the budgetary requirement.

The Convener: As far as I recall, one of the criticisms of the marine directorate, when the committee held its short inquiry, was that there was a lack of transparency. I am not suggesting that that was deliberate, but it was not clear what funding was going into the marine directorate and where that was coming from.

The issue that we are discussing is an example of an area in which we cannot see some fundamental investment to allow the marine directorate to operate effectively, in a modern way. We are not sure where it sits within the Government budget or in which portfolio. I know that you said that it is capital spend, but it is difficult for us to drill down and see what investment and commitments the Scottish Government has made to the marine directorate.

As I said, if I remember correctly, that was one of the comments that we heard during the committee's inquiry some time ago. That was about not just capital spend but some of the

funding for revenue spend, staffing costs or whatever. There is a lack of transparency. I am not suggesting that that is deliberate, but you may need to reflect on that.

Mairi Gougeon: There are a few points in there. With regard to transparency, I go back to what I said regarding some of the other schemes that we talked about previously: the budget lines that we see as presented do not provide that level of detail, in my view, which can make it difficult for people who are looking at the budget to identify what spend is going where.

However, we made that commitment last year in relation to some of the budget lines, and the marine directorate is currently developing the business plans for how that funding will be allocated once the budget is—we hope—agreed and passed. We would be happy to follow up with the committee to provide a clearer picture if that would be helpful.

I also appreciate the difficulty with the fact that, as you highlighted, budget lines are coming from other portfolios. Of course, that is outwith our control; I am analysing my own budget lines. There is no deliberate intention there, but it is quite right that the funding is coming from the SG estates budget, because that area is part of the Scottish Government's functions. Nevertheless, we will follow up with that information, so that it is made more clear and obvious to the committee where it should be focusing and what budget lines it should be looking at to see where that spend is going.

Beatrice Wishart (Shetland Islands) (LD): Rhoda Grant rightly mentioned Scotland's world-class science, but the committee has heard from stakeholders that reductions in the marine science budget have reduced capacity and damaged the marine directorate's international reputation. Given the real-terms reduction of £1.7 million in the budget, how can we improve the situation?

Mairi Gougeon: I would not agree with the comment about capacity and reputation. We can look at the work, particularly in marine science, that is undertaken through the directorate. In some of the negotiations that we have been through recently, we have delivered £540 million of fishing opportunities for the industry, and much of that work depends on the work that is undertaken by our scientists. We have 80 scientists working across 70 different International Council for the Exploration of the Sea working groups, and it is our scientists who lead on 20 different stock assessments within that, because our expertise and reputation in that area is recognised.

In addition, on science spend, in the current financial year, there was an increase of £1.2 million in the overall spend on science, because we recognise how important it is. A number of pieces of science work are being undertaken in the marine directorate. A couple of years ago, we published our science and innovation strategy. It is vital that we work with our partners, and the strategy is about how we can seek to collaborate better and utilise other expertise.

We now have in place the chief scientific adviser for marine. We have published a paper on areas of research interest, and the implementation plan for the science and innovation strategy is due to be published this year, too.

All of that shows that we are committed to investing in our science work and that we are delivering a lot of work in that area.

Beatrice Wishart: Are you able to say how much science and research you buy in from other countries?

Mairi Gougeon: I do not know that off the top of my head. Are you talking about our work in collaboration with various people?

Beatrice Wishart: I am thinking about when the marine directorate cannot provide the research and data analysis that you are looking for and you buy that in from elsewhere. Are you able to say how much of that takes place?

Mairi Gougeon: I would have to follow up on the specific details. A number of different collaborations take place, including with the industry itself. We have undertaken work with the Marine Alliance for Science and Technology for Scotland, and a number of different papers have been published over the past year. However, we would have to follow up with the specific details of some of those partnerships and the work that we have taken forward in that regard. It is quite a broad area, but I hope that that information will emphasise to the committee the range of partnerships that take place.

Iain Wallace might be able to think of some specific examples that would be helpful, or it might be better for us just to follow up with the committee on that.

Iain Wallace: Plenty of collaboration is taking place across borders. Sometimes that is with industry—for example, collaboration with sea fisheries in our core sampling—and some of it will be with MASTS and other organisations. We will be happy to provide a breakdown of that.

Collaboration on science is a key part of how we move forward. That is why, as the cabinet secretary mentioned, we put out our paper on areas of research interest, in order to be clear about what our research priorities are and what questions need to be answered over the coming years to give us a good evidence base across the board.

Beatrice Wishart: I cannot speak about fisheries science without highlighting how important the University of the Highlands and Islands Shetland is within that mix. Thank you for your answer.

The Convener: Do you have any further questions?

Beatrice Wishart: Not on this issue, convener.

The Convener: In that case, Alasdair Allan has a supplementary.

Alasdair Allan: Cabinet secretary, you have touched on some of these issues. The marine fund Scotland has had its budget increased by £2.1 million. Can you say a bit more about how that money will be used and, in particular, what the aims are and what outcomes the Scottish Government is seeking from that uplift?

