

RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

Wednesday 21 November 2007

Session 3

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RURAL AFFAIRS AND ENVIRONMENT COMMITTEE

8th Meeting 2007, Session 3

CONVENER

*Roseanna Cunningham (Perth) (SNP)

DEPUTY CONVENER

*John Scott (Ayr) (Con)

COMMITTEE MEMBERS

*Karen Gillon (Clydesdale) (Lab)
*Jamie Hepburn (Central Scotland) (SNP)
*Des McNulty (Clydebank and Milngavie) (Lab)
*Peter Peacock (Highlands and Islands) (Lab)
*Mike Rumbles (West Aberdeenshire and Kincardine) (LD)
*Bill Wilson (West of Scotland) (SNP)

COMMITTEE SUBSTITUTES

Bill Kidd (Glasgow) (SNP)
Nanette Milne (North East Scotland) (Con)
John Farquhar Munro (Ross, Skye and Inverness West)
(LD)
David Stewart (Highlands and Islands) (Lab)

*attended

THE FOLLOWING ALSO ATTENDED:

Jan Polley (Adviser)

THE FOLLOWING GAVE EVIDENCE:

Nick Bailey (Fisheries Research Services)
David Dalgetty (Scottish Government Finance Directorate)
Maggie Gill (Scottish Government Rural and Environment
Research and Analysis Directorate)
John Mason (Scottish Government Environmental Quality
Directorate and Climate Change and Water Industry
Directorate)
Bob McIntosh (Forestry Commission Scotland)
Coby Needle (Fisheries Research Services)
Peter Russell (Scottish Government Rural Directorate)
John Simmonds (Fisheries Research Services)
Richard Wakeford (Scottish Government Director General
Environment)
David Wilson (Scottish Government Marine Directorate)

CLERK TO THE COMMITTEE

Andrew Mylne

SENIOR ASSISTANT CLERK

Mark Roberts

ASSISTANT CLERK

Katherine Wright

LOCATION

Committee Room 4

Scottish Parliament

Rural Affairs and Environment Committee

Wednesday 21 November 2007

[THE CONVENER *opened the meeting at 10:03*]

Fisheries Council

The Convener (Roseanna Cunningham): Welcome to today's meeting of the Rural Affairs and Environment Committee—it is our eighth meeting this year. No apologies have been received, and no other MSPs have indicated that they will arrive at any stage. Before we begin, I remind members to switch off mobile phones and pagers, or at least to keep them a long way from the electronic equipment; the closer they are, the worse will be the distortion that they cause.

Under agenda item 1, we will take evidence from Fisheries Research Services officials on issues that will be considered at the European Union December fisheries council. The three officials are Nick Bailey, John Simmonds and Coby Needle; Nick Bailey is sitting in the middle. Various written submissions have been made. Most members are fairly up to speed on the issues because of evidence that we took at the previous committee meeting. I ask Nick Bailey to make a short opening statement of no more than five minutes to allow maximum time for questions. We will move to the question and answer session as soon as he has finished.

Nick Bailey (Fisheries Research Services): Thank you for the welcome and for giving us the opportunity to contribute information to the committee. Together with my colleagues Coby Needle and John Simmonds, I hope that I will be able to provide helpful input. In the event that additional material is required, we will do our best to get it to the committee as quickly as possible.

Our written submission outlines the types of work in which we are engaged. The overarching role of FRS in the fisheries process is to provide objective science. I will summarise briefly two broad activities that characterise our work and the fisheries science process. The first activity is assessment of the state of fish stocks using data from a variety of sources, and comparing the metrics from those assessments with predefined reference points or targets. In relation to the species that we are likely to cover today, that involves international co-operation, mainly through the International Council for the Exploration of the Sea. The activity is essentially retrospective.

The second activity is provision to fisheries managers of scientific advice on on-going management of fish stocks. That can involve the evaluation of strategic longer-term management targets and plans or the suggestion, development and testing of particular management measures—for example, technical measures—that might be used to meet management objectives. It is essentially a forward-looking process. To be effective and to remain credible, our input and advice in both areas must remain consistent and objective.

As members know, ICES has issued its advice for 2007, from which we see that some stocks are doing quite well and others are not. To some extent, the ICES advice on catches reflects that. We have brought along some CDs that contain more detailed key information; there are enough copies for all members, if the committee wishes. It is important to note that in some cases the advised catch reductions arise directly from advice that is linked to long-term sustainable management plans and does not necessarily imply problems with the stock.

An important change this year is the removal of the zero North Sea cod catch advice, following a modest improvement in recruitment of cod in 2005. Of course, that affects the dynamic of the discussions surrounding mixed demersal fisheries of the North Sea and presents challenges for management and fishermen in ensuring that those fish are able to contribute to the stock. Earlier this month, the European Commission's scientific, technical and economic committee for fisheries met. Its report, which is due shortly, will further update the science.

At the moment, FRS is heavily involved in advising fisheries managers during the various negotiations that culminate in the December council. Immediately after this evidence-taking session, Coby Needle will head off to Brussels to join the second round of the EU-Norway talks. At this stage, we view the process as being still fluid. The Commission has still to issue its proposals for 2008. As is often the case at this time of year, we anticipate a particularly busy few weeks.

The Convener: Thank you. That was commendably shorter than five minutes. I would recommend your submission to some of our other witnesses.

Bill Wilson (West of Scotland) (SNP): You said that recommendations for reductions in catch might be part of long-term sustainable plans, rather than an indication that there are problems with the stock. Can you expand on that? Is the aim to allow the overall population to grow larger, so that there can be a higher regular sustainable catch? Are you simply allowing for a margin of

error, so that the population can grow larger in case you are wrong?

Nick Bailey: I will invite John Simmonds to come in on this issue. The purpose of long-term management plans is to set a target or range for fish removal rates—fishing mortality rates. The objective is to keep the stock in a fairly stable condition, with limits that allow us to avoid risk and that lead to long-term improvements in yield. Advice may be given to address that issue, rather than to address a biological problem with the stock that suggests that it is about to collapse. The purpose of the plans is to keep stocks well away from such situations. Reductions in the total allowable catch are often interpreted immediately as indicating that there is a problem with the stock. We make it clear that that is not always the case.

John Simmonds (Fisheries Research Services): The conclusion to be drawn is that fish stocks naturally fluctuate. One would expect both the stock and the catches that are taken from that stock to go up and down through normal and natural variability. It is not always possible to have consistent and steady stock levels. Such changes are a natural occurrence.

Different stocks exhibit different variability—mackerel stocks will be more stable and will fluctuate more evenly than haddock stocks, which will fluctuate very considerably. Recruitment of young fish into haddock stocks is irregular, whereas recruitment of young fish into mackerel stocks is more stable. To some extent, changes occur naturally from year to year to which a fishery must respond.

Bill Wilson: I have another quick question, although I promised not to ask too many questions.

That answer implies that it is important to estimate a single year's cohort, given the high variation that can occur from year to year. As the cohort approaches the age at which it can be fished, does the accuracy of our estimates improve or is the accuracy of our estimates constant from the first recruitment measurements right up until the point at which the fish can be caught?

Nick Bailey: I am sure that we could all answer that but, as John Simmonds was in full flow, I will ask him to answer the question.

The Convener: I should perhaps warn that Bill Wilson has a background as an environmental scientist.

Bill Wilson: I have also been warned not to ask too many questions.

The Convener: I warned Bill Wilson not to allow his instinctively scientific nature to carry him away.

John Simmonds: The answer is very simple: the accuracy of the estimates improves from year to year throughout the life of the cohort and is most accurate when the cohort is gone.

Bill Wilson: Is that because repeated measurements are taken?

John Simmonds: Repeated measurements are taken and the information grows over time. Each year, we learn something about the current year's cohort and more about those of previous years. By a natural process, information about each cohort increases over time.

Jamie Hepburn (Central Scotland) (SNP): I have no instinctively scientific nature, so my question should be easier to deal with.

I was intrigued to hear Mr Bailey say that the ICES study of the state of fish stocks is retrospective in nature. Can you explain that a bit more clearly? To me, that indicates that the data are old and could be out of date before we have them. Is that the case?

Nick Bailey: It is useful to seek clarification on that. The comment that John Simmonds made about how we know most about a stock when it is gone is indicative of the fact that the studies are retrospective. You are quite right that our information is only as good as the most recent data that we have to put into the assessment. In the current framework in which ICES operates, assessments for many stocks are provided annually and rely on the most recent complete year of information. The simple practicalities of scheduling in an international framework mean that meetings usually take place after the end of the calendar year. We are moving to a system in which, for most stocks, those meetings will take place in May of each year. Our advice for the formal assessment in 2007 is only as good as our information from the end of 2006.

Obviously, as scientists we collect daily real-time data on board fishing vessels, from markets and from our research vessels. That contributes additional information that can help in understanding what is happening with stocks and the management process, but it does not formally affect the ICES assessment.

Coby Needle (Fisheries Research Services): Our other task—to which Nick Bailey alluded—is the forward-looking task. In that sense, our survey information and fishery-independent information from within the year is extremely important. That information, along with admittedly anecdotal information from the industry itself, provides the basis for what we think is happening during the current year and what will happen next year.

10:15

Mike Rumbles (West Aberdeenshire and Kincardine) (LD): I want to focus on the bycatch, which I think people on all sides agree is a terrible waste of resources and of food. The committee has received information about a ban on discards that the Norwegian Government introduced in 1990. In the Norwegian system, the bycatch is not considered the fishermen's property and must be forfeited. The forfeited fish are not deducted from the fishermen's quotas—they can keep the legal part of their catch—and the fishermen receive 20 per cent of the value of the undersized fish as compensation for bringing them ashore. The fish are not just dumped at sea. Everybody agrees that the European Union's system is nonsensical and hugely wasteful, but nobody can agree on how we should deal with the matter. Norway seems to have dealt with it. Is that too straightforward? Are there bigger reasons why Norway can do that but the EU cannot?

Nick Bailey: I will answer first, but I will hand over to Coby Needle, who will have additional points to make.

Mike Rumbles clarified the question by mentioning discards, but his opening remark was about bycatch. Bycatch is, in fact, an important component in mixed fisheries. Can you confirm that we are talking about discards?

Mike Rumbles: Sorry. The question was about discards.

Nick Bailey: We agree that discards are a waste and a threat to the potential of the stocks. I do not think that there is much disagreement about that. However, the issue of how to get rid of them or reduce them is complex. We can return to the detail later, but there are lots of measures that can be taken to mitigate the problem, some of which Scotland has trialled and which other countries have been involved with.

The question why the system that Mike Rumbles mention works for Norway and not for elsewhere is interesting. The committee's paper on the subject reflects our experience that it is difficult to pin down how successful the discard ban is in reducing the catching of the fish and removing them from the capture process. There is uncertainty about the quality of that form of management even in Norway. When we carry out scientific assessments, we make allowance for the landings component and the discards component. It is interesting that we receive no information from Norway on the quantities that Mike Rumbles talked about being landed for which the fishermen get no financial return. That implies that there is either uncertainty about those quantities or unwillingness to declare them.

Mike Rumbles: You guys are the scientists and this is a technical issue. As you have just

accepted, everybody is agreed that the current situation regarding discards is not good. It is wasteful—some people say obscenely so. We see pictures of fishermen pouring fish—up to 60 per cent of their catch, in some instances—over the sides of their boats, but Norway has a system in which fishermen receive 20 per cent of the value of undersized fish for landing them so that they can be used. What is the point of putting dead fish back in the sea? Why has not more work been done on what Norway has done or has not done? You have just said that you do not know about it.

Nick Bailey: I will allow Coby Needle to answer, as he has more experience of the incidence and problem of discards. We do not disagree with you from the scientific perspective. We can introduce measures to mitigate and reduce discarding, and we can suggest such measures as discard bans; however, the issue is more political and managerial than scientific.

Mike Rumbles: It is political, but nobody is in favour of discards.

Nick Bailey: The claim is frequently made that it is almost impossible to prevent discards, despite the general view that people would like discarding to disappear. When the question is put to elements of the industry, they will say that it is almost impossible to have a discard ban, especially in fisheries that have a greater mix of species than many of the fisheries in which the Norwegians operate.

I hand over to Coby Needle, to give some more background.

Coby Needle: Nick Bailey has said most of what I was going to say. As scientists, we are of the same opinion as people in wider society. We must try to understand why discarding occurs and suggest ways to avoid it.

Discarding occurs for many reasons, especially in the North Sea, which is a complicated mixed fishery in which a wide variety of fleets prosecute a wide variety of species. Discards may occur because there is no quota and therefore no market for the species that have been caught. The skipper might happen to get poor prices on a particular day, which makes it not worth his while to land the fish that he has caught. He might want to save his available quota for later in the year—that is a form of high grading—or he might be catching non-target or non-commercial species. The fact that there is a large year class of a particular fish can retard the growth of those fish, with the result that small fish that are quite old are caught but cannot be landed because they are below the minimum landing size. Discarding takes place for a number of reasons. I do not think that fishermen are ever happy to discard fish—it is not something they want to do.

In theory, a ban on discards would be possible, but it would be extremely difficult to make it work in the current regulatory framework, which involves a mixture of effort regulations and different quotas for different species. Boats would soon have to tie up if there was a ban on discards.

In many ways, the Norwegians have a different fishery, especially in the Arctic areas and the Barents Sea, where the ecosystem is much simpler. In such areas, it is possible to legislate for the fact that boats go fishing for particular species. Vessels can target haddock, for example, and be fairly confident of catching just haddock. In the North Sea it is much more difficult to achieve such separation between species. That said, I was at a symposium last month at which the results were presented from discard observing trips in the Norwegian haddock fishery in the Barents Sea. Discard levels of 20 to 30 per cent by weight were obtained, which is similar to or more than the levels in the North Sea. It is a common misconception that because the Norwegians have banned discarding as a legislative tool it never occurs; it certainly does.

Mike Rumbles: I am not saying that it does not occur. I am saying that, as with any business model, we need to give fishermen a monetary reward for landing discards instead of dumping them back into the sea. That way, you would know exactly how many fish were being taken, so your scientific advice would be more accurate, and there would be less waste.

Nick Bailey: We might need to change tack slightly. What you have said implies that it is okay to catch all those fish. I do not know whether you realise the quantities of unwanted material that would arrive in our harbours if we were simply to implement a discard ban. Our approach, which is based on the laboratory work that our gear research team has been engaged in for many years, relies on the idea of improving the selectivity of fishing nets, to the extent that undersized fish in particular, and species that are unwanted for conservation reasons or catches of which might become limited during the year because of a TAC constraint, can be avoided. I have brought pamphlets that describe some of that work, which I can leave with the committee.

We might come back to selectivity. A raft of work is being done to address the issue of what is caught. I appreciate that with the Norwegian system the theory is that because of the discard ban, fishermen will naturally move to a more selective process. Perhaps such a movement would occur here if a ban on discards were implemented, but it is important to recognise that we want to avoid catching the fish in the first place. That has been the tack that we have taken in the UK, in particular.

The Convener: I want to track back to the questions about the scientific measurement of fish stocks. Will you put on the record how you calculate discard levels? How is that calculation wrapped into the figures that you derive for total fish stocks? How robust are your estimates in comparison with the actual level of discards? It strikes me that the potential exists for your figures to contain a big error factor if you do not know what is going over the side of boats.

Coby Needle: We have been running an observer sampling programme from FRS in Aberdeen since 1978. We do on average 90 observer trips per year, which are split roughly between the North Sea and the west of Scotland. It is the longest running and most comprehensive discard observer sampling programme in Europe, if not the world.

Under the conditions of the European data collection regulation, to which all member countries are meant to have signed up, countries are meant to be observing discard rates, as we are, and reporting them to the relevant groups—assessment groups in ICES and elsewhere. However, I chaired an assessment working group in ICES for the past three years and found that we received reports on discard rates from only Scotland and Germany.

As scientists we cannot ignore the fact that discards in the fishery are usually a large proportion of the total catch—the figure varies by species. We cannot ignore that information, so we have to extrapolate figures from the Scottish and, to a lesser extent, German sampling to the rest of the North Sea. That makes for large uncertainties, particularly in areas such as the whiting fishery in the southern North Sea. We apply the Scottish discard proportion rates, which are taken from vessels fishing in the northern North Sea with large or 120mm mesh, to vessels fishing with much smaller mesh sizes of 80mm in the southern North Sea. The discarding practice of the vessels in the southern North Sea will be different from the practice of those in the northern North Sea. However, the relevant countries do not supply us with information to enable us to estimate the discards, so we have to extrapolate from the Scottish figures.

The Convener: Are you saying that even the English fishing industry is not subject to such discard monitoring?

Coby Needle: The English industry is, but perhaps I should not get into—

The Convener: I just seek clarification. In effect, you are saying that the Scottish discard measurements are the most robust in Europe, although the Germans also submit such figures.

Coby Needle: Yes.

The Convener: That suggests that, even within the UK, there are systems for measuring discards that are nowhere near as robust as the Scottish system.

Coby Needle: In my experience, the English samples provide us with estimates of the length of fish that are discarded, but over the past few years they have not been able to provide us with estimates of the age of those fish. The English will suggest that we apply age sampling to their estimates of length, but we do not feel comfortable doing that because those are two quite different pieces of information. The other issue is that certain countries will not provide us with information for one reason or another.

The Convener: Right. We should take up that issue in separate quarters. It must be a European Union issue.

Nick Bailey: You should be aware of another process that is associated with the EU data collection regulation. The scientific, technical and economic committee for fisheries co-ordinates an additional data set that has arisen following a call from the European Commission for information on landings and discards. Surprising though it might seem, more information is provided to that process than is provided to the ICES process. Although that is perhaps inconceivable, I am afraid that it is the reality.

The Convener: There is a whole set of issues there that we do not have time to unpack. We will want to return to them at a later date.

Peter Peacock (Highlands and Islands) (Lab): I want to explore further a particular dimension of the relationship between total allowable catch and discards. I note that on page 6 of your submission you say, in relation to cod stocks, that there has been an "insufficiently cautionary" approach in the past. What is emerging in the run-up to the negotiations in December is that the UK is going to argue for a modest increase in the total allowable catch for cod. On the basis of your experience and your insight, what do you think would happen if the TAC were to increase modestly without the accompanying technical measures that you have begun to outline, such as measures in relation to net sizes and the provision of more observers and more closed areas? What would be likely to happen if the TAC—which is only one side of the equation—were to increase without being accompanied by a package of technical measures?

10:30

Nick Bailey: The advice on that is quite clear. It has been elaborated by the Scientific, Technical and Economic Committee for Fisheries, which has evaluated the impact of a 15 per cent increase.

The advice clearly indicates that, unless the increase is accompanied by a reduction in the fishing mortality rate—the rate at which fish are removed—in the order of 40 to 50 per cent, the net effect will be an increase in discards of unwanted fish. That is significant. It is correct to observe that a modest increase in TAC would be accompanied by an increase in discards unless there are accompanying measures.

Peter Peacock: As I understand it, you have been involved in trials of 120mm square-mesh panels and, in another part of the fisheries, separator panels—I think that you said that you have a report on that to leave with us. What is your assessment of the success of those experiments? What has been the uptake of those measures in the industry, given the success that I hope you will tell me you have had with them?

Nick Bailey: The most recent trials of 120mm square-mesh panels were carried out to address a problem in the smaller-mesh fisheries of the North Sea. In our case, that relates mainly to the nephrops fisheries. Panels of 120mm square mesh were inserted into basic gear with a mesh size of less than 100mm and it was demonstrated that, if those panels were located fairly near the cod end of the net—the place where the fish congregate before they are brought on board the boat—it was possible to see escapes of cod. That is quite unusual in most selectivity work—perhaps we will come back to that in due course—and it is projected that it could increase the biomass by about 15 per cent.

The STECF reviewed that measure last year and agreed that it was a useful one to put in place. It figured in the council outcomes last year but, disappointingly, the uptake of that derogation has been extremely small. The STECF has evaluated the uptake of many of the derogations that were introduced in its technical regulations and the general picture is that few of them have been taken up even though they are available.

The work on separator panels has been much more innovative and speculative. At the moment, there is no legislation or derogation to enable their use within the EU framework. The experience of using separator panels has been mixed. They work well for some species, such as hake. The French have demonstrated that the hake separate nicely into the top part of the net and their other main fishery—the nephrops or, as we now call it, the Scottish langoustine—goes into the bottom part.

The sad and difficult thing that we have to deal with is the fact that cod have a habit of diving downwards once they encounter a fishing net. Unlike many other species of fish, they do not rise up in the net and allow decent separation.

The Convener: Outrageous!

Nick Bailey: It is terrible. Regrettably, wherever cod are associated with flatfish, angler fish or nephrops fisheries, the complexity of achieving separation is greatly increased. That does not mean that we stop trying. There are various approaches to trying to move that forward—one of the papers that I can leave gives some examples—but it is a complex matter.

I have a quick caveat to the use of those measures. They require a lot of rigging within the fishing net and therefore require a willingness on the part of a boat's skipper and operators to use them as they are intended. There is great scope for fiddling about with them, so one would have to ensure that they worked and that there were sufficient incentives and a real wish to use them.

Peter Peacock: That takes me on to my next point. Perhaps it is not for you to answer, but I would be interested in your thoughts anyway. You are saying that there is more work to be done on separator panels but that there are some promising signs and you have positive results on the use of 120mm square-mesh panels. You have the technical answers to reduce discards, but the industry is not adopting them even though it has a problem with discards, and you have observers on boats who see what goes on. Why is the industry not adopting the technical measures that would solve much of the problem?

Nick Bailey: My previous answer was partial; I will now give you the rest of the story. Over and above the savings in cod, there are additional losses of commercial-sized haddock and whiting. There is a commercial balance to be struck. There is also a fear among some fishermen—although this is more debatable—that they will lose some of the nephrops catch. It is almost certainly the case that they will lose some commercial-sized haddock and whiting. The trouble with many measures is that they deliver a solution but often come with a cost.

John Scott (Ayr) (Con): My first question leads on directly from your previous comment and relates to whiting. Would it be such a bad thing if some whiting were lost, given that whiting is almost endangered?

Secondly, are global warming and climate change having an effect on prolificacy and movement of fish stocks?

Nick Bailey: I will comment after Coby Needle has responded.

Coby Needle: The state of whiting is dependent on where people are fishing. In the northern North Sea, the Scottish fleet has used 120mm mesh since 2000 or thereabouts. Whiting catches in the area declined dramatically, as the bulk of the fish

in the stock were quite small. Now the Scottish fleet in the north is getting better catches of larger whiting. A major political difficulty in trying to implement selectivity measures for whiting would arise in the southern North Sea, especially in the English and French fisheries, which depend on whiting much more than the Scottish fleets do. Whiting is no longer a particular target for the Scottish fleets, but it is a target further south.