Mairi Gougeon: We know how valuable the marine fund Scotland has been for industry and for coastal communities over the years that it has been in operation. To give the committee an idea of some of the demand for the fund over the past year, we had applications that would have totalled over £30 million, and we had just over £14 million available, so we know that the appetite is there for that capital and resource funding.

We are constantly looking at the fund to see how it is operating and whether it is delivering what we need. The aims are largely modelled on the blue economy outcomes that we set out, but we are currently looking at what that looks like and whether there are any potential changes over the coming year. Nevertheless, the fund has been really valuable. We have also included the uplift that would have come from the fisheries and coastal growth fund for the coming year, increasing the funding that will be available this year through the marine fund Scotland.

10:45

Alasdair Allan: Given that you have said that the fund is oversubscribed with applicants, what type of criteria are being used to prioritise the funding?

Mairi Gougeon: It may be helpful to talk about some of the projects that we are funding through that fund. We last published our blue economy outcomes a few years ago, and a key element of that is how we support new entrants in the fishing industry. We have funded, or put funding towards the cost of, vessels for fishermen, and some of that funding has gone to support some of our partners, including the Scottish Fishermen's Federation, in the work that they do. There has also been funding for Seafood Scotland, to help to deliver its programme of work, which has been vital. We allocated some funding towards that last year. There has been funding for the Scottish ocean cluster project as well.

I am happy to follow up on some of the key projects, to outline some of the outcomes that we are looking for. A key point is innovation, and another point is the need to tackle some of the issues around our coastline, such as marine litter. It is largely about helping our marine industries to innovate and tackle some of the challenges that we know exist. I am happy to follow up with more information on that.

Beatrice Wishart: Are you able to say anything about what the marine fund Scotland would mean for shellfish aquaculture?

Mairi Gougeon: We have not opened a new round this year, but I believe that we have allocated funding for some projects. I would have to look at the detail of some of the projects that we have funded in the past. Our shellfish industry is hugely important and it is part of our vision for sustainable aquaculture in Scotland, so we would look to engage with and support that key sector.

The Convener: Once again, I will refer to comments from stakeholders on the budget. You mentioned the Scottish Fishermen's Federation, which has been strongly critical of the cuts to the marine budget. It has suggested that reduced funding for marine science and management jeopardises sound policy making, enforcement and sustainability at a time when demands on the marine environment are growing. We regularly hear about spatial pressures, and the SFF also notes the "enormous increase" in resources for the offshore wind directorate, which has tripled in size. It says that the reduction in the budget undermines effective fisheries management and threatens to produce unintended consequences.

We have just heard that there was a demand for £30 million-worth of funding but that only £14 million was forthcoming. Are you confident that we can do everything that we want to do for our inshore and offshore fisheries to ensure that they are sustainable and to address the current pressures on them to become more sustainable?

Mairi Gougeon: To focus on science, we had, as I said, an increase to the science budget last year, but it is always going to be difficult. Our marine area is vast, which is why the work that we are taking forward through our science and innovation strategy is so important, as is the work that Iain Wallace touched on with regard to the areas of research interest. We recognise that we have to collaborate with others in the development of that work and how we take it forward.

Our scientists already do incredible work. I have talked about some of the involvement with ICES,

and we see a direct impact from that work, because it all helps to bring in the funding and the opportunities for our fishermen that we see as a result of the coastal states negotiations.

It is about how we best utilise the resource that we have and about working with others, because we have significant areas of expertise across Scotland. I acknowledge Beatrice Wishart's point about UHI Shetland; there are also organisations such as MASTS and the Scottish Association for Marine Science with which we want to collaborate. The implementation work that is due to come forward this year in relation to the science and innovation strategy will be critical for putting that into practice.

The Convener: There is no doubt that we have world-leading scientists who are doing a great job, but it could be said that they have one hand tied behind their back in respect of their capacity to develop, or continue to sustain, an international reputation for marine expertise. There is a barrier to that, and they are having to prioritise and make choices.

Should we be seeing an increase in the marine budget, to ensure that, given the challenges that marine scientists have, they are not working with one hand tied behind their back and do not have to pick and choose? Forgive me for mentioning the word "cockles", but that is a great example of a fishery that could be developed. However, that development has taken a long time because of the capacity and the resource implications. I am sure that that is not the only fishery that could be developed. Are our scientists working with one hand tied behind their back because of funding and resource challenges?

Mairi Gougeon: We did increase the science resource last year, but I appreciate the point. I hope that you have at least seen the work that we are doing towards that. We are, I hope, making some progress in that regard and in trying to identify new opportunities for our fishermen.

Overall, when we consider the marine directorate's budget, it is the same situation as with other areas across Government: we are striving for efficiency while still trying to deliver on our overall objectives. There are savings within that as a result of some of the investments that have been made.

The marine directorate is a good example of where new technology has been utilised in a way that costs us less overall but provides us with better data and information. For example, we have been investing in remotely piloted aircraft systems, as being able to utilise that technology helps with overall compliance and increases our capabilities at sea. We have previously discussed with the committee the aircraft that have been utilised, and we have now entered into a contract for those aircraft that is saving us a lot of money while maintaining the overall resource, which is vital for compliance. We have also been investing in remote electronic monitoring and in vessel monitoring systems. All of that is helping with the wider data picture, which ultimately enables us to do more.