Nick Bailey: The member asked about climate change, which is an area of big debate. I will use cod as an example, as that has often figured in the media. The current consensus on the science surrounding the issue is that there have been environmental changes. We have seen them in our plankton sampling and in climate monitoring and so on. The change is undeniable—there has been an increase in sea water temperatures in most of our waters. The upshot of that appears to be that the potential and productivity of cod can be expected to be lower for a number of years. Cod does not do quite so well in the current climate regime as it did in the regime that prevailed in the 1970s and 1980s, when cod and many other gadoid species—whiting, haddock and others—underwent a population explosion and had very large populations.

The fact that a change is taking place does not preclude the possibility of a recovery of cod stock to levels that are considered to be much more satisfactory. At the moment, there appears to be no real constraint on its recovery, subject to our getting fishing mortality down to a long-term sustainable level and getting a few decent recruitments. We need young fish to come into the population for a few years. The 2005 year class alone is not the answer to our problems. We need to get the population on a firmer footing.

Karen Gillon (Clydesdale) (Lab): My first question is about the technical measures. You mentioned that some innovative research is under way at the moment. Have you plans to do anything else on selection? It appears that having selective gear that works for cod would be an appropriate way forward.

My second question relates to the use of observers and how that could be extended in the Scottish fleet or further afield. Is there a need to change the programme to provide more robust evidence that fishing habits are changing—and changing not only when observers happen to be on board boats?

Nick Bailey: I will start on those questions, but colleagues should feel free to come in.

On gear, we have a commitment to continue with research and we have an on-going and active programme on that. Through the Scottish industry-science partnership that was started this year, a

group of representatives from the industry, from our organisation and from non-governmental organisations comes together to discuss what pieces of scientific research should be carried out. Work on technical measures figures highly in those discussions. In a number of the projects that we have carried out in recent years—with either European funding or Scottish funding—we have involved a committee of industry representatives to ensure both that our discussions and ideas draw on industry experience and that the proposed solutions are workable in real situations.

I do not know whether that answers the question, but we have a commitment to move forward and to keep looking for best practice. We consider new designs from other parts of the world to see how appropriate those are for our waters.

Karen Gillon: Should the Scottish Government be doing anything specific that it is not already doing to support and advance that work?

Nick Bailey: It is always tempting for a scientist to say, "Oh yes, we would love some more money to carry out more work." However, I think that there is already a commitment to that research. With the Scottish industry-science partnership, some good foundations are in place to ensure that the work goes ahead. However, I am not sure that that would be my particular priority—there are other things.

Karen Gillon: What would those be?

The Convener: You should not have added that rider.

Nick Bailey: We have recently been involved in a joint industry-science initiative to survey angler fish. The design of that survey again draws on industry experience in considering what type of nets could be used. That was born out of the realisation that some standard ICES surveys that use standard gear are not necessarily optimised and do not always give good results for the range of species that are now being exploited. There is a case for considering whether that work might be extended, but that would come at a cost. It is not my place to talk today about the balance of the science, but I think that we should look at such areas.

One of my colleagues might answer the question about observers.

Coby Needle: I can say a little bit about that.

Our observer sampling programme is working pretty much at full capacity. That is a scientific sampling programme, so it is carried out on the basis of skippers inviting our samplers on board. We have built up a good relationship between the industry and our people, who take samples regularly. Such sampling has a clearly defined function, which is mostly about estimating the level of discards.

Observers are also used for other purposes, such as monitoring real-time closures and carrying out other regulatory tasks, but that is a different issue that I will pass over to one of my colleagues.

John Simmonds: The question was about the accuracy of the data and about bias. To a large extent, the data are pretty representative. From the comparisons that have been done, landings from vessels on which an observer was present and landings from vessels without any observers are pretty much the same. That suggests that practices do not differ when we put an observer on board. That may be partly because the programme has been running for so long that everybody is now used to it and people are not suspicious of it. Perhaps the small minority of individuals who will not accept observers—the process is voluntary—have different practices, but they are very much a minority.

Karen Gillon: You mentioned that the use of observers to monitor real-time closures is a different matter—

The Convener: We are running out of time, so we need to speed up a little.

Nick Bailey: I will answer that quickly. We need to distinguish between scientific observers, who try to measure objectively what is happening across the fleet as a whole, and other observers, who, for example, check whether measures are being implemented and monitor real-time closures. We draw on different observers for those purposes. Essentially, the Scottish Government funds additional observers to undertake that work. They are provided not by our marine lab but by the Marine Resources Assessment Group, which is an outside contracting agency that has wide experience of observing fisheries across the world.

10:45

The Convener: I will let the session run for a maximum of another five minutes, as we have other items to get through before 11 o'clock. That is not an invitation to Des McNulty to take up the whole five minutes.

Des McNulty (Clydebank and Milngavie) (Lab): Does John Simmonds have any comments on the WWF Scotland mid-term review paper that is before us, which discusses the extent to which the Commission has heeded scientific advice and the operation of the TAC system? As a scientist, what is your view on that?

John Simmonds: The paper is a fairly accurate representation of the way in which WWF Scotland has looked at the information, but I am not sure that it conveys well an impression of what is really happening. WWF Scotland has lumped together a large number of stocks—we have poor information

on some of them and good information on others—and treated them in one bucket. It has looked at the relationship in one year between what has been set and what has been advised, and at the process of moving from advice through to regulation. The paper suggests that the two compare poorly, but in relation to substantial stocks the differences are often small. When TACs are set above the level that has been advised, they may exceed that level by only a small percentage. Over a long period of 10 or 12 years, the two figures deviate from each other only a little—they are much more in line than the paper suggests.

The paper gives a slightly rosier picture of the science than I would give, as it suggests that the science is in no way implicated in the problem. That is not true. As we said earlier, the information that we are able to provide is revised from year to year, so the process is dependent partly on the quality of the advice that we are able to give, given the quality of the information that we have. Although the paper identifies a policy issue between science advice and the setting of TACs as the cause of the problem, there is responsibility and there are difficulties at all stages. We cannot find a single culprit quite so easily. We should share the blame around a little more than the paper does.

Des McNulty: I have not yet read the full Sissenwine and Symes paper that has been made available to the committee, but in their conclusions its authors argue that there is a gap between the science and the decision-making process. Basically, they argue that we need to move towards an ecosystems-based approach. Is that in line with what would be robust scientifically?

John Simmonds: At the moment we are moving towards what we see as better management policies overall. It is a slow, complicated process that is difficult to implement quickly, but we are moving from a situation in which people take ad hoc decisions annually, TAC by TAC and based on that year's advice, to a management plan-based approach that links long-term objectives to short-term decisions. Over the past four or five years, the exploitation of haddock, herring and mackerel has been subject to management plans. The outcomes for those species have been much more sensible in terms of exploitation rates and much more useful in maintaining the fishery and the stock. That does not mean that outcomes have not fluctuated or changed—they have, and there have been increases and reductions in TACs for those species. However, the process is moving in a better way.

You mentioned an ecosystems-based approach. Although the process that I have described does

not produce such an approach, it moves each stock into a much more sensibly managed process that gives us a better overall view of the fisheries and allows for a much better overall outcome. That movement—perhaps one stock being added per year and a couple of measures being introduced that link into Scottish stocks—is a beneficial but slow process towards the right outcome. Things are moving slowly and steadily in the direction in which they should be going.

The Convener: Thank you very much. There are probably a number of issues that we would like to explore further. If the committee agrees, I may write to you with some of those further questions.

The Cabinet Secretary for Rural Affairs and the Environment will be before us on 5 December to give evidence on fisheries. The committee feels that, rather than take the fisheries evidence at this late stage in the year, it should bring the matter forward next year and consider it before the summer recess. Therefore, it is entirely likely that you will get a further invitation in the not-terribly-distant future. Do not be surprised at that. We are trying to bring the process forward so that we do not try to do everything at the time of greatest stress for the industry.

Nick Bailey: I am sure that we would welcome that. Next year's advice from the advisory committee on fishery management is expected to come out in June, so you could think about your timings in light of that. I leave that with you.

The Convener: Will that be early or late June?

Nick Bailey: Early June.

John Simmonds: Well—

The Convener: Do you think that there will be slippage?

John Simmonds: ICES is in flux. It is being asked to reorganise and produce more of the advice earlier in the year. If I had to bet on when the advice will come out, I would say late June, but no date has been fixed yet.

The Convener: That might create some difficulties.

Thank you very much for your evidence. As I said, you may get a follow-up letter from me asking you to elaborate on some of the issues on which we have not had all the time that we might have wanted. I look forward to seeing you again at a future committee meeting.

Rural Housing

10:52

The Convener: Agenda item 2 concerns our rural housing inquiry. It is a brief item to allow us to consider appointing a reporter to a conference in February, organised by the Rural Housing Service, that is of direct importance to our inquiry. There will be a variety of workshops on topics such as ways of restricting second home ownership, alternative housing providers, progress towards 2012, a review of Scottish planning policy 3 "Planning for Housing", opportunities for new rural settlements and land banking options from community land trusts to national bodies. We might very well find such discussions useful.

I asked members to consider whether they wanted to go to the conference, which is on Friday 29 February 2008, but thus far nobody has rushed forward. I am prepared to go because it is in Dunkeld.

Karen Gillon: Agreed.

The Convener: Well, I say that with some qualification because I am not entirely certain that the convener also being a reporter is necessarily the best approach. I ask for members' agreement in principle that we will appoint a reporter to the conference. Are we agreed?

Members indicated agreement.

The Convener: We will put the matter on to the next meeting's agenda for agreement about who that reporter might be. I ask committee members to think seriously about who might wish to go. A clerk will also go, so the reporter will not be on their own, if committee members are worried about that. I do not want everybody to jump at the fact that I happen to live closest, because there are issues with the convener also being a reporter, which is not hugely to be recommended.

Subordinate Legislation

Environmental Impact Assessment and Natural Habitats (Extraction of Minerals by Marine Dredging) (Scotland) Regulations 2007 (SSI 2007/485)

Import and Export Restrictions (Foot-and-Mouth Disease) (Scotland) (No 6) Regulations 2007 (SSI 2007/494)

Plant Health (Scotland) Amendment (No 2) Order 2007 (SSI 2007/498)

Plant Health (Import Inspection Fees) (Scotland) Amendment (No 2) Regulations 2007 (SSI 2007/499)

Bee Diseases and Pests Control (Scotland) Order 2007 (SSI 2007/506)

10:54

The Convener: Under agenda item 3, we have five negative Scottish statutory instruments for consideration: SSI 2007/485, which is on the extraction of minerals by marine dredging; SSI 2007/494, which is on foot-and-mouth disease; SSI 2007/498, which is an amendment order on plant health; SSI 2007/499, which is also on plant health; and SSI 2007/506, which is on the control of bee diseases and pests. No member has raised any concerns about the instruments and no motions to annul have been lodged. If committee members have no comments on or concerns about them, are we agreed to make no recommendation to the Parliament in relation to the instruments?

Members indicated agreement.

Karen Gillon: I was struck by the fact that we have a remit for environmental matters but the amount of paper that is attached to these SSIs is ridiculous. Would it be possible for the top sheet to be circulated to committee members and the rest to be put in the e-mailed version of the committee papers so that committee members can print them off if they feel that they would be useful?