There are the investments that we have made, and there will be the continuing investments in the new marine vessels that are coming down the track. Those investments can ultimately help us to save money, which is a good thing. Of course, we recognise how vital science is—we increased the resource for the science budget last year, and the business plans are being developed for this year. As I outlined previously, I am happy to provide more detail on the allocations once that work has been finalised.

The Convener: Thank you, cabinet secretary.

We will move on to the final key area of the budget, which is the islands budget, with a question from Rhoda Grant.

Rhoda Grant: Cabinet secretary, can you explain in more detail the reduction in capital funding for the carbon neutral islands project and the islands plan? What are the projections for those budgets in the light of the revised islands plan?

Mairi Gougeon: I am happy to do that.

There has been an overall reduction in the capital funding that is being allocated to the islands programme and the carbon neutral islands project. There has been an increase in the resource that is being made available to the islands programme—there is a £3.75 million capital allocation for the islands programme this year as well as £2.5 million being available in resource. That is an uplift in resource funding in comparison with what was in the budget for that last year. However, there is only resource funding available for the carbon neutral islands project. Unfortunately, that highlights some of the difficult decisions that we have had to make across the portfolio in relation to capital spend. Ultimately, I think that the allocation will help to continue to deliver the pipeline of projects that have been developed over the course of the islands programme. Even though there is no specific capital identified against the overall carbon neutral islands project, any specific projects coming through that would be able to access the capital that is there for the islands programme, too.

With regard to the overall delivery of the national islands plan, we need to look more broadly, rather than simply looking through the narrow prism of my portfolio. Some of the key objectives that have

been set out in the plan, including the overarching objective around how we retain and increase populations in our island communities, relate to other key areas across Government. For example, investments are made through the transport and housing portfolios. In announcing the budget last week, the Cabinet Secretary for Finance and Local Government touched on the islands accelerator projector for our island authorities, which is about capital investment, and there is investment in things such as fixed links, which are also identified in the national islands plan.

Rhoda Grant: I would be keen to know what the practical implications of that are. The carbon neutral islands project was a pilot to show the way forward on how we achieve being carbon neutral. Given the funding cuts, are we close to those islands becoming carbon neutral, or is that something that will just fall by the wayside?

Mairi Gougeon: No—we are certainly not intending that to happen. Being able to retain the resource funding has been an important element of that, and a lot of good work has been developed in relation to carbon neutral islands.

We have funded the community development workers who are involved in the project and based on the islands. They have been doing some incredible work, and we want that to continue. Even though there is no specific capital allocation against the project, that should not prevent any such projects coming through the islands programme allocation. I am happy to follow up on the specifics of the programme, what it has delivered and the point that it is currently at. It has a been a really positive programme of work that we want to see continue into the future.

Rhoda Grant: That would be useful, because one imagines that an awful lot of the work coming out of that project would require capital funding. For example, looking at community energy generation and insulation, and all the changes that require to happen in order for islands to be carbon neutral, it is hard to see how that can happen without capital allocations.

Mairi Gougeon: For part of the financing, you are right, but part of the work that was being taken forward through that project was about looking at broader financing strategies. Some important projects have been delivered through the capital funding that we have had available in previous years, but we are now looking at where we can lever in that extra funding and what more can be achieved. As I said, I am happy to follow up with some of the specifics in relation to that.

Rhoda Grant: Okay. Thank you.

Ariane Burgess: I want to follow up on Rhoda Grant's questions, cabinet secretary. I wonder if this is what you are getting at. For the carbon neutral islands project, the project officers can use their role in a particular way. One example that I have seen involved the retrofitting of housing on Raasay. Is that where the projects would tap into money from another budget that is outwith your portfolio? Is that what you are talking about? Can the project officers access funds that sit in other cabinet secretaries' portfolios?

Mairi Gougeon: Yes, if an issue was identified as a priority. There are several elements there. We can look at the funding that is currently available in relation to housing, which has been set out in the broader housing documents. We have the rural and islands housing plan and the action plan on the back of that, which is about looking at different models of delivery and at what works in different parts of Scotland and how we can best utilise and encourage that. The overall funding for that is projected to increase to about £37 million over the next few years. Wherever we can align those projects, we should do so. They should not—and they would not—be happening in isolation.

Ultimately, the national islands plan is about how all the parts of Government are delivering for our islands community. That is set out in some of the objectives in the plan, in relation to not only housing but transport and other areas.

Ariane Burgess: That is helpful.

With regard to the funding for the community development officers, a few years ago they were coming to me with concerns about where they were going to get the money. I know that we cannot necessarily put in place multiyear funding for them, but have we been able to get to a place where we can give them advance notice that funding is coming, rather than having them worrying about whether they will have a job and whether they can pay their mortgage or whatever?

Mairi Gougeon: I do not want anybody hanging in limbo when it concerns matters as serious as that. The budget has now been published—it was a bit later than anybody would have liked, of course, but we want to give people that security as early as possible. I am not sure whether that funding has been 100 per cent confirmed, but I will follow up and ensure that that is the case.