Andrew Mylne (Clerk): We get the instruments in multiple hard copies anyway as part of the general system that we have with the Scottish Government, which applies to all instruments. We simply circulate those hard copies to members only. Other recipients of the committee papers do not get hard copies of the instruments. There would be no paper saved by not distributing the hard copies to members.

The Convener: We will take that on board. Let us explore whether there are potential ways of doing what Karen Gillon suggests. It is a reasonable point to raise.

I suspend the meeting until 11 am.

10:56

Meeting suspended.

11:05

On resuming—

Budget Process 2008-09

The Convener: Normal service is resumed. Item 4 is the first of two oral evidence sessions on aspects of the spending review that are within the committee's remit. Members will recall that at our next meeting, on 5 December, we will take evidence from the Cabinet Secretary for Rural Affairs and the Environment. Today, Scottish Government officials are present to explain some of the detail of the budget and to put it into context. Members should remember that although officials can explain policies and procedures, they are not the people to question about the whys and wherefores of the politics; the more political lines of questioning need to be held in reserve for the cabinet secretary. A number of papers have been circulated in connection with this item.

I welcome the officials. We have with us Richard Wakeford, Scottish Government director general environment; John Mason, director of environmental quality directorate and climate change and water industry directorate; Maggie Gill, director of rural and environment research and analysis directorate; David Wilson, director of marine directorate; Peter Russell, director of rural directorate; Bob McIntosh, director of the Forestry Commission Scotland; and David Dalgetty, finance team leader for rural affairs and environment in the finance directorate. Unfortunately, Andy Robb, director of rural payments and inspections directorate, is not able to be here today.

I invite Richard Wakeford to make a short opening statement of up to five minutes. Thereafter, we will take questions from members. I will allow this evidence session to run up to 12.30 at the latest.

Richard Wakeford (Scottish Government Director General Environment): Thank you for introducing my team for me. Given that you are having two slices of an evidence session on the draft budget, I thought that it would be helpful to use this session to bring along as many of my experts as possible so that we can deal with the more technical questions. That way, you can get the best value out of your session with Richard Lochhead when he comes to the committee in a couple of weeks' time. You have virtually my full team of directors here, along with David Dalgetty, who many of you will know is a significant expert in the finance of this portfolio. Unless you are going to organise any extraordinary meetings in the next couple of weeks, this will be his last appearance before a committee.

The Convener: Watch this space.

Richard Wakeford: It says in my briefing note that this will be David Dalgetty's last appearance in his finance role. I have no idea whether he has other ambitions, but he is going into a well-earned retirement from next week. Your timing in organising today's meeting was brilliant, because he is one of those guys who really know how the budget for the coming period relates to the budget for the past period and what we have done with it.

On our responsibilities, it is worth saying that as director general environment, I have at least two roles. The first is that I am the accountable officer for the portfolio that is primarily the business of this committee. Bob McIntosh is the accountable officer for the small slice that is forestry. My second role is to take forward the greener strategic objective across the Scottish Government. That represents a new way of organising business, and I imagine that, over the coming weeks, the committee will find itself wondering how the Parliament can hold the Government to account for such cross-cutting work.

I find the new arrangements to be an interesting and imaginative way of working but, as yet, we have not settled all the details of how it will work. Getting the budget in place will be a good start, because that will identify the resources that each of the Scottish Government's directors will have to work with. The challenge for me as director general is to ensure that directors across the Scottish Government deliver a reasonable slice of the Government's greener strategic objective. That is all that I will say by way of general introduction.

Perhaps the most specific point of overlap relates to the work on climate change and sustainable development, which are pretty much inseparable, but ministerial responsibility for which stretches between the portfolios of Richard Lochhead and John Swinney. I hope that we will not be too awkward about the new arrangements. I am happy to try to answer any questions that extend to green issues in other areas, but it is early days as far as the working arrangements are concerned, and I am sure that we will spend many happy hours considering the issue in more detail in the future.

I do not want to take up any more time with an introductory statement, because I know that that is probably not the best use of our time. Instead, I encourage the committee to use us as a resource. The portfolio's entire resource is available to answer as many of the more technical questions as members want to ask and to help the committee to prepare itself for the cabinet secretary's appearance in two weeks' time.

The Convener: Thanks very much. I should probably have introduced our budget adviser, Jan Polley, whom some of you may know in different

contexts. She will not ask questions directly, but she may become involved in our discussion from time to time.

Mr Wakeford has mentioned a number of issues that will be raised this morning.

Des McNulty: I have a preliminary question. You have policy responsibility for a number of matters for which budgetary responsibility—or rather, the budgetary destination—has been transferred. They include the strategic waste fund, land decontamination, flood prevention and coastal protection, and noise and air quality. How will the money in the budgets that are being transferred be allocated? Once it moves to local government, will it be allocated on the basis of grant-aided expenditure or some other arrangement?

Richard Wakeford: All of those areas fall within John Mason's directorate and responsibility, so I invite him to respond.

John Mason (Scottish Government Environmental Quality Directorate and Climate Change and Water Industry Directorate): I should mention an additional point: I also used to look after the Scottish Water money transfers. In effect, all the major transfers that have taken place as part of the spending review have been transfers from my former budget, either because of changes in ministerial responsibilities or because the relevant provision has gone to the local government settlement.

As regards the local government settlement money, the answer is different for each of the items that you listed. I will say where we stand on each of them in turn. Ministers are still considering how they want to make some of the allocations, and discussions will be held with the Convention of Scottish Local Authorities next week to check that it is happy with particular allocations.

The former strategic waste fund resources are probably the easiest to start with: £65 million has been transferred into the local government settlement. Virtually all of it has already been allocated to local authorities for the next three years, on the basis of schemes that had already come to ministers for approval. There is relatively little money in the spending review period outwith that which has already been allocated to the 32 local authorities. In effect, the previously agreed allocations will just go to each of the local authorities.

11:15

On the flooding side, seven local authorities—Glasgow City Council, Falkirk Council, the City of Edinburgh Council, North Ayrshire Council, Fife Council, Moray Council and South Lanarkshire

Council—have agreed schemes. The Scottish ministers have consented to those schemes and to funding for them. Collectively, they come to around £40 million.

As the note that we have given the committee says, we have transferred into the local government settlement £126 million for the three-year period. Ministers are currently considering how the unallocated funds for flooding should be distributed among the various local authorities; indeed, that will be discussed with COSLA next week. We are well aware of schemes that are in the pipeline, where each of them has reached and the costs that are involved, but a discussion with COSLA and the relevant local authorities is probably required to decide precisely how the allocations will be made. Funding that has been agreed will go to the seven local authorities that I mentioned. There will be further discussion with the other authorities so that ministers can reach a view on how the flooding allocations should be made.

Des McNulty: That is where the unallocated £1.7 million in the budget comes in.

John Mason: Seven local authorities have schemes that have already been approved. Those schemes, which we can give you a list of, come to around £40 million.

Des McNulty: I was saying that £1.7 million is left in the budget for flood protection. That money has not been transferred to local government.

John Mason: I will clarify matters. I was going to run through each of the local government settlements and then come back to what we have kept, if that would be helpful. The other amounts that are involved are relatively minor. The intention is that there will be a normal GAE allocation on a population basis over and above the schemes that have already been agreed, although we have not taken a final decision on that matter.

Des McNulty: Does that include money for decontamination?

John Mason: If schemes and their funding have already been agreed, the money will be allocated to the local authorities. If there is surplus money, we will consider how it should be allocated.

Des McNulty: Are you talking about the vacant and derelict land money?

John Mason: No, that is separate. There are two separate funds, which will be considered together. A similar approach will be taken to each fund. However, decisions on each will be discussed with COSLA over the coming weeks.

Des McNulty: My colleagues will no doubt ask about waste and flood prevention, but I am anxious to get some clarification. Essentially, you are saying that the method of allocation that you

have operated in the past, which involves a bidding system, will carry you over the next three years.

John Mason: With each of the schemes, money for local authorities was agreed, therefore it will, in line with what the local authorities expected as a result of scheme approval, be put into the local government settlement. Money remains unallocated, and we need to agree an arrangement—a formula or something else—with COSLA for allocating that money to local authorities.

Des McNulty: Okay. I think that my colleagues will ask about that.

I want to discuss general concerns that I am sure apply not only to the portfolio that we are discussing. In the past, committees had information down to level 3 well before the stage that we have now reached, so we were able to see clearly where resources would be applied. From the documentation that we currently have, that is clearly not the case now, which makes it difficult for us intelligently to consider options or alternative patterns of expenditure. We need that information. When can we have it?

Richard Wakeford: We are here to help as much as we can. We understand the direction of travel in many areas, but a settlement has just recently been agreed, and the cabinet secretary will have to take decisions about our priorities in other areas. I invite David Dalgetty to talk about the technical detail and when things have happened.

David Dalgetty (Scottish Government Finance Directorate): It might be helpful to clarify Des McNulty's point. Although the budget documentation was produced later this year because of the circumstances that we all understand, as far as I am aware it was presented on broadly the same basis as always. It shows the level 2 forward spending plans and then, in each of the tables in chapter 24—the rural affairs and environment spend—the level 2 spending is detailed further into the so-called level 3s.

This year, there are some changes to the structure of the budget documentation—things that were previously in one level 2 have been moved into another, and some new lines have appeared, particularly in relation to Scottish rural development programme spending, where new axes of expenditure have to be covered for the coming years. However, I am not entirely clear what is perceived to be missing from the current documentation compared with what we provided in previous years.

The Convener: Des, will you amplify your question? Do you have an example of the kind of thing that you expected to see in the budget?

Des McNulty: There are some plans that might be equivalent to the previous level 3 plans. For example, pension issues are identified as a specific spend.

Richard Wakeford raised the issue of climate change. Looking at the pattern of expenditure in the budget, it is hard to translate how that high priority—it has been identified by the Executive as one of its most important tasks for the year ahead—is being carried through. If you look for money that is directly attributed to climate change, you find a specific budget, but it in no way corresponds with the importance that is attached to the target or objective. That is true whether I am looking for information about staffing levels or specific policy initiatives that might be brought forward.

All of those things would normally be identified in the general spending review or the draft budget by the time we arrive at a budget for such an important objective. In the documentation that we have, there is no information or structure that would allow us to analyse one of the Executive's key strategic objectives. Of course, the Executive has also not set any targets linked to the budget for climate change, although it has long-term targets for reducing emissions.

I am interested in knowing how the officials expect us as parliamentarians to hold them to account for what they are saying is one of the most important things that the Executive does.

Richard Wakeford: I am acutely aware that climate change is one of the biggest priorities for this new Government: it was a pretty important priority for the previous Government as well.

One of the major things that this Government proposes to do is to introduce a climate change bill containing mandatory targets, and there will be consultation on the bill's content, but it is pretty clear that by the time the bill has gone through Parliament to implementation, quite a lot of water will have gone under the bridge. Ministers are clear that we need to address climate change issues now.

The subject spreads across two portfolios—those of Mr Swinney and Mr Lochhead—and we intend to address it seriously, not so much by having a specific budget but by ensuring that every budget is spent in a way that starts to address climate change. The issue has to be mainstreamed across the Scottish Government. Given that your concerns might be echoed by your fellow committee members, it might be helpful if we set out in more detail how we envisage that working.