Ariane Burgess: Thank you.

Alasdair Allan: I want to add to that briefly, cabinet secretary. Again, I am thinking about funding for the carbon neutral islands project. Can you say a wee bit more about how that potentially ties in to other future areas of funding, whether it is revenue, support for borrowing for local authorities or other longer-term measures? How might you mainstream, as it were, into the future

the projects that have been begun through the carbon neutral islands project?

11:00

Mairi Gougeon: I would say that, for the islands programme more generally, the work that has been on-going for a number of years now with the Scottish Futures Trust, which has been leading that work and that engagement with local authorities, has led to a strong pipeline of projects being developed. The islands accelerator model, too, offers quite an exciting opportunity when it comes to future models of funding to deliver the sort of big capital infrastructure that could be so important for our islands.

However, it is important that we continue to build on the good work that has been done so far. Of course, we are working with a number of different partners on the carbon neutral islands project; there is also access to other schemes, such as the community and renewable energy scheme; and there are area-based schemes that we can work with, as appropriate. I see us continuing to deliver on the good work that we believe has been started through the project.

Alasdair Allan: Thank you.

Beatrice Wishart: Some of this year's funding announcements for islands fall under the remit of the transport secretary. Can you say something about those measures and how they interact with the proposals for the draft islands plan?

Mairi Gougeon: Absolutely. As I said in response to Ariane Burgess, transport and housing are two of the most critical areas when it comes to delivering on the national islands plan objectives. Ultimately, it is all about ensuring that we have that basic infrastructure if we want people to come to, and remain on, our islands. The investment that we are seeing through transport will, I think, be critical to advancing the implementation of the new national islands plan. Indeed, one of its strategic objectives is improved connectivity.

I should also make it clear that the national islands plan seeks not to replicate other work that has already been published, such as the islands connectivity plan, but to build on what has already been done. I would also point to a number of different initiatives that have been announced in the budget, such as the removal of peak fares and the bus fare cap, and some of the capital investment that has been made in some of our islands will help to deliver on the objectives that have been set out.

Beatrice Wishart: An issue that is quite critical to any island is freight logistics and hauliers getting goods on to and out of the islands. Is there any reference to that in the draft islands plan?

Mairi Gougeon: Again, I would have to look through the detail to double check that, but we recognise how critical it is to have that engagement with operators. I know that my transport colleague and the Minister for Agriculture and Connectivity are heavily involved in that work.

We recognise how vital connectivity is, but I can follow up with the exact detail on that. I do not have the plan in front of me, and I would be reluctant to mention a specific objective or framing without being able to look at the specifics of the document.

Beatrice Wishart: Thank you.

The Convener: We will now have some supplementary questions. I call Ariane Burgess.

Ariane Burgess: I did not think that you were going to come to me first, convener, but okay.

I have a question about budget line 109 in the level 4 workbooks, which relates to food and drink. I see that there is an additional bit of money, but it is not really much of a change. The accompanying text says that the budget line

"Provides support for Scotland's Food and Drink Policy and Ministerial priorities, including funding for"

three aspects, the last two of which are

"delivery of Good Food Nation Act measures and establishment of the Scottish Food Commission, and"

good food nation

"local food policy priorities".

I want to get a sense of whether you feel that there is sufficient funding in that respect. We have the draft good food nation plan, which we have been looking at. Once the plan itself is published, there is then the question of local authorities moving towards putting in place their own local plans, which they are already doing in many cases. I am asking this question with my local government hat on. Is there anything that we need to do to ensure that the right support is in place to enable local authorities to start preparing the way for their own plans?

Mairi Gougeon: I appreciate the Local Government, Housing and Planning Committee's scrutiny of the good food nation plan, and I recognise the importance that has been placed on it. At that time, there was a lot of discussion about the commencement of section 10 of the Good Food Nation (Scotland) Act 2022, which brings in the obligations on local authorities and health boards to prepare their own plans.

What I would say is that a lot of the focus in that particular budget line and that funding is about ensuring that we get the Scottish Food

Commission up and running and fully established. We now have the commissioners in place, and we recently appointed the chief executive, who is now in post. As I have said, that is where the funding focus has been.

In the light of the concerns that were discussed by the Local Government, Housing and Planning Committee during its scrutiny of the plan, we will have further conversations with local authorities on the timing of the commencement of section 10, when those obligations will be brought into force, and the local government elections. Those discussions are on-going. We set out in the financial memorandum to the 2022 act the funding that we expected to make available to local authorities to assist with the development of their plans, because we recognise that that will require some resource. However, as I have said, those discussions are still on-going.

Ariane Burgess: Okay.

I want to ask another question, just out of curiosity. Line 117 of the level 4 workbooks relates to rural cohesion. There has been a cut to that budget, and the accompanying text says:

"The Rural Cohesion Budget funds projects and programmes which build knowledge of"—

the print is very small—

"and test approaches to rural development, addressing inequalities for people in rural communities."

I would be interested to understand what some of those projects are. I wonder whether, if you do not have that information to hand, you could write to the committee to flesh that out.