Des McNulty: We are here for the budget process. I have been long enough in politics in a series of settings to know that simply mouthing the

word “mainstreaming” butters no parsnips. We must be able to identify plans, budgets that are linked to plans and the outcomes that are expected from plans. All that information must be in the budget to assure us that progress is being made. Nothing in our documentation allows us as politicians to trace that process and to assure ourselves that you are doing anything more than saying the right things.

Richard Wakeford: Okay—I accept that. In return, I offer a better explanation. If the target is an 80 per cent reduction in greenhouse gas emissions by 2050, we need to work out how, between now and 2050, we will reduce the emissions for which Scotland is responsible by 80 per cent. That is quite a challenge. We need to do that at a time when Scotland continues to enjoy gross domestic product growth, which increases the challenge. We need to build a picture of the contributions that each element that is responsible for climate change emissions can make.

On top of that is a significant mindset issue, because although public awareness of climate change is widespread, that does not mean that the public action that we need to be taken to reduce carbon emissions is widespread. We must work back to a point by asking where we are today and what we will prioritise. Members will find examples of that in the budget, but I offer to provide a separate and better composite picture.

The Convener: Are you offering something in writing?

Richard Wakeford: Yes.

The Convener: Will it be available before Richard Lochhead appears before us on 5 December?

Richard Wakeford: That would help the committee.

The Convener: I needed that to be clarified on the record.

Richard Wakeford: I will endeavour to provide that document.

Examples are available. For instance, the Forestry Commission Scotland budget includes £15 million a year for afforestation. The sustainable development fund has been extended into a challenge fund for climate change. We need to think about how we can best use those funds in a crowded landscape in which UK and Scottish agencies incentivise people to take the right action. We need to satisfy ourselves that every £1 million of the money that Parliament votes to us for climate change activities delivers the best reduction in emissions of carbon dioxide and other greenhouse gases. I will produce a document that pulls together those strands.

Des McNulty: I did not always agree with Mrs Thatcher, but I agreed when, many years ago, she said that unless we are clear about what we are doing now and unless we take action now on climate change, any long-term aspirations will escape us.

The Executive—or the Scottish Government, if you prefer to call it that—has made commitments to reduce climate change emissions by 2050, but if we are to achieve that, we must meet specific targets between now and 2011. The mechanisms to do that should be clearly identifiable in the budget. I appreciate that several initiatives in the budget might be said to be geared towards climate change—you have picked out identifiable funds—but my problem is that the budget needs to have much more identifiable detail about the plans that will be put in place to achieve the short-term objectives, which are necessary to achieve the longer-term objectives with which they are intrinsically linked.

My difficulty is that the documentation contains little information about plans. I do not know whether plans exist. There is no financial quantification, apart from a limited number of initiatives that might not even save as much in carbon emissions as will be sacrificed in removing tolls from the Forth road bridge.

My question is about the huge gap between your rhetoric and your saying that you have the best of intentions—which I do not doubt for a minute—and the concrete information that you have given us in the budget, which is about what you are going to do for the next three years. I appreciate that you have offered to give us more information, but there is a more general issue, which is that giving us information that is broadly speaking at level 2 and not at level 3—which I know is not normally the case in the budget, as I have been through a lot of budget processes—will not allow us to identify properly what is going on. A question arises about the utility of our seeing Mr Lochhead in two weeks without significantly more level 3 information about the proposals.

11:30

Richard Wakeford: I will not be tempted to agree or otherwise with Mrs Thatcher, but I am tempted to agree with Des McNulty, because a lot of what he says is absolutely right. When we explain, I think that he will be reassured—I certainly hope so.

As Richard Lochhead announced to Parliament in June, we have a series of major projects in the greener Scotland programme. We have a major project on climate change, with a proper delivery board, which John Mason chairs. He is also on the greener Scotland programme board, to which he is

reporting on progress. As chair of that group, I am assessing progress. We already have a good deal of measures in place that are working in the right direction. I do not agree that we need to see specific small elements of the level 3 budget. My stance is different: everything that we spend has an impact on the climate, so we need to assess everything that we spend to ensure that we do not make matters worse with one hand while we plant trees with the other. I may have put that a little crudely, but it illustrates the principles that we need. The issue is not about the level of information in the budget; it is about our coming to the committee and saying that we have a convincing way of delivering.

Des McNulty asked about short-term targets. It would be nice to have them, but it is difficult to work out how to set realistic short-term targets when we are on the cusp of a change and a move toward what, in the long term, will need to be at least a 3 per cent per annum average reduction in emissions, year after year after year. That is what the profile looks like to take us to the 2050 target. We are now at a point at which we need to move on to that profile. As a civil servant who is in charge of delivering a programme, I want to ensure that we have realistic targets, but I do not think that we are yet able to set a realistic target for the short term. It would be relatively meaningless to do so, when it is more important to set ourselves on a longer-term course.

I will bring in John Mason to amplify the point about targets, if that helps.

John Mason: “The Government Economic Strategy” contains short-term targets on climate change, to reduce emissions by 2011, so there is movement to ensure that a reduction happens. A huge amount of work is being done to get the level of detail that Des McNulty seeks. We have various research projects to find out precisely what is needed to achieve the 2050 target. We have agreed with the other Administrations in the United Kingdom on funding the United Kingdom’s proposed committee on climate change. We will ask that committee to consider how Scotland can achieve the longer-term targets. We will also ask it to consider how we get on the right trajectory, to examine our policies and budgets to see whether we are on the right trajectory, and to make recommendations about what might need to change. A huge amount of work is being done and advice is being obtained, which will lead to a detailed analysis of what we need to do. At present, we do not have the full information but, as Richard Wakeford said, we can let you have our current views on the direction of travel and how the budget has helped with it.

Mike Rumbles: Now to specifics. This year, some £65 million of the £132 million strategic

waste fund was given to local authorities, while ministers retained £67 million. Next year, the Scottish Executive will retain only £41 million in a new zero waste fund. You said that £65 million will continue to be given to local authorities, so the obvious question is: where is the other £26 million?

Richard Wakeford: That requires a technical answer. I invite David Dalgetty to give it.

David Dalgetty: It is a technical answer, but it is also substantive. As Mike Rumbles suggests, we start with a plan for strategic waste fund spending of £132 million a year, which is evidenced by the £65 million peak in the requirement under stage 1 of the strategic waste fund, which was reached this year when all 32 local authorities signed up to the actions that were needed under stage 1. The £65 million was transferred to local government, as we have heard, leaving substantial resources still in the baseline of £132 million.

If you stand back and look at the shape of the settlement that is presented in the total forward plans for rural affairs and environment, you will see that two things are happening within it. There is a redistribution of resources that were previously planned for the strategic waste fund stage 1 but are no longer required for it. Part of those resources is reallocated to meet other spending priorities and pressures elsewhere in the portfolio. At the same time, we leave the line for the zero waste fund with sums of money that will allow ministers to continue to grow the amounts that they spend year on year to address strategic waste issues, particularly in the cusp period between the end of the strategic waste fund stage 1 and the spending that will flow in due course under strategic waste fund stage 2 projects. We will not see spending on those until some time after the spending review.

Perhaps John Mason would care to add something to that.

John Mason: It would probably be wrong to say that too much was allocated for the strategic waste fund in the previous spending review. It has never exceeded £100 million per annum and we have funded every scheme that local authorities have put to us; we have not rejected any of them.

As you are probably aware, we have a series of targets to hit under European requirements. We are happy that the trajectory that we have—we are probably at 30 per cent now—will get us to those targets based on the resources that we have allocated so far, which are still available to local government to enable it to carry on with its good work. Ministers have retained further sums that will enable us to carry on with new initiatives.

Mike Rumbles: My question was: where is the other £26 million? From your answer, I do not

know where it has gone. You confirmed that ministers kept £67 million of the £132 million strategic waste fund and that that figure is now down to £41 million, but we do not know where the other £26 million has gone. You confirmed that the £65 million that was given to local authorities last year will remain at £65 million this year and is, in effect, cut by inflation. I got those figures absolutely correct.

John Mason: The total amount that will be spent on waste in 2007-08 is expected to be £88.2 million against a baseline of £132 million.

Mike Rumbles: So there are substantial cuts from the budget—at least £26 million. The Audit Scotland report that was published on 20 September said:

“Recycling rates vary across councils in Scotland, from ten per cent in Dumfries & Galloway to 40 per cent in Clackmannanshire”

and

“there is a significant risk that Landfill Directive targets will not be met by 2013.

I cannot understand why the budget for the strategic waste fund is being transferred to local authorities without any service level agreements being in place and without any effective audit control management systems by Scottish Executive officials. Will you comment on that?

John Mason: I return to the point that the amount of money that is available for the next three years under the spending review exceeds the current waste expenditure of local authorities and others. The allocation reflects the pattern of spend that local authorities and others think—and we agree—is required to meet the targets. As you are aware, the current position is that there will be negotiations that will lead to local outcome agreements, which will be made between each of the local authorities and the Scottish Government. We expect that certain things relating to Mr Lochhead's portfolio will appear in those outcome agreements. That could well include waste.

I am in a bit of an awkward position and cannot say much more on waste, because the policy has been under review. As you are aware, Mr Lochhead has held a waste summit and has had meetings with local authorities on the issue. He is finalising his position on the way forward on the waste strategy, which you will be able to ask him about on 5 December. I think that his intention will be to make a statement to the Parliament on the way forward for the waste strategy to set out why we think that the targets can be met, to explain what we intend to do to take matters forward and, in particular, to say what the budget that has been retained will be spent on.

Mike Rumbles: I know that you are not responsible for political input, so my points are not

directed in that regard but are technical in nature. It strikes me as strange, and I cannot understand—

The Convener: Let us not waste time making points that are better made to Richard Lochhead. If these people cannot respond—

Mike Rumbles: Convener, I am trying to ask about the advice that the gentlemen and the lady who are before us provide to the minister.

You have all seen the Audit Scotland report, which highlights the lack of accountability and the lack of outcome agreements. John Mason has just said to us—I wrote it down—that he expects that there will be such agreements. On what date might those agreements be reached? What does the Government intend to do between the allocation of the budget and the date when the agreements might start? Let me focus the question clearly. For how long will there be no service level agreements or management systems in place for the allocation of the spending of this money?

John Mason: I can give a general response—

Mike Rumbles: I would like a specific response.

The Convener: Mike, I think that a lot of that needs to be directed to Richard Lochhead—

Mike Rumbles: But these people advise the minister.

Richard Wakeford: Let me make a general point. Mr Rumbles is quite right to highlight the Audit Scotland report. As accountable officer, I am in correspondence with the Audit Committee about that report, which I believe that committee will consider again in early January. As accountable officer, I need to be satisfied that arrangements are reached that do not carry an undue risk of not meeting the target in the European legislation.

Secondly, you asked where the £26 million had gone. Of course, that is not the way in which the budget process operates in the Scottish Government. We did not have that money to start with in quite that way—

Mike Rumbles: The money was in the strategic waste fund budget, but it is not there now.

Richard Wakeford: Exactly, but I cannot tell you where it has gone. Like money in my wallet that I might have saved, I cannot tell you whether I then spent it on a bus, in a restaurant or wherever—

Mike Rumbles: But you can trace it.

Richard Wakeford: If I marked the notes, I might be able to do so. However, that is not the way in which the Scottish Government's budget process operates.

Mike Rumbles: You should be able to trace where that money has gone; that is what we want to know. Where has the money been allocated to?