Mairi Gougeon: I am happy to follow up on that. My officials will correct me if I am wrong, but I think that some of the budget in that line has been transferred to another budget line for the Scottish rural network, in order to bring all the funding available for networking into the same place.

The rural cohesion budget line also sets out our portfolio's contribution to the depopulation action plan. We have been funding community settlement officers. That has been a really positive initiative, and it is where that funding has tended to be allocated.

Unless I am corrected—and I am more than happy to follow up with more detail if I am wrong—I believe that that is where the decrease in that particular line has come from. There has been an adjustment, and the funding has been moved elsewhere.

Ariane Burgess: It would be helpful to get that information, because it seems to be a really important point. There are other pots of money that seem really important, too, such as those aimed at the broader aspects of rural life and the challenges of living rurally, but the committee does not seem to get to them in its scrutiny of the budget. It would be good to hear more about them.

Mairi Gougeon: Some of the headings for the budget lines do not do justice to what sits underneath them and what they actually fund. For example, the funding for the Scottish rural network comes under the heading "Technical Assistance", but I do not think that you would necessarily look at those words and associate them with the Scottish rural network.

I am more than happy to provide more information on some of those areas, the lines that sit underneath them and where the funding goes. After all, we fund some really good initiatives, and it is really good to emphasise that.

Ariane Burgess: Of course, the ARC act is about not just agriculture but rural communities, and we could, as an aside, recognise that there is more to our rural communities than agriculture. It is important that we, as a committee, keep that in view.

The Convener: I want to ask about the removal of the small business bonus relief for deer forests, which sounds like a family-farm-tax, Labouresque, back-of-a-fag-packet policy. Were you made aware of the decision to remove the relief before it was announced?

Mairi Gougeon: First of all, I disagree with your assessment. Those of us who took part in the consideration of the Land Reform (Scotland) Bill—or the Land Reform (Scotland) Act 2025, as it now is—will know that Ross Greer lodged amendments on the matter. Certain areas needed to be worked out, but it was a commitment that had been made between the Government and the Green Party. Discussions on the matter had been going on for a number of years, and, of course, the measure was announced in the budget last week.

It is important to point out some of the critical details of the change. The budget document sets out that shootings in deer forests will be excluded from eligibility for the small business bonus scheme relief and the fresh start relief. However, there are exceptions, including

"where a) shooting rights are exercised solely for the purposes of deer management, including to prevent damage to woodland or to agricultural production, environmental management or vermin control, b) crofts and c) all forms of agricultural and small landholding tenancies, leases for new entrants, and leases agreed for environmental purposes."

That is still undergoing scrutiny at the moment, but it is important to highlight some of the exceptions.

The Convener: Were you made aware that that was going to be part of the budget?

Mairi Gougeon: I knew that it was under active discussion and that it had been a Government commitment for a number of years, so that element of it was not particularly a surprise.

The Convener: Did you not feed into any discussions with the Cabinet Secretary for Finance and Local Government to raise any concerns?

Mairi Gougeon: We were in discussions about it over the course of the Land Reform (Scotland) Bill, and a number of pieces of work had been undertaken. I would have to go back and look at the exact ins and outs of that, but there was close working between portfolios on the response to the amendments to that legislation and the engagement that took place. We wanted to make sure that any exemptions or changes to the relief would not harm agriculture, family farms or crofts, because that is not the intention of the changes that have been made to the scheme.

The Convener: A few of the committee members will have received correspondence from stakeholders. I will kick off with a message from the Association of Deer Management Groups, which are all shocked and angered by the decision. It says that, although it received weak assurances that deer management incentives are being considered and that deer management practitioners are valued, the removal of the SPSS is likely to severely threaten the ability of volunteer collaborative deer management to deliver the outcomes that the Natural Environment (Scotland) Bill sets out. How do you reassure stakeholders that they will be able to afford to continue and that you will deliver the outcomes that they hope for?

Mairi Gougeon: That is the thing. We would not want to undermine any of the work that has been done or any of the work that is being discussed in the proposed amendments to the Natural Environment (Scotland) Bill, which we will discuss in more detail in the coming weeks. There will be more engagement on the issue to hear the concerns or frustrations that have been expressed by various stakeholders. I presume that there will be guidance to clarify what exemptions there might be. There are still more discussions to take place because, ultimately, we all want to take a pragmatic approach to it.

Tim Eagle: I am slightly confused. We have been talking about deer management in Scotland for months, in the context of the Natural Environment (Scotland) Bill. We are talking about the same people. The people who have small shoots or syndicates or who operate the killing of deer and the selling of a small bit of venison are the same people who are carrying out deer management. Do you recognise the letters that you will have already received and some of the information coming out from groups such as SLE, the Association of Deer Management Groups and BASC? Do you recognise the serious concerns about the policy being dropped in the budget?

Mairi Gougeon: I completely recognise that. Of course, we have heard the concerns that have been expressed but, as I say, there are exceptions. There is still more work to be done, and the bill is still working its way through Parliament at the moment. We need to have those further discussions, but I think that we have always been clear—I set it out to Parliament during the passage of the Land Reform (Scotland) Bill—that the issue has been under consideration for some time but we do not want to take an approach that either undermines the work that we have been doing or that has an impact on family farms or crofts in Scotland. That is where we have to make sure that we get this right.

Tim Eagle: I think that you have undermined that approach. You did not consult at all with any stakeholders. You knew about it, and obviously the Cabinet Secretary for Finance and Local Government was aware of it, but you did not consult with any groups, despite the fact that all those groups were widely consulted on the Natural Environment (Scotland) Bill. You dropped it into a budget.

Is this forestry all over again? Is it like when there was that massive cut to forestry a few years ago and the whole sector went, “Blimey! Here we go again.”? That is what is happening with deer management. You have asked the whole sector to do a huge amount of deer management so that we can achieve the objectives of our climate change plan and other things. Then, suddenly, you drop this in and it is going to have an effect.

I have a few examples of correspondence here. A small producer in the Highlands emailed me the other day. They have one deer forest and they sell venison locally, which is everything they want. Jim Fairlie was here a couple of weeks ago, talking about how we should be really proactive about venison sales. That producer says that they are going to be left with £1,000, so they are not sure they will be able to continue. Winston Churchill Venison—an interesting name—says that it rears 1,000 deer a year in Argyll and Bute and sells venison locally but is now going to have to lay off staff. Those are jobs in the rural economy that will be going. James Urquhart, who does deer stalking in remote Sutherland, tries to bring people and tourism into the area, but he is now going to have to pay £3,800.

The change will have a significant impact on rural Scotland, but, more importantly, it will undermine the deer management measures that you hope to see brought in through the Natural Environment (Scotland) Bill.

11:15

Mairi Gougeon: If you would like to write to me or the minister to highlight the examples that you have just given, I am more than happy with that. As I say, there will be on-going engagement and those discussions will continue.

Tim Eagle: You think that that engagement has the scope to widen this and increase the exceptions, so that more people will be eligible for the small business bonus scheme.

Mairi Gougeon: I cannot make that commitment at this stage, because a number of exceptions already exist and I presume that there will be guidance on it. I will have to check with colleagues in the finance portfolio about the approach that will be taken, but I think that there is still a bit of work to be done on that. I cannot sit here today and commit to there being any changes, because there needs to be clarity about the exceptions that exist at the moment. Ultimately, we do not want to undermine the objectives that we are trying to achieve through deer management.

Tim Eagle: I think that you have undermined them. With hindsight, do you think that it was a bit of a mistake to put this change into the budget in the way that you did, without having any discussion with the sector before that?

Mairi Gougeon: The change has been under consideration for a number of years, and discussions were held and commitments were made during the passage of the Land Reform (Scotland) Bill. We discussed when any changes could be brought into force and what discussions about them would take place.

Tim Eagle: I have one other question, but it is not on the same subject.

The Convener: Go ahead.

Tim Eagle: I think that we agree on the importance of young people and new entrants to the rural economy. It is such an important question. We talk about agriculture in terms of developing new farm tenancies and getting people into the sector, and we talk about fishing and how people can get work on boats or take on boats themselves. We have talked about skills shortages in forestry and what we need to do about that situation, and there is also the issue of island repopulation and the importance of keeping young people in rural areas. Can you set out a bigger picture of how the budget for the wider rural portfolio will support young people in rural Scotland?

Mairi Gougeon: A number of different areas in the budget show our commitment to doing that. First, considering the importance of new entrants to agriculture and the next generation, it is outwith the current budget, but we have held some sessions with the next generation and new entrants to farming to discuss what support is actually needed and what will be most beneficial to them.

That is why we have made commitments about the number of new opportunities that we will provide on public land. We also have specific funding for new entrants and the next generation, which, as I said earlier, sits within the business development line in the budget, and it has gone towards initiatives such as the practical training fund. We are investigating a number of other initiatives that people would like to see, as well as what more can be done on the back of the feedback that we have received.

The marine fund Scotland has been hugely important to the fishing industry and our marine industries more broadly, and we have made additional investment in that fund this year. We want to see new entrants to the industry, and we want to invest in training and safety as we have done in previous years.

We are delivering a strong package of support through the budget and the extra elements that we have built on previous years. I hope that that will send a strong signal of our commitment to, and investment in, those sectors.

Tim Eagle: That is what I wanted to hear. At the NFUS's political event at the Royal Highland Show last year, I was acutely aware that someone had asked about that during the forum. We talk and we talk and we talk, but what is the action? I encourage everybody who is sitting next to you today, cabinet secretary, to see that each portfolio looks at the practical, on-the-ground examples of how we can help young people to stay in rural Scotland and to work hard. From what you have just said, that is obviously something that you believe in.

Mairi Gougeon: It is.

Tim Eagle: Fine.

The Convener: Thank you. We have no more questions, cabinet secretary, so I thank you and your officials for your time this morning.

I suspend the meeting to allow for a change of witnesses and a five-minute comfort break. We will reconvene at 11:25.

11:19

Meeting suspended.