Richard Wakeford: It went to other Government priorities and was added to other things before being distributed out. That is how the system works.

The Convener: I think that Richard Wakeford is saying that the money has not necessarily been spent within the rural affairs and environment budget. The money might have been transferred right out, in which case it would not be possible to follow it.

11:45

David Dalgetty: It is fair to ask where the money has gone. I return to my earlier point. Consider the shape of the settlement: Mr Lochhead's portfolio, like other portfolios, has been given an allocation of additional resources from the central Scottish block settlement. We look at the priorities to be met across his portfolio—all the level 2 figures—and add to that the availability of what, in old-fashioned finance language, we would have called estimating savings on a standing baseline for strategic waste. The two amounts of resources taken together are the amounts that we have as we move forward, out of which we must make decisions on priorities.

It would be artificial to say that £1 of strategic waste savings went to this programme or that programme—what mattered was the total availability of resources. Those totals were allocated across the other portfolios. To the extent that there are savings on the strategic waste line, the resources—other than the £65 million that goes to local government in the settlement—stayed in the rural affairs and environment portfolio and were reallocated across other priorities.

The Convener: We need to move on.

Mike Rumbles: I thought that the savings were moved out, but David Dalgetty says that they stayed in the department. If they stayed in the department, where have they gone? Could you write to us with that information?

John Scott: He said that he did not know.

Mike Rumbles: He should know. Can you write to us and let us know?

David Dalgetty: I am not sure that I can, other than to say that any savings available from the waste line were reallocated across the portfolio. Where increases in the budget are shown for forward years in other parts of the portfolio, a significant part of those increases has been funded by the savings from the strategic waste line.

The Convener: It was not the case that £26 million from the strategic waste fund was allocated to, for example, forestry. Are you saying that it does not work like that?

David Dalgetty: That is correct.

The Convener: Is that clear?

Mike Rumbles: It is clear how unclear it is.

Peter Peacock: I will focus on flood prevention and coast protection, which is mentioned on page 135 of the budget document. I suspect that my questions are for John Mason—I recognise that he has inherited the policy on the distribution of cash to local authorities.

I want to get some clarity about the figures and the process that will operate in relation to the schemes. First, you indicated that, broadly speaking, this year's current baseline is in the order of £42 million. You also indicated that, in the coming three-year period, the budget that will be allocated to local authorities is £126 million. I take it that the £126 million over three years is, in effect, a continuation of the £42 million per year for three years.

John Mason: Yes.

Peter Peacock: So there is no increase in the budget for flooding.

John Mason: That is correct.

Peter Peacock: From what you have said, it appears that the funding that will be allocated to local authorities has, to a large extent, been determined already. A proportion of the £42 million that will roll forward will be fixed to certain local authorities—you named those local authorities. De facto, that funding remains ring fenced, within the settlement to local authorities, for those local authorities.

John Mason: Having approved that expenditure to those local authorities, and given that the flood schemes are under construction, we have to honour that commitment.

Peter Peacock: So a proportion of the total remains ring fenced.

John Mason: A proportion goes to the local authorities that are already implementing flood schemes.

Peter Peacock: I appreciate that you do not want to use the phrase "ring fenced", so I will use it and take the blame.

Richard Wakeford: John Mason makes a fair point. If the local authority saves money on the scheme that it is implementing, I think that I am right in saying that it would keep that money, whereas under the previous scheme we would have got the money back.

Peter Peacock: I understand that, but if the local authority underspent, the money could not be transferred to another local authority, because it has been given to that local authority. To that extent, it is ring fenced.

As I understand the current process, a local authority that has specific expenditure demands as a result of the effect of climate in their area receives funding. For example, Perth and Kinross Council, which we will visit next week to discuss flooding, received a large sum of cash for significant work that it required to undertake, because it was recognised that, at that time, its need was greater than that of any other part of Scotland. That continues to be the position—basically, councils that have a flood protection order make a bid to you for funding and the decision whether to give the cash is at the discretion of a minister.

If what remains of the £42 million in the current year—the money that is not yet allocated—will potentially be allocated to every local authority in Scotland by some distribution mechanism that is yet to be determined, are you likely to make any further decisions in the current year that will lock in that cash to the next three-year period?

John Mason: We expect to get to the end of the year having committed £32 million. Those figures are built into the figures that I gave the committee for forward spend. The £40 million going forward—which is split into just over £26 million in year 1, about £13.5 million in year 2, and less than £1 million in year 3—takes into account what we expect to have approved this year.

Peter Peacock: I know of local authorities that, because of the change in policy, are desperate to get approval for their next scheme before the end of this financial year. Are you saying that the decision has been taken, or may yet be taken, to protect that balance of £10 million in the current year for general distribution to local authorities, or might that £10 million still be allocated to particular schemes in Scotland?

John Mason: We consulted all 32 local authorities on the flood prevention schemes that were likely to come forward—in totality, not just in the next spending review. We also asked them whether, by the end of this financial year, they will be able to start expenditure for either this year or next year. We have a very good feel from local authorities of what is needed.

As you are probably aware, getting approval for any flood prevention scheme is not the quickest process in the world. There are various stages at local government level, followed by a two-stage approval process with the Scottish ministers: one for the scheme and one to confirm the funding. A hurry-up approach cannot be taken—the

mechanics of the system preclude that. That is one of the reasons why we will consult on, and introduce proposals for, changes to the legislation on flooding. We hope that that consultation paper, which will set out our views on how we can streamline and modernise the system, will be out shortly. That in itself is a bit of a problem, because if we legislate to change the approval scheme and that legislation were to be enacted midway through the spending review period, different systems could be in place for allocating the money and for flood schemes to come through. That is one of the reasons why the discussion with COSLA has to take place.

Peter Peacock: I understand that, and the shifting nature of the policy. However, I need to get this clear in my head, taking into account the present situation and what the local authorities are planning and working on. A figure of £10 million has been unallocated this year. If the commitment of that into the next three years begins to unwind, the cash that is available for the local authority sector increases up to a maximum of £42 million over that period. The distribution mechanism is probably not yet finalised—

John Mason: Correct.

Peter Peacock: Do you agree that, broadly speaking, a system that was fair to every local authority would have some kind of population basis to it?

John Mason: There are various ways of looking at it. You could base the system on population, but that is probably not the best way of doing it. You could consider a properties-at-risk solution. The Scottish Environment Protection Agency has recently reviewed all the flood risk maps, and we now have a good idea of how many properties are at risk in each local authority area. However, after all the schemes that come forward have been considered, the solution may have to take into account what is actually in the pipeline, in terms of allocation.

Peter Peacock: In a sense, you are saying that the cash would remain ring fenced—you may choose not to use that term—in relation to the way in which need arises. In other words, it is not part of a general pot that local authorities might have to spend as they see fit.

John Mason: At the end of the day, if it is part of the local government pot they can spend it on what they like. Our assumptions on how the cash would be allocated would be based on what would be best value and what would deal with the highest risk areas for flooding, in terms of properties and lives.

Peter Peacock: Is it possible that, by that mechanism—which determines that some areas have higher need than others—some local

authorities may not get any cash out of the £42 million?

John Mason: It is possible, but I would not say at this stage that that is the likely outcome.

Peter Peacock: So, most or all local authorities will get something, which means quite a small distribution of cash per local authority. However, we know from the maps to which you have referred that the needs of some individual local authorities are extraordinarily great. On Monday, I visited Moray, which has four or five schemes going ahead with a total bill of £150 million, £130 million of which Moray Council would expect to get from the Government, with the council having to find the balance under current arrangements. I accept that this might not be the final outcome, but if every local authority were to get something out of the £42 million on the basis of the size of its population, Moray Council would get £700,000 a year. Out of all the other capital funds that the council has available, it would have to decide whether to prioritise funding to find that £150 million of expenditure. It is hard to see how it could do that. Do you not agree?

John Mason: I agree. That is one of the reasons why there may have to be a bespoke solution in the allocation of money for flood prevention. However, the issue needs to be discussed with COSLA and the relevant local authorities, and those discussions have not yet come to any conclusion on what might be the best solution.

Peter Peacock: I have two further points.

The Convener: We have been going for an hour and you are only the third member to get an opportunity to ask questions. I want to be able to bring other members into the discussion. Can you try to move your questioning on a bit faster?

Peter Peacock: I have now forgotten one of my two points.

The Convener: Was it on Scottish Natural Heritage and marine stuff?

Peter Peacock: No. I am probably not going to get to that, as I want to get to the bottom of this.

You touched on the extent to which, in the new policy climate, you could guarantee that the £42 million that you are feeding into the local government settlement will end up in flooding measures. I think you said that you will no longer be able to guarantee that the money will end up in flood prevention measures, as it will be a matter for the discretion of the local authorities. There will be competition from other priorities such as schools, social work, roads and transport, which will have to be funded out of the same pot into which the flood prevention money will go. Is that correct?

John Mason: My answer to that is in two parts. First, as I mentioned, there will be a local outcome agreement with each of the local authorities. It could be—I cannot pre-empt what will go into the agreements—that in the authorities in whose areas there is a high risk of flooding, flood prevention measures could be part of the agreement.

Secondly, as with any money that goes into the local government settlement, it is for local authorities to decide how they spend the money. It is for them to justify the commitment of any resources that they have received. If, at the end of the day, they do not want to commit the money to flood prevention measures, they will have to explain why they have made that decision, just as they have to explain their use of any other money that we put into the settlement on the basis of the current formulae.

Peter Peacock: Sure; I accept that. However, at the moment you can guarantee that the money is spent on flood prevention measures, as that is the only purpose for which the cash is available; in the future, you will not be able to guarantee that.

My last point—

The Convener: I remind the committee that we have agreed to discuss the mainstreaming of flooding issues in the budget during our flooding inquiry. We can come back to such issues in our inquiry.

Peter Peacock: You have touched on several funds that are currently your responsibility but which will be transferred. Mike Rumbles mentioned one of them, and there is an element of the same pattern in that fund—potentially, some of the expenditure could be locked in. So, the headline figures that were announced last week as giving new flexibility for local authorities and un-ring fencing are not totally un-ring fenced. You are responsible for a part of the funding that, it is now clear, will be tied up for certain local authorities. I am not asking you to comment on my point, but I suggest that the headline figure could be misleading in the sense that it implies that there is complete freedom for local authorities whereas, within the detail, there are constraints on how local authorities will be able to use the money, at least for the first few years.

John Mason: Only in so far as the money has been released to fund certain projects that are either already under construction or contractually agreed. To that extent, there is an element of pre-emptive spend; however, any local authority at any point can break any contract if it so wishes.

12:00

The Convener: Karen Gillon is next. Can we have shorter questions? We have only half an hour left.

Karen Gillon: Yes, I will be quick. My questions are on the agri-environment schemes and the rural development contracts budget line. It appears that the figure for agri-environment schemes will be reduced from £38.698 million in the current budget to £21.750 million. Is that correct?

Peter Russell (Scottish Government Rural Directorate): We are not cutting the money that is specifically for agri-environment schemes. What will decline is the spend on existing commitments over the piece. People typically get three, four or five-year contracts for agri-environment schemes. Each year, a proportion of the forward commitments will drop off, and that will increase the new money that is available for commitment under the rural development contracts.

Karen Gillon: What percentage of the money is available for new contracts?

Peter Russell: There is a table on page 2 of the supplementary briefing that we have provided to the committee.

Karen Gillon: With due respect, that paper was submitted only this morning.

Peter Russell: Are you referring to the table with the heading “RDCs”?

Karen Gillon: Yes.

Peter Russell: The bottom line of the table shows the increasing amounts of money that will be available to be allocated under rural development contracts as the lines above it free up resource when particular contracts or commitments fall off the end of their funding programme.

Karen Gillon: As I understand it, the funding for the new entrants scheme is within that money. How much of the money is taken up by that scheme?

Peter Russell: We are talking about £10 million for the new entrants scheme, which will come from the rural development contracts.

Karen Gillon: So, you are saying that the reduction from £38 million to £21 million for agri-environment schemes is not a cut of £17 million, because £10 million will be allocated elsewhere for the new entrants scheme.

Peter Russell: I am saying that that line represents the declining tail of commitments that have already been entered into. You can see that it is offset by the bottom line, which grows in the same proportion as existing commitments decline. The free money for entering into new commitments increases.

Karen Gillon: For agri-environment schemes. What else is included under that? This takes us back to Des McNulty's point about our not having

details of the funding to level 3. There is a big issue around agri-environment schemes. People who are now finishing their schemes are looking to get into new schemes and they want to clarify how much will be available in the coming three years. That is not clear from the figures.

Peter Russell: We are trying to avoid setting out narrow, specific budgets for particular schemes. We want to get the best value in environmental protection and enhancement from the budget, and people will be able to compete for the money across the range of schemes without our first dividing it up, as we used to, into money for rural stewardship, for organic aid, and so on. The schemes used to be run centrally from the head office with a small pot of money each. Instead, we intend to allow people to make a pitch to their regional office at any point throughout the year on the regional priorities that are set there. That will push the whole thing a degree closer to where people are and will help to engage other delivery bodies—local government, enterprise networks and the rest. It is a competition, and we are not going to pre-package any more than we have to the separate pots of money for which people are bidding.

Karen Gillon: You are not going to what?

Peter Russell: We are not going to subdivide the total amount into small pots, if we can help it.

Karen Gillon: I assume, however, that you will subdivide the whole pot into regional pots. Having sat through the Scottish Enterprise debacle last year, I am wary of vague figures for bidding processes and regional offices. Who will be accountable for the big pot? Who will ensure that the regional pots—whatever they may be—do not exceed the total amount that is available from the national pot?

Peter Russell: My colleague, Andy Robb, is the delivery director; I am sorry that he was unable to be here this morning. Because he is the paying authority in relation to the EU CAP programmes, the spend will all be managed through his staff. He employs the regional staff. Not only the Scottish Government's own staff will be involved; we are trying to do something new by getting the staff of Scottish Natural Heritage, the Forestry Commission, the Scottish Environment Protection Agency and local government, where appropriate, to help with the decision-making process.

Karen Gillon: It would be useful to get further clarification of the situation, especially regarding management and how much will be available in each regional pot. We need to know how the money will be divided up and the criteria for that.

Richard Wakeford: As the accountable officer, I am tasked with ensuring that there is a fair distribution of the money, broadly according to

need. Our approach will not be to say, "Here's a standard regional pot," because some regions may have greater needs than others. We need to have a way of bringing it together at national level, albeit that, as Peter Russell said, we hope to respect the priorities in each region of Scotland as much as possible.

Karen Gillon: By "need", do you mean in terms of agri-environment, the new entrants scheme, or—

Richard Wakeford: In public benefit terms—that is what we are buying with this money. It is difficult to come up with an overall currency in which agri-environment or climate change measures, on the one hand, and food processing grants, on the other hand, can come together. We wanted to reverse the presumption of the programme. Previously, the approach would have been to say, "We think that Scotland needs this many food processing grants or that number of payments under revitalising rural communities." We have turned things round and asked Scotland what it thinks we need to bring forward—we are asking people for proposals, after which we will make judgments between them.

Karen Gillon: You mentioned public benefit. What role is there in that process for you and your team to ensure that particular vested interests do not suck up large amounts of money to the detriment of others?

Richard Wakeford: I have a rather important role, not least because the committee might call me before it to put questions on the matter.

Karen Gillon: Indeed we will—given what you have just said.

I have a couple of questions on forestry, convener.

The Convener: As I indicated at the outset, I have some questions on forestry.

Karen Gillon: Okay. On you go.

The Convener: I want to get through the questions from members who indicated at the outset that they had questions to put. If time allows, I will bring in other members.

On the last point, I seek clarification on the new entrants scheme. Does the scheme fall under the general heading of agri-environment schemes or does it come under another general heading?

Peter Russell: It falls under rural development contracts, which is the new tool that we are using in this regard. We have used the agri-environment scheme, as defined, as a tool in the past.

The Convener: Right. So, in the table on page 2 of the paper that you submitted this morning, the scheme comes under the rural development

contracts line and not the agri-environment schemes line.

Richard Wakeford: The table is slightly misleading. It has the totals at the top and the make-up of the figures below. Expiring agri-environment schemes are one element of the rural development contracts line. The table on page 2 gives a breakdown of the figures within the rural development contracts line, which is line 2 of the big table on page 1. We repeated line 2 of the big table at the top of the table on page 2, with the make-up of the figures in the lines below it. At the foot of the table, there is a line that looks as if it ought to show a total because of the way in which the spaces have been added. It is not a total; it shows the new money that is being made available for new contracts, as Peter Russell explained. The new entrants scheme element comes within the new line at the foot of the table.

The Convener: In future, will the new entrants scheme have its own budget line? Where does it fall in the table?

Richard Wakeford: It falls under the rural development contracts line, which is the bottom line of the table.

The Convener: I am finding this a bit difficult. We have a headline that says "Rural Development Contracts", within which we have five sub-lines—I am not sure what the technical terminology is for those lines, but I think that we all understand what I mean. There is £10 million for the new entrants scheme, which is a designated scheme. Does that fall within any of the five sub-lines, or is there another generalised bit of money that comes under the rural development contracts line, but which is not reflected in the five sub-lines?

Richard Wakeford: It is in the bottom line—the line that is titled "RDCs". In view of the time, I offer to send a note of explanation, convener.

The Convener: Please do. That would be very useful.

The autumn budget revision indicates that the biggest proportion of the quite large increases in the budget for forestry are expected in this financial year, 2007-08. I cannot remember the exact figure—it is about £13.5 million. The increases drop away quite significantly in the subsequent two years. I understand that prior commitments by the Forestry Commission are part of the reason for that.

I have two questions. First, how confident are you that that money can be spent in the remaining four or five months of the year, given the disparity between this year's expenditure and expenditure in the following two years? Secondly, given that one of the justifications for the increase in spend on forestry is to help us to meet the climate

change targets, how do we assess the contribution that forestry is making to that? That goes back to what Des McNulty asked about. We all know that growing trees is a good thing to do as far as emissions and all the rest of it are concerned—we accept that general line—but how are we to express that in terms of target achievement? Bob McIntosh probably has more detailed knowledge of whether we can spend the money before the end of March 2008 and Richard Wakeford will be able to tell us how the increased spend is reflected in the climate change targets.

Bob McIntosh (Forestry Commission Scotland): We are still working on the basis that we will spend that budget this year. Quite a lot of it is being spent by the private sector, as it were, through the grant scheme, so we are not in control of it. It will not be apparent for a few months whether all the schemes that we have approved will proceed but, at the moment, we assume that they will and that the budget will be spent.

The Convener: Does the high figure for this year mean that if the schemes proceed, the money for them will be spent over a two or three-year period?

Bob McIntosh: In most cases, yes.

The Convener: So the figure for the current financial year is high because that is when the grant money will be paid over, but the schemes will run for two or three years.

Bob McIntosh: Yes.

The Convener: That clarifies that point. What about the question on climate change?

Bob McIntosh: The forestry sector can help us to meet climate change targets in three ways: by planting trees to mop up carbon; by increasing the amount of wood that is used as a renewable energy source or fuel; and by increasing the amount of timber that is used in sustainable construction projects, which will help us to reduce our carbon footprint.

We are working towards specific targets on the first two measures, which we will set out later on in the year.

The Convener: Do you mean before the end of December or before the end of the financial year?

Bob McIntosh: Before the end of the financial year.

In the next few months, we will set out targets that specify how many hectares of new woodland we aim to create and how much wood we want to be used as a renewable energy source.

Richard Wakeford: We recognise that forestry has an increasingly important role to play in addressing climate change. Scotland's role is

important in an international context because we have the capability to grow trees rather well—it rains a lot here and we have a great deal of expertise in the Forestry Commission and Forest Enterprise.

On page 39 of the spending review document, ministers commit to ensuring

“that the Forestry Commission is able to invest £15 million a year in new woodlands as the first step in increasing forest cover to 25 per cent.”

At present, forestry covers about 17 per cent of Scotland's land. Those funds are on top of the funds that will go to woodland creation under the Scotland rural development programme. I hate to take us back, but that is part of the RDCs budget line.

The Convener: I was going to ask about tracking spending through the local government set-up, but that issue has been well explored already.

John Scott: I have some round-up questions, the first of which is about the money that is going to the Biotechnology and Biological Sciences Research Council for pensions for the Scottish agricultural and biological research institutes and the Scottish Agricultural College. What sums are involved? Do they represent good value for money for Scotland?

Budget lines are allocated to the proposed marine bill, but we have no idea when it will be introduced. Are those allocations therefore premature, or can you tell us when the bill will be introduced?

Richard Wakeford: I invite Maggie Gill to answer your first question.

12:15

Maggie Gill (Scottish Government Rural and Environment Research and Analysis Directorate): There had to be a change in how the pensions were handled. If you want further detail on the issue, David Dalgetty is the man to provide it. Previously, each institute had to deal with payments to individual pensioners. Now, the system is administered as part of the research council pension scheme. There is no change in the amount of money involved, but it is a better system for delivering pensions.

John Scott: That is fine.

Richard Wakeford: You asked whether the contributions represent good value for money for Scotland. One of Scotland's strengths is its research base and work. We are proud of the work that the institutes are doing, which features strongly in the budget for the portfolio.

John Scott: I agree totally.

Richard Wakeford: I see the point of your question about the marine bill. I will ask David Wilson to answer it, but I point out that if we do not make provision for the bill now, it might be difficult for us to come back to the committee shortly in order to do so. We need to cover preparations and activity for the marine bill, even before it has been approved by the Parliament.

David Wilson (Scottish Government Marine Directorate): Richard Wakeford has covered the key points. The budget heading is “Marine Management”, which is wider than just the marine bill. It will cover a number of pressures. One of the cardinal rules of Government is that we cannot spend money if we do not have legislative agreement to do so. However, there is a significant amount of preparatory work that we can do under existing legislation, to put in place the scientific and overall administrative procedures that will have to be put in place when we deliver legislation on marine spatial planning, in particular. In a nutshell, the budget covers wider marine issues that can be addressed under existing legislation, preparatory work for the marine bill and implementation of the legislation, once we get it.

John Scott: Presumably, the Fisheries Research Services budget, which has been increased significantly, will complement that spending.

David Wilson: Very much so. The FRS budget has gone up significantly. The bulk of that increase is for capital expenditure—to complete the fish health veterinary facility that the FRS has been planning for some time. Increasingly, the FRS is shifting from being primarily a fisheries research service—as the name suggests—to doing a wider range of work. Aquaculture is part of its key business, but the FRS is also involved in wider marine monitoring and in marine science issues more generally. Part of the expenditure against the marine management line—the increase that you have already identified—may in years to come be better placed directly in the FRS's budget. That is one of the decisions that we are currently considering. The two budgets are designed to be complementary.