11:25

On resuming—

Subordinate Legislation

Animal Health (Fixed Penalty Notices) (Scotland) Regulations 2026 [Draft]

The Convener: Welcome back. Our next agenda item is consideration of a draft Scottish statutory instrument. I welcome to the meeting Jim Fairlie, the Minister for Agriculture and Connectivity. He is supported by the following Scottish Government officials: Caroline Blair, policy manager; Megan O'Brien, solicitor for rural affairs; and Eilidh Wallace, policy lead.

I invite the minister to make a short opening statement.

The Minister for Agriculture and Connectivity (Jim Fairlie): I am pleased to appear before the committee to discuss the Animal Health (Fixed Penalty Notices) (Scotland) Regulations 2026. These regulations introduce a new enforcement tool for the relevant enforcement bodies to address specific breaches of animal and bee health legislation.

Under the regulations, fixed-penalty notices are financial penalties that may be offered to a person believed to have committed a relevant offence under the Animal Health Act 1981 or the Bees Act 1980 by breaching a relevant requirement. They are intended as an alternative to referring the case to the Crown Office and Procurator Fiscal Service for consideration of criminal prosecution under the relevant legislation.

We acknowledge that FPNs will not be appropriate in all circumstances, particularly where there has been repeat offending or a more serious breach of animal or bee health requirements. We have therefore consulted on and given careful consideration to the relevant requirements that have been included in the regulations. The intention is that FPNs will be issued by authorised officers in circumstances that might not merit prosecution but where enforcement action should still be taken in order to protect animal or bee health.

It is important to note that the regulations introduce a power for authorised officers to issue an FPN when relevant requirements are believed to have been breached, but there is no obligation on the officer to do so. Instead, the authorised officer will be able to decide whether to issue an FPN in each case or whether other enforcement action might be more appropriate. For example, there might be circumstances in which the officer considers that verbal advice or a written warning is likely to be sufficient to resolve the issue. FPNs will therefore complement existing enforcement options rather than replace them. Prosecution will remain an option for more serious or repeat offending.

There are several reasons why we are introducing FPNs. They provide a proportionate enforcement tool, ensuring that enforcement action is fair and balanced. They allow for quicker resolution of cases, reducing the burden on enforcement agencies and courts of cases taken forward for prosecution. They encourage compliance without imposing the stigma or resource demands of a criminal conviction. They also have the potential to act as an additional deterrent in support of enforcement bodies, correcting behaviour or encouraging compliance with regulations more quickly. Finally, they help to maintain consistency and fairness by offering a clear, structured alternative to prosecution. In short, FPNs strengthen the enforcement framework by providing an additional, flexible option that supports compliance while preserving the ability to take stronger action when necessary.

The regulations set out the framework for how FPNs will operate. They identify the authorities that will be empowered to issue FPNs and explain the process for issuing them, as well as the circumstances in which an FPN cannot be issued. They detail how an FPN can be paid and the effect of payment, the process for appealing or withdrawing a notice, and the procedure for notifying an intention not to pay. They specify the relevant requirements and offences in relation to which a FPN can be issued, the relevant penalty levels and amounts, and the circumstances in which a penalty amount could be increased or decreased.

In addition, the regulations create an offence of obstructing an authorised officer exercising functions in relation to FPNs. They also amend the Animal Health Act 1981 and the Bees Act 1980 to exclude the payment period for a FPN from the time limit for bringing criminal proceedings for an offence.

I welcome the opportunity to answer any questions the committee may have.

The Convener: Thanks, minister. I put on the record that the Delegated Powers and Law Reform Committee considered the instrument yesterday and agreed that it had no recommendations to make.

Tim Eagle would like to ask a question.

Tim Eagle: I do not have a particularly big problem with the regulations, but I want to clarify a couple of things, if that is all right. There were a lot of individuals who responded to the consultation—we do not know who they are—but a lot of the

groups that responded were concerned with welfare. Are you comfortable that the consultation reached all the sectors that the regulations will affect?

11:30

Jim Fairlie: This is a health issue rather than a welfare one, and it should be clear that the two things are legislated for separately. The regulations relate directly to health issues rather than welfare issues. I put that on the record because you asked about welfare as opposed to health.

Tim Eagle: I asked about that because it comes up in the consultation responses. Are you happy with the consultation's reach?

Jim Fairlie: Yes. I get that some responses were not entirely supportive. We do not have all the details about why some people were not supportive of the regulations, although we can hazard a guess. However, I am confident that we have done the required work to make sure that the FPN legislation that is in front of you today is proportionate.

Tim Eagle: The consultation analysis says:

"Several respondents disagreed with FPNs … commenting that 'the introduction of an FPN process risks bringing in an enforcement route that would be better dealt with by education'".

However, you have tried that, have you not? This is about the next measure, if it is necessary.

Jim Fairlie: I would always expect education to be the first port of call. If, for instance, somebody goes on to a farm and finds health-related issues, the first thing that should happen is a conversation. The ability to issue an FPN is an additional tool in the box, but I would expect it to be used only if, as a result of having that conversation—that education, if you want to call it that—it is felt that somebody who is being asked to do something does not give the required response. The FPN is there so that, if somebody turns up at a farm and says, "You have not done this, and it would be better if you did," and the response is, "Not interested," it can be issued.

Tim Eagle: Fine. I am happy.

Ariane Burgess: I am supportive of the SSI, but I have a number of questions that I would like to run through with you, minister.

On deterrence and proportionality, do you consider that the penalty levels are sufficiently dissuasive for the bad operators? Do you intend to review and uprate them over time?

Jim Fairlie: Yes, the penalties are proportionate. By and large, people do not want to commit crime—they do not want to do anything wrong. There are any number of circumstances in which people might get themselves into a difficult situation because they have not done something, perhaps because they ran out of time or because other things are going on in their lives. Proportionality is about us saying that we can impose the FPN.

I believe that the penalties are proportionate and in line with expectations. If, however, there is persistent and repeat offending, that is a different conversation. We now have an extra tool in the box—issuing an FPN—that we can use if someone does not comply. If they get it once, that will probably be more than enough, because they will have to pay money out of their pocket, which they will not want to do. I hope, however, that people will just get on with doing the things that they need to do instead of getting an FPN in the first place.

Ariane Burgess: Do you intend to uprate the penalties over time?

Jim Fairlie: We will review that as we go along. I am looking at my officials, but I do not think that there is anything specific at the moment that says that we will look at them. If the SSI is approved, the fact that we have the power means that that will be a decision that will have to be taken two, five or 10 years down the line, depending on the circumstances at that time.

Ariane Burgess: My next question is why you think that there needs to be an early payment discount and whether you would consider removing it, or at least tightening its terms.

Jim Fairlie: I will turn the question around. Do you have a concern about the early payment discount?

Ariane Burgess: There are concerns that discounting could undermine the deterrence and create a perception that breaches can be resolved quickly and quietly.

Jim Fairlie: Okay. I see your point, but, as I said at the start, I hope that we will get to a position in which FPNs will not be needed, because the issues will have been resolved in the first place.

If early payment is an option, people might think, "Okay, I've crossed the line, so I'll make an early payment to get this done, but I'm not going to allow it to happen again." The SSI is not about prosecuting people for the sake of catching people; it is about allowing us to have negotiations with people in which we say, "This is the situation. This is the law that you have to comply with. We are giving you every opportunity to do that. If you do that, we'll be fine." We need to provide something to allow us to have that conversation.

Ariane Burgess: I get the point that you are trying to provide a deterrent, but I have a couple

more questions. On the discretion to extend the payment period, what criteria will govern extensions? How will consistency be ensured?

Jim Fairlie: I will turn to Eilidh Wallace to answer those questions.

Eilidh Wallace (Scottish Government): Extensions will be considered on a case-by-case basis. We will provide information in the enforcement guidance that we are developing for enforcement agencies, but it will be for them to determine whether an extension is appropriate. If there were family reasons or exceptional circumstances, for example, it might be necessary to extend the payment period.

Ariane Burgess: My point is that there is a sense that 28 days, which is almost a month, is a reasonable amount of time, but it is good to hear that—

Jim Fairlie: People might be in the guts of lambing and calving, so there will be circumstances in which people physically cannot make a payment.

Ariane Burgess: Thanks for clarifying that.

In relation to transparency and oversight, is the Scottish Government willing to commit to annual publication of the headline data that it will be gathering, including the number of notices issued and whether they are paid, withdrawn or appealed? That would provide clarity on whether, as you said, we were not reaching the point of having to issue notices.

Jim Fairlie: I know that we could do that, but I do not know the details. How would we do that?

Eilidh Wallace: Under section 81 of the Animal Health Act 1981, we can request information from enforcement agencies and gather that data, which we intend to publish. We already publish information on enforcement and proceedings under section 80 of the 1981 act, so we will expand that to cover the FPNs that have been issued.

Ariane Burgess: That is very helpful. I am looking for reassurance that FPNs will not be used as a substitute for prosecution in cases in which the offences are serious, deliberate or repeated, so it would be great to have that data.

The Convener: I have a very quick question about appealing FPNs. Currently, appeals are reviewed by the relevant enforcement authority that issued the FPN. That could be the Scottish ministers, the inspectors they appoint, local authorities, the police or authorised persons under the Bees Act 1980. There is an argument that the appeals process should not include the body that decided to issue the notice. Might that be considered as part of a future review process?

Jim Fairlie: Currently, you would appeal to the authority that issued the FPN, but you would be dealing with a different person. If you wanted to appeal a notice that you had been issued by someone who had visited the farm or the hive, you would go back to the same authorising body, but a different person would consider whether the FPN was justified.

The Convener: Thank you.

As there are no further questions, we move to agenda item 4, which is formal consideration of the motion to approve the instrument. I invite the minister to move motion S6M-20214.

Motion moved,

That the Rural Affairs and Islands Committee recommends that the Animal Health (Fixed Penalty Notices) (Scotland) Regulations 2026 (SSI 2026/Draft) be approved.—[*Jim Fairlie*]

Motion agreed to.

The Convener: Is the committee content to delegate authority to me to sign off a report on the instrument?

Members *indicated agreement*.

The Convener: That completes our consideration of the instrument and our business in public.

11:40

Meeting continued in private until 12:36.

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