John Scott: I see that the administration costs of the common agricultural policy will come out of a different pocket and will be deductible against the CAP. The amount will decrease from £7.4 million to £5.7 million. Who is going to go? Who will not be here? Are you happy with the figures?

Richard Wakeford: This is what I would call an accounting adjustment. David Dalgetty is our star expert on such issues.

John Scott: It looks to me like a cut.

Richard Wakeford: It is not a cut. We will spend what we need to spend to ensure that the

inspections and payments regime allows us to maintain all the stars that we can get for being the European paying agency, so that, as the accountable officer, I can continue to answer to the committee for good use of the funds. We need to ensure that we have the right team in place. The best way of doing that is to fund it from the programme side of the budget, rather than from an administrative vote, as was the case previously.

David Dalgetty: Two things are going on here, which I think I can explain briefly. The table in the budget does not show the basic transfer of the current costs of CAP administration by the rural affairs and environment portfolio to the new rural payments and inspections directorate, which is headed by Andy Robb and which was established this year. Those costs come in at about £24 million—that is what is being spent at present. That transfer will not take place until 2008-09, so the spending this year continues to be met from the administration budget. However, from 2008-09 forward, it will be met from the portfolio budget. In each of the three years since 2005-06, the CAP administration budget has in essence been underfunded and has had to be topped up by transfers from the rural affairs and environment portfolio, largely to meet the on-going significant costs of the information technology investment that is needed to implement all the necessary changes in the framework of the CAP.

The allocations of £7.4 million, £6.5 million and £5.7 million in the present programme are in effect the consolidation of that gap in funding that has existed in each of the past three years. The portfolio is providing those additional sums but, as you will see, they are decreasing additions. That implies an expectation that the rural payments and inspections directorate will generate significant efficiency savings over the three years. I understand that Andy Robb hopes to do that by making much more efficient use of capital resources and by bringing down non-cash resource costs, such as capital depreciation.

So there are two things. The sum that is set out in the table is only the addition that is required in the next three years for a baseline transfer of £24 million that will be implemented at the beginning of 2008-09.

The Convener: Members who have already had a significant amount of time to ask questions are raising their hands—I ask them to hold on a second. We still have eight minutes to go, so I ask Jan Polley, our budget adviser, whether she has any comment on the evidence that we have heard so far.

Jan Polley (Adviser): Many of the issues have been picked up and there is some further information in the paper that was sent to the committee last night. However, it may be worth

having on the record an explanation of why there appears to be a significant increase in the rural affairs and environment budget between 2007-08 and 2008-09. By comparison with every other portfolio in the Scottish Government, the portfolio looks to have a generous settlement. On the basis of the piecemeal issues that we have talked about today, I suspect that that may not be the case, but it may be worth having an explanation of that on the record.

The Convener: Is it possible to do that in a couple of minutes?

David Dalgetty: I am grateful to have the opportunity to say a word about that, because the way in which the numbers emerged in the final budget publication could give rise to unfortunate confusion about the true picture. The rural affairs and environment portfolio is not receiving an increase of about £70 million or £80 million between 2007-08 and 2008-09, as Mike Rumbles inferred from the numbers. It is important that the committee should not be confused by what is an unfortunate and I think artificial presentation in table 24.01 in the budget document, which suggests that the 2007-08 provision is £529.6 million. The baseline with which we need to start if we are to compare properly the previous plans for 2007-08 with the plans for the three forward years is £610.6 million. That is drawn out in another document that we have made available for members, which shows how we get from the spending review 2004 spending plans for 2007-08 down to the figure of £610.6 million, by taking out the Scottish Water figure and the transfers to local government for various elements. That gets us from the figure of more than £900 million that was planned in SR 2004 down to £610.6 million.

I emphasise that the issue is, as far as I can see, entirely technical and affects only the figure for 2007-08. Indeed, the only impact is to give rise to potential confusion. I understand that that artificial depression of the 2007-08 number arose from the need to create a completely new spending line for local government on a completely new basis this year because of all the policy changes and matters from other portfolios being brought in. I understand that the number that was chosen for that line for 2007-08 was based on a range of assumptions that were made when that new spending line was created and which I myself have not quite fathomed yet.

However, as I have noted, it is certainly not the case that proper like-for-like RAE spending will increase by £75 million a year from 2008-09. The real increases next year and over the three-year period are modest. I think that we are looking at an increase on this year's figure of less than 1 per cent next year, 4 per cent to 4.5 per cent in 2009-10 and 6.5 per cent in 2010-11. I emphasise that

there was no intention or effort to mislead and I apologise for any confusion that might have been caused about that.

The Convener: Thank you for that. We have run out of time and there are one or two issues on this agenda item that the committee needs to discuss before we close the meeting at 12.30 pm.

I thank all the witnesses for coming this morning. I cannot guarantee that we will not ask them back, but I look forward to receiving some of the information that Richard Wakeford has offered us. On behalf of the committee, I wish David Dalgetty a happy retirement.

Do committee members wish to reinvite officials or are they content to question Richard Lochhead when he comes on 5 December?

Peter Peacock: From my point of view, it would be advantageous to get the officials back if it were possible, as I did not get close to asking several questions about other budget headings. On the other hand, I would be happy to give Jan Polley the details of what I am looking for and, if it is possible to get that information quickly, we can consider it. However, my instinct is that we should have the officials back for a second session.

The Convener: There are a couple of options for having witnesses back. One is to slot them in at the next meeting before we take evidence from Richard Lochhead. That might be quite a tight agenda, but I think that it is doable.

Mike Rumbles: How long would we have?

The Convener: Well, we need to think about that, because Richard Lochhead will give evidence on the fisheries council that day as well. He would be here for the budget and fisheries sessions and we would also have the officials. Normally, we would allocate about 45 minutes for the fisheries session. I am not saying that this is the agenda, but we would go from 10 am to 10.45 am. If we were going to have officials, we would have to have 45 minutes to allow an hour with the cabinet secretary on the same budget issues. We might not need to have all the officials back, but we could probably not fit in more than 45 minutes with them.

It would be possible to have another meeting on Tuesday 4 December if committee members really want to do that. There are rooms available in the morning and the afternoon. In the morning, Bill Wilson has a clash with the Equal Opportunities Committee, but he may feel that this committee is more important—I could not possibly comment. In the afternoon, there are a couple of clashes with committees on which members are substitutes, but I am not in the habit of keeping my diary clear on that basis and I assume that Peter Peacock will be the same as me in that regard.

There is capacity to have a separate meeting the day before the next scheduled meeting or a 45-minute session on the morning of that meeting.

Karen Gillon: The afternoon of 4 December is best.

Jamie Hepburn: I would go for having the officials at the same meeting as the cabinet secretary.

Karen Gillon: If there are issues that we want to tease out with the officials, the benefit of a separate meeting would be that we would have time to sit and look at the information and evidence that we receive from them. Otherwise, we would go straight into a meeting with the minister at which we would discuss fisheries and budget issues on which we had just got information 10 minutes beforehand.

Bill Wilson: Like Jamie Hepburn, I would be happy to have a session of 45 minutes before meeting the cabinet secretary.

12:30

Mike Rumbles: What emerged from the officials' evidence about the rural development contracts budget line was news to me—I was not aware of all that. I want to know how the new entrants scheme will operate in practice.

The Convener: We have written to ask the tenant farming forum about that, because it will disburse the money.

Mike Rumbles: The officials have just told us that money for that scheme is part of the money for other schemes. I do not know how regional distribution will work. Like Karen Gillon, I was surprised about that. The officials must give us a better idea of how that will work in practice. The budget lines refer to all sorts of schemes, such as agri-environment schemes, the farm premium scheme and the new entrants scheme, yet no mechanism for managing them seems to exist. I would like officials to tell us about the management process.

Karen Gillon: Officials also appeared to say that nothing in the rural development contracts budget line was ring fenced for anything, so the £10 million for the new entrants scheme is either news to the forum—

The Convener: The tenant farming forum has been charged with disbursing the money.

Karen Gillon: I asked how the budgets would—

The Convener: On the committee's behalf, I have written to ask the forum on what bases it will disburse the money, because we knew that we would examine the new entrants scheme. We know the amount of money and who will disburse

it, and we have asked the forum how that will work.

Mike Rumbles: It was said that that disbursement might not happen—that nothing might be paid from the £10 million.

Bill Wilson: We could write to inquire whether the money is ring fenced.

The Convener: There appears to be a preponderance of members who want a meeting on the Tuesday afternoon. We will need to organise that and to advise officials as quickly as possible of that. Do we need every official again?

Karen Gillon: Will David Dalgetty still be available?

The Convener: He might not be—that happens. It is obvious that we will want Richard Wakeford and John Mason.

Karen Gillon: That Andy Robb guy would be useful.

The Convener: Yes. I am not clear about whether we will need Bob McIntosh again, unless members have other forestry issues to raise.

Andrew Mylne: I suggest that if the committee has a reasonably clear idea of the further information that it wants, we will invite the Scottish Government to send the appropriate officials to answer the questions. Whom the Government sends is ultimately up to it, but if we indicate the topics, appropriate officials will be sent.

Des McNulty: Why do we not ask members to send a note of their questions to the clerks in the next 24 hours?

The Convener: We will ask the officials to deliver what they have undertaken to deliver to us as quickly as possible. We will provisionally arrange a Tuesday afternoon meeting but, after we receive the information that they have said they will give us, we will e-mail members, who will decide whether we still need that meeting.

John Scott: In the meantime, can Jan Polley explain the table on rural development contracts? I could almost explain it.

The Convener: I remind members that we are still on the record.

John Scott: I beg your pardon.

Is inviting officials necessary when Jan Polley could explain for Mike Rumbles how the table works?

Karen Gillon: I understand how the table works—all the schemes have been lumped in one pot at the bottom of the table. However, what is unclear is how that money will be divided among the agri-environment, organic aid, farm business

development and new entrants schemes, how it will be divided into regional pots and how those regional pots will be distributed on the basis of need. Who will determine need? How will the money be allocated? When will allocation take place? I know what the table means, but I do not know what the big slush fund at the bottom of the table will be used for.

The Convener: Does Jan Polley have an easy answer right now?

Jan Polley: When we met officials last week, we tried hard to persuade them to give us a piece of paper that disaggregated the numbers at the bottom of the table. They said that they would see what they could do, but they were reluctant to provide that information, for the reasons that have been explained today—because the schemes are demand led and the funding is spent on what people want money for. However, one question is how demand led the schemes can be if the Government seeks to achieve strategic outcomes.

The Convener: I will flag up a final point about waste funding. Paragraph 6.9.34 of the Howat report said that the budget for waste initiatives would be

“The most fruitful area for any headroom”

and that seems to have turned out to be the case. Howat anticipated what has happened.

Mike Rumbles: Many people have views on the Howat report.

The Convener: That is fine, but the previous Executive instructed the production of that report, which anticipated fruitful headroom that appears to have been used in the budget.

Our next scheduled meeting is on Wednesday 5 December and we have a provisional meeting on the afternoon of 4 December that depends on the information that we receive from the officials. As we have said, the main business on 5 December will be evidence from the cabinet secretary on fisheries and the budget. I thank members for their attendance.

Meeting closed at 12:36.

